

Morgan Stanley Institutional Fund
US Core Portfolio

APPLIED EQUITY ADVISORS TEAM

Performance Review

In the quarter period ending December 31, 2025, the Portfolio's I shares returned 1.41% (net of fees)¹, while the benchmark returned 2.66%.

As a core portfolio, US Core attempts to tilt toward the style of stock exposure (growth, value, defensive) that offers the best opportunity within the context of a typically 30- to 35-stock portfolio. With a limited number of stocks, good stock selection is paramount. The team employs rigorous fundamental analysis seeking many company-specific attributes such as strong earnings revisions, top stock price momentum and high share buybacks. As pertains to portfolio construction, diversification² among positions is a critical component of risk control.

Following are the most significant performance drivers relative to the S&P 500 Index benchmark for the fourth quarter of 2025:

1. Stock Selection:
 - a. Alphabet was up +29% in the quarter, adding +1.90%.
 - b. Eli Lilly was up +41% in the quarter, adding +0.52%.
 - c. Netflix was down -22% in the quarter, detracting -1.02%.
 - d. Microsoft was down -6% in the quarter, detracting -0.92%.
2. Style Exposures:
 - a. An overweight to long-term momentum stocks added +0.54%.
3. Sector Exposures:
 - a. An underweight to health care cost -0.66%.

Past performance is no guarantee of future results. The attribution is presented gross of fees. Had these fees and expenses been deducted, returns would be lower. See the next page for performance.

Strategy and Outlook

After three stellar years of returns in U.S. equities, we concede the bull market has entered the later stages. Yet, we believe there is more room to go in 2026 for four main reasons:

1. Historical precedent

Since 1950, not all bull markets lasted four years, but if they did, the fourth year was consistently a positive year.³

2. Monetary policy is accommodative

Equities historically since 1950 have done well when the Federal Reserve (Fed) was cutting interest rates.⁴

3. Fiscal policy stimulus is coming

The One Big Beautiful Bill Act may generate an estimated \$170 billion of consumer aid in 2026.⁵

4. Consumer sentiment is cautious

Historically since 1952, returns for equities have been quite healthy when there was no ebullience in spending.⁶

However, 2026 is a midterm election year, and historically, there typically has been a sizable correction in those years.⁷

¹ Source: Morgan Stanley Investment Management. Data as of December 31, 2025. Performance for other share classes will vary.

² Diversification neither assures a profit nor guarantees against loss in a declining market.

³ Source: Bloomberg L.P. Based on S&P 500 Index performance from inception of the index in 1950 to December 2025.

⁴ Source: Bloomberg L.P. Based on S&P 500 Index performance from 1950 to November 2025.

⁵ Source: Strategas.

⁶ Source: Strategas. Based on University of Michigan Index of Consumer Sentiment and S&P 500 Index average 12-month forward returns from 1952 to 2024.

⁷ Source: Bloomberg L.P. Based on S&P 500 Index performance from 1950.

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.

As we counseled into the April 2025 downdraft, we would likely be buyers into any meaningful weakness.

As for artificial intelligence (AI), the obsession over whether an AI bubble exists is keeping valuations compressed, a good thing!

In our view, the AI rollout remains in the early stages. Ultimately the productivity boost to the “other 493” could allow the S&P 500 Equal Weight Index to eventually catch up to the cap-weighted S&P 500 Index.

So, what's the risk to our relatively healthy outlook for 2026?

One of the more famous Wall Street adages reminds us:

“Bull markets don't die of old age; they get killed by the Fed.”

While not all bear markets are caused by a Fed turning more restrictive, most of them have been.⁸

With the current path of the Fed seemingly dovish, this appears unlikely. But to be clear, a more hawkish Fed pivot would upend our 2026 optimism.

How our portfolio is positioned:

1. We continue to like a balance between growth and value stocks.

Past performance is no guarantee of future results. The market returns referred to in the commentary are those of representative indices and are not meant to depict the performance of a specific investment.

Fund Facts

Inception Date	May 27, 2016
Minimum Initial Investment (\$)*	A Shares - 1,000 I Shares - 1,000,000
Benchmark	S&P 500 Total Return Index
Class I expense ratio	Gross 0.84 % Net 0.80 %
Class A expense ratio	Gross 1.10 % Net 1.10 %

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.

Performance (%)

As of December 31, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	-0.12	1.41	16.48	16.48	20.93	13.93	--	14.39
Class A Shares at NAV	-0.18	1.31	16.13	16.13	20.57	13.59	--	14.02
Class A Shares (With Max 5.25% Sales Charge)	-5.43	-4.01	10.04	10.04	18.43	12.37	--	13.38
S&P 500 Total Return Index	0.06	2.66	17.88	17.88	23.01	14.42	--	15.06

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.

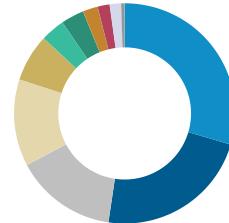
⁸ Source: Bloomberg L.P. Of the last 11 bear markets (declines of -20% or worse in the S&P 500 Index), 6 were caused by inflation surging, causing the Fed to pivot.

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

Top Holdings (% of Total Net Assets)

	FUND	INDEX
NVIDIA Corp	11.24	7.76
Alphabet Inc	9.95	5.61
Microsoft Corp	8.15	6.15
Apple Inc	7.03	6.87
Amazon.com Inc	6.95	3.84
JPMorgan Chase & Co.	6.09	1.50
General Electric Co.	4.13	0.56
Tesla Inc	3.64	2.16
Cboe Global Markets Inc	3.61	0.04
TJX Companies Inc	3.57	0.29
Total	64.36	--

Sector Allocation (% of Total Net Assets)[^]



	FUND	INDEX
Information Technology	29.61	34.43
Financials	22.83	13.40
Consumer Discretionary	14.93	10.41
Communication Services	12.75	10.58
Industrials	6.97	8.16
Real Estate	3.55	1.83
Health Care	3.38	9.59
Energy	2.20	2.81
Consumer Staples	1.77	4.71
Materials	1.67	1.83
Utilities	--	2.25
Cash	0.50	--

[^] May not sum to 100% due to rounding.

INDEX INFORMATION

The **S&P 500 Total Return Index** is an index that consists of 500 stocks chosen for market size, liquidity and industry group representation. The S&P Index is a market value weighted index with each stock's weight proportionate to its market value. The S&P Index is one of the most widely used benchmarks of U.S. equity performance. The performance of the S&P Index does not account for any management fees, incentive compensation, commissions or other expenses that would be incurred pursuing such strategy. Total return provides investors with a price-plus-gross cash dividend return. Gross cash dividends are applied on the ex-date of the dividend.

The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

The **S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight — or 0.2% of the index total at each quarterly rebalance.

The index is unmanaged and does 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 mutual fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and that the value of fund 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 fund. Please be aware that this fund may be subject to certain additional risks. In general, **equities securities**' values also fluctuate in response to activities specific to a company. Stocks of **small-and medium-capitalization** companies entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **Non-diversified portfolios** often invest in a more limited number of issuers. As such, changes in the financial condition or market value of a single issuer may cause greater volatility. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks.

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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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