

Morgan Stanley Institutional Fund

US Core Portfolio

APPLIED EQUITY ADVISORS TEAM

Performance Review

In the quarter period ending December 31, 2023, the Portfolio's I shares returned 12.99% (net of fees)¹, while the benchmark returned 11.69%.

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, diversification² among positions is a critical component of risk control.

Following are the most significant performance drivers relative to the S&P 500 benchmark for the fourth quarter of 2023:

1. Style Exposures:
 - a. An underweight to the highest beta stocks cost -0.16%, while an underweight to the lowest beta stocks added +0.25%.
 - b. An overweight to high momentum stocks added +0.71% while an underweight to low momentum stocks added +0.39%.
 - c. An underweight to the lowest quality stocks cost -0.31%.
2. Sector exposures:
 - a. An underweight to health care added +0.49%.
 - b. An overweight to financials added +0.19%.
 - c. An underweight to REITs (real estate investment trusts) cost -0.17%.
3. Specific Stocks:
 - a. Microsoft (10.4% of the portfolio), Lululemon (3.0% of the portfolio), United Rentals (3.1% of the portfolio) and Costco (4.3% of the portfolio) each rallied close to, or more than, 20% for the quarter, resulting in a combined addition of +2.35% to relative returns for the quarter.²
 - b. The only stock down of significance was Chevron (1.8% of the portfolio),² which lost -11% over the quarter. This cost the portfolio -0.52% in relative returns for the quarter.

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

There are five reasons we believe the equity rally is not over:

1. Retail fund flows only turned positive in November, a year beyond the 2022 market low. This is consistent with past patterns for fund flows, and is likely fuel for further gains.
2. Since 1940, the S&P 500 has always (17 out of 17 times) gone up the year incumbent presidents run for re-election,⁴ as is happening in 2024.
3. Since 1974, once the Federal Reserve (Fed) stops hiking rates, the equity rally has lasted longer and gone higher.
4. At the current pace, monthly inflation numbers should continue to point in a downward trajectory, at least for the first half of 2024.
5. Technically, since 1960, broadening of the recent rally (90% of S&P 1500 stocks are above their 50-day moving averages) has had an excellent history of predicting further gains ahead.⁵

We believe this would also point to a better time for stock picking versus indexing.

¹ Source: Morgan Stanley Investment Management. Data as of December 31, 2023. Performance for other share classes will vary.

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

⁴ Source: Strategas, Bloomberg L.P.

⁵ Source: Sentiment Trader, December 20, 2023, and December 26, 2023.

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.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

What worries us:

1. After a year (2023) of very little pain for bullish investors, the next year has frequently challenged a bullish thesis.
2. Monthly inflation numbers will have tougher year-over-year comparisons in the second half of 2024.
3. Once the Fed cuts rates, will the bears scare the market?

How our portfolios are positioned:

1. We like a balance between growth (technology and consumer discretionary) and value (financials and industrials).
2. We remain underweight relative to the defensive sectors (health care and consumer staples).

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 0.95 %
	Net 0.80 %
Class A expense ratio	Gross 1.19 %
	Net 1.15 %

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.

Performance (%)

As of December 31, 2023	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	5.13	12.99	18.06	18.06	8.61	16.69	--	12.37
Class A Shares at NAV	5.09	12.94	17.71	17.71	8.29	16.36	--	12.00
Class A Shares (With Max 5.25% Sales Charge)	-0.41	7.01	11.56	11.56	6.36	15.11	--	11.21
S&P 500 Total Return Index	4.54	11.69	26.29	26.29	10.00	15.69	--	13.44

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.

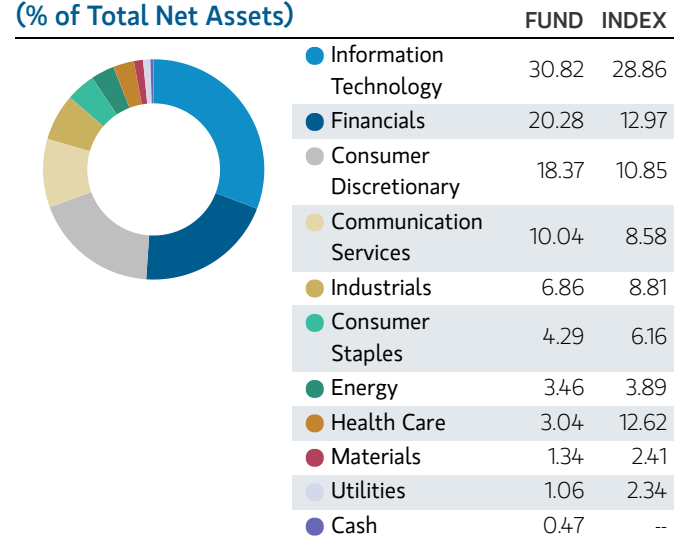
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

* 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
Microsoft Corp	10.38	6.98
Apple Inc	8.19	7.03
Alphabet Inc	8.01	3.82
NVIDIA Corp	5.51	3.06
JP Morgan Chase & Co	5.17	1.23
Costco Wholesale Corp	4.29	0.73
Ameriprise Financial Inc	4.22	0.10
Amazon.com Inc	4.01	3.45
MasterCard Inc	3.90	0.88
Progressive Corp/The	3.77	0.23
Total	57.45	--

Sector Allocation (% of Total Net Assets)



^ 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 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.

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, download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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