Morgan Stanley Institutional Fund

Passport Overseas Equity Portfolio

EMERGING MARKETS EQUITY TEAM

Portfolio Commentary

In the quarter period ending December 31, 2025, the Portfolio's I shares returned 3.47% (net of fees)[1], while the benchmark returned 5.05%.

International equities rose to a record high in the fourth quarter with a gain of over 5% and broad regional strength, as measured by the MSCI All Country World (ACWI) ex U.S. Index. Peformance was choppy in October and November and then steadily moved higher in December. MSCI regional returns for the period were led by Europe 6%, emerging markets (EM) 5%, Japan 3% and Asia Pacific ex Japan flat.[2] ACWI ex U.S. sector returns were led by technology 11%, materials 9%, and utilities, financials and health care each 8%, while the laggards were real estate -2%, consumer discretionary -3% and communication services -7%.

For the fourth quarter, the MSIF Passport Overseas Equity Portfolio gained 3.47% (I shares net of fees) but lagged the benchmark return of 5.05%. Significant contributors to portfolio performance included the overweight to technology hardware and stock selection within the industry, especially the overweight position in Samsung Electronics (4.9% of the portfolio),[3] which rose nearly 40% in the period, and the overweight to and stock selection in banks, which is the largest industry overweight in the portfolio. The underweight to and stock selection in financial services was also positive for portfolio returns. Significant detractors include the overweight to and stock selection in aerospace & defense, which took a pause in the fourth quarter from its strong 2025 performance after having been a significant contributor to year-to-date returns. Broadline retail and software, both portfolio overweights, detracted, as did stock selection in these groups.

Portfolio Activity

We made a few incremental changes to portfolio holdings during the period, but these were not significant moves as we think the portfolio is well positioned across countries, thematics/industries and stocks.

We continued to build the portfolio's overweight position in materials, primarily metals & mining, through the addition of two stocks. One of the stocks is an Australia-based miner that we see as an attractive way to gain a broad commodity exposure while also reducing the portfolio underweight to Australia. The company is the second-largest copper miner globally and has a roughly 50/50 split in earnings between copper and iron ore. The company's free cash flow yield and total shareholder payout are attractive, by our measures. Importantly, this stock has had a high correlation to the price performance of its underlying commodity portfolio, it has been less susceptible to merger and acquisition (M&A) news flow, and its balance sheet is not as leveraged as some of its peers.

We also initiated a position in the world's largest silver miner following a positive view on silver prices. The company also produces gold, and we chose this mining company due to its competitive cost structure and operational management and for the company's ability, historically, to produce stable earnings even during times of spot price weakness. Additionally, the company has a net cash position and a 50% dividend payout ratio.[4] Given rising spot prices for silver and gold, our work shows that free cash flow could inflect higher and potentially benefit shareholders through increased dividend payout.

We see physical artificial intelligence (AI) as the next stage of investment to help drive innovation and boost productivity. As part of this theme, we believe robotics is undergoing a fundamental shift and expect that the development of powerful AI models should help robots achieve greater autonomy with increased self-directed movement and navigation. We observe that automobiles are incorporating advanced driver-assistance systems and self-driving ability. Furthermore, other kinds of autonomous machines on the factory floor and in air space (e.g., humanoid robots or military drones) appear likely to play a major role in the global economy and national security.

Linked to this thematic, we added a company to the portfolio that is focused on the development and production of LiDAR (light detection and ranging) sensors, which are crucial components in various applications, including autonomous vehicles, robotics and

1 Source: Morgan Stanley Investment Management. Data as of December 31, 2025. Performance for other share classes will vary.
2 Regional and country returns are represented by their respective MSCI regional/country indexes, which are broad measures of the region/country's stock market performance. Data as of December 31, 2025.
3 Holdings data as of December 31, 2025.
4 Source: Company earnings call, August 2025, and Barclays, November 3, 2025.

industrial automation. As robots begin to move at their own discretion, we believe sensor technology, such as LiDAR, will likely play a significant role. The company has strong topline growth and maintains robust margins.

Among sales we reduced bank exposure through reductions in some positions in Europe and Southeast Asia that were not tracking our investment thesis. Additionally, we trimmed the portfolio's exposure to technology through sales across IT services, software and technology hardware.

Strategy and Outlook

The investment team implements a core, integrated, top-down and bottom-up approach that seeks to invest in what we see as the most attractive countries, thematics/industries and stocks across developed, emerging and select frontier markets. The geographic portfolio allocation is overweight specific countries in Europe (Germany, Ireland, Spain and the Netherlands) and underweight Japan, the U.K., Canada and Australia. We have emerging and frontier markets positions in Korea, India, China, Taiwan, Hungary, Egypt, Slovenia and Kazakhstan.

We have identified themes that we see as compelling investment opportunities for this year and beyond. These include AI Beneficiaries (semiconductors and software), Industrial Transformation (aerospace & defense, automation, electrification), Financials (banks in Europe and select EM markets), Digital Platforms (e-commerce, media & entertainment), Health Care (biotech and pharma), Geopolitical Hedges (energy and materials) and Opportunistic (unloved/neglected and specialized stocks).

The world is broadening economically, geopolitically, technologically and monetarily. As we move into 2026, we see a shift from concentrated sources of growth and returns to a greater dispersion and wider set of opportunities, both within the U.S. and across global markets. The investment environment is being shaped by the interest rate regime, widening gap between tariff rhetoric and reality, divergent technological architectures, monetary fragmentation and renewed interest in real assets.

We believe the takeaway from 2025 for investors is that economic growth, corporate earnings and equity markets can continue to expand in the face of challenges from turbulent trade policy and volatile geopolitics. For the coming year, consensus 2026 earnings estimates for MSCI All Country World ex U.S. are at 13.1% versus 13.7% for the U.S. and 12-month forward price-to-earnings (P/Es) are 15.4x versus 22.4x, respectively.[5] Absolute and relative earnings revisions for ACWI ex U.S. are higher, and both trailing and 12-month forward returns on equity have risen to levels last seen in the mid-2000s.[5] Accommodative fiscal and monetary policy also provide a supportive backdrop for equity markets. We think that non-U.S. equities are favored due to their attractive absolute and relative valuations, positive earnings per share growth and improving macro fundamentals, and are under-owned versus U.S. equities in global portfolios.

We continue to focus on identifying what we believe are the most attractive opportunities across non-U.S. equities, and we believe our investment approach helps us to invest in these ahead of the consensus. We are again cautiously optimistic that in 2026 international equities can once again climb the wall of worry and potentially move higher on the back of improving fundamentals.

Fund Facts

Inception Date	January 17, 1992
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI All Country World ex USA Index
	Custom- Blended Index
	Former- MSCI EAFE Index
Class I expense ratio	**Gross 1.10 %**
	Net 0.90 %
Class A expense ratio	**Gross 1.36 %**
	Net 1.25 %

Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of the applicable fund's current prospectus (unless otherwise noted in the applicable prospectus) or until such time as the fund's Board of Directors acts to discontinue all or a portion of such waivers and/or reimbursements. Absent such waivers and/or reimbursements, returns would have been lower. Expenses are based on the fund's current prospectus, in effect as of the date of this commentary. For information on the applicable fund's current fees and expenses, please see the fund's current prospectus.

[5] Source: MSIM, Bloomberg L.P., FactSet, Global Insight. Data as of October 31, 2025.
* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

Performance (%)

As of December 31, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	3.37	3.47	38.53	38.53	18.66	6.04	8.46
Class A Shares at NAV	3.30	3.35	38.01	38.01	18.27	5.72	8.11
Class A Shares (With Max 5.25% Sales Charge)	-2.12	-2.08	30.80	30.80	16.17	4.58	7.53
MSCI All Country World ex USA Index	3.00	5.05	32.39	32.39	17.33	7.91	8.41
Blended Index	3.00	5.05	32.39	32.39	17.33	7.91	8.05
MSCI EAFE Index	3.00	4.86	31.22	31.22	17.22	8.92	8.18

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month end performance figures, please visit morganstanley.com/im. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class I and A shares. Performance for other share classes will vary.

INDEX INFORMATION

The **MSCI All Country World ex USA Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the United States. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. Returns, including periods prior to January 1, 2001, are calculated using the return data of the MSCI All Country World ex USA Index (gross dividends) through December 31, 2000 and the return data of the MSCI All Country World ex USA Index (net dividends) after December 31, 2000. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. It is not possible to invest directly in an index. Effective January 1, 2017, the Fund's primary benchmark changed to MSCI All Country World ex USA Index because the Adviser believes the MSCI All Country World ex USA Index is a more appropriate benchmark for the Fund.

The **Blended Index** performance shown is calculated using the MSCI EAFE Index from inception through 12/30/2016 and the MSCI All Country World ex USA Index Net Index thereafter.

The US Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the U.S. & Canada.

The performance of the Indices is listed in U.S. dollars and assumes reinvestment of net dividends.

Indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor.

RISK CONSIDERATIONS

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this portfolio may be subject to certain additional risks. In general, **equities securities'** values also fluctuate in response to activities specific to a company. Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. The risks of investing in **emerging market** countries are greater than risks associated with investments in foreign developed markets. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk).

IMPORTANT INFORMATION

The views and opinions and/or analysis expressed are those of the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

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Please consider the investment objective, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this commentary), download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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