

Morgan Stanley Institutional Fund

Passport Overseas Equity Portfolio

EMERGING MARKETS EQUITY TEAM

Portfolio Commentary

In the quarter period ending September 30, 2025, the Portfolio's I shares returned 8.32% (net of fees)¹, while the benchmark returned 6.89%.

Investors were shaken in April by concerns that rising U.S. tariffs across a wide swath of countries would dampen global economic growth and raise prices. However, markets climbed a wall of worry since then on steady earnings growth, benign inflation prints and continued enthusiasm of artificial intelligence (AI). The U.S. Federal Reserve provided a further boost in September with an interest rate cut, and we are now headed into a historically strong seasonal period for global equities.

Non-U.S. equities (as measured by MSCI All Country World [ACWI] ex U.S.A. Index in U.S. dollars) moved in a saw-tooth pattern in July and August and then rallied 4% in September for a third quarter return of nearly 7%. MSCI regional performance for the third quarter was: emerging markets 11%, the U.S. and Japan each 8%, Asia/Pacific ex Japan 5%, and Europe 3%.² MSCI ACWI ex U.S.A. sector performance for the third quarter was dominated by materials 15%, and consumer discretionary and technology each 11%, and laggards were real estate, health care and utilities each 2%, and consumer staples -1%.

MSIF Passport Overseas Equity Portfolio gained 8.32% (I shares net of fees) in the third quarter, 143 basis points ahead of the benchmark return of 6.89%.³ The portfolio benefited from the overweights to and stock selection in capital goods (primarily aerospace & defense), banks and tech hardware (especially Samsung Electronics, 3.9% of the portfolio).⁴ Stock selection in semiconductors was also additive to returns as was the zero allocation to real estate. Detractors from portfolio returns included stock selection in broadline retail (overweight Latin America and underweight China e-commerce), the overweights to and stock selection in India, pharmaceuticals and household products. Stock selection in China was positive but was more than offset by the underweight to the market, which gained 21% in the period.² Similarly, the portfolio benefited from positions in gold-related stocks, but the overall underweight to metals & mining hampered returns. On a year-to-date basis, the Portfolio has gained 33.89% (I shares net of fees) versus 26.02% for the benchmark.

Portfolio Activity

We maintained our broad investment strategy over the course of the third quarter with a few changes to positioning, including additions to materials, technology (semiconductor equipment) and defense. We initiated a small position in autos, an unloved sector, which also provides exposure to Korea. Our work shows that Kia Motors (0.6% of the portfolio)⁴ has solid financials, attractive valuations and dividend yield, and has demonstrated the ability to grow with double-digit operating profit margin and currently the highest profitability among mass auto brands. Company strategy has focused on design excellence and product value enhancement, and the execution has been effective. We reduced or sold a number of positions to take profits and/or to replace existing holdings with relatively more attractive companies with similar business mixes. Sales during the quarter included positions in staples, electrical equipment and industrial automation.

While we remain underweight to China based on longstanding structural issues, we see opportunity in "China 3.0," composed of innovative industries across health care, high-end manufacturing/automation/robotics, technology/AI, neighborhood electric vehicles (NEV) and renewable energy. We added to the market during the period through stocks in pharmaceuticals and semiconductor capital equipment. In pharmaceuticals, we purchased Jiangsu Hengrui (0.6% of the portfolio),⁴ which has been demonstrating strong financial performance and boasts an industry-leading research and development (R&D) pipeline. Additionally, the company has a global expansion strategy including significant partnerships. We also added a leading Chinese domestic semiconductor equipment manufacturer, Naura Technology (1.0% of the portfolio),⁴ which we expect to benefit significantly from localization trends driven by geopolitical issues and favorable Chinese government policies. The company is expanding its product offerings and has been gaining market share with improving profitability.

¹ Source: Morgan Stanley Investment Management. Data as of September 30, 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 September 30, 2025.

³ One basis point = 0.01%

⁴ Holdings data as of September 30, 2025.

This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent advice should be sought before any decision to invest.

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In semiconductor capital equipment, we added to ASML (1.7% of the portfolio),⁴ which has a monopoly position in extreme ultraviolet (EUV) lithography technology, which is essential for producing the most advanced semiconductor chips. The company is indispensable to leading chipmakers as a key enabler of cutting-edge semiconductor manufacturing. ASML benefits from strong secular growth drivers, including AI, 5G and high-performance computing. The company's high free cash flow appears supportive of ongoing stock buybacks, and we think its business is buffered by a sizable patent portfolio.

As part of our defense thematic, we initiated a position in Thales (0.7% of the portfolio),⁴ which we see as markedly undervalued based on future earnings and revenue expectations, supported by robust industry trends, organic sales growth and internal efficiencies. Importantly, the company is also investing heavily in its industrial base and R&D, with plans to invest in French production sites to quadruple navigation solution capacity and to increase production rates in radio communications, cybersecurity, electronic warfare and satellite communications.

Strategy and Outlook

The portfolio is fully invested, with regional/country positioning of overweight Europe (Germany, France, Ireland), neutral in emerging markets, and underweight Japan and Asia ex-Japan. We have thematic investments which we think represent compelling investment opportunities across non-U.S. equities, AI picks & shovels (software, semiconductors and tech hardware), consumer franchises, digital platforms (e-commerce, media & entertainment, and online travel), financials (delevered credit opportunities in Europe and Emerging Markets Revival play), geopolitical hedges, health care (medical technology, biotech and pharma), and industrial transformation (automation, defense, electrification, airlines).

We expect the strength of non-U.S. equities (MSCI ACWI ex U.S.A. +26% versus 18% for the MSCI U.S.A. Index year-to-date)⁵ and currencies seen so far this year to continue, supported by non-U.S. equities' favorable valuations relative to the U.S. market, further recognition of attractive investment opportunities outside the U.S. and the potential for improving earnings growth. We believe further weakness in the U.S. dollar (-10% year-to-date as measured by DXY Index) would likely be an important driver of performance; our work shows that currency movements have been responsible for roughly a third of international equities' total return over time.⁵

Global equities are at/near all-time highs, but we believe conditions still show room for further upside, financial conditions are loose, sentiment remains below record levels and skepticism remains among investors with cash on the sidelines. August and September have typically been the weakest period for global equities while the fourth quarter has tended to be quite strong for market returns. There have been many significant policy changes across the world this year and while high-frequency data may be choppy as a result, we think that economic growth will likely be supportive to equity markets and corporate earnings. We continue to focus on identifying what we consider the most compelling investment narratives across global equities and look for opportunities where we see potential upside and where the consensus has not yet moved to.

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.

⁴ Holdings data as of September 30, 2025.

⁵ Source: MSIM, Bloomberg L.P., FactSet, Global Insight. Data as of April 30, 2025. International equities are represented by their respective MSCI regional or country indexes.

* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

Performance (%)

As of September 30, 2025

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	5.26	8.32	33.89	25.81	22.34	9.63	8.43
Class A Shares at NAV	5.24	8.23	33.54	25.37	21.96	9.30	8.09
Class A Shares (With Max 5.25% Sales Charge)	-0.28	2.55	26.56	18.79	19.79	8.13	7.51
MSCI All Country World ex USA Index	3.60	6.89	26.02	16.45	20.67	10.26	8.23
Blended Index	3.60	6.89	26.02	16.45	20.67	10.26	8.01
MSCI EAFE Index	1.91	4.77	25.14	14.99	21.70	11.15	8.17

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

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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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