

INVESTMENT MANAGEMENT

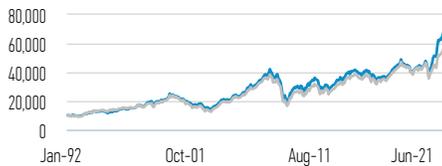
Morgan Stanley Institutional Fund

Active International Allocation Portfolio

Investment Objective: Seeks long-term capital appreciation.

Investment Approach: The Active International Allocation team relies on a proprietary, top-down framework to quantitatively and qualitatively rank developed and emerging countries, where allocation decisions are based on a country's projected future economic growth and equity market return potential. The approach combines country analysis with sector allocation and bottom-up stock selection, where investment decisions are implemented either through sector, industry or stock-specific allocations within and across markets. Investments are based on fundamental analysis, in an effort to identify those equities that stand to benefit the most from the team's investment view.

Class I Shares (% net of fees) vs. Index
Performance of 10,000 USD Invested Since Inception
(Cash Value (\$))



— Class I Shares
— Blended Index

Investment Performance (% net of fees) in USD

| | Cumulative (%) | | | Annualized (% p.a.) | | | |
|-------------------------------------|----------------|------|-------|---------------------|-------|-------|-----------|
| | 2Q21 | YTD | 1 YR | 3 YR | 5 YR | 10 YR | INCEPTION |
| Class I Shares | 6.89 | 7.62 | 46.66 | 15.30 | 13.71 | 6.82 | 6.68 |
| MSCI All Country World ex USA Index | 5.48 | 9.16 | 35.72 | 9.38 | 11.08 | 5.45 | 6.21 |
| Blended Index | 5.48 | 9.16 | 35.72 | 9.38 | 11.10 | 6.29 | 6.04 |
| MSCI EAFE Index | 5.17 | 8.83 | 32.35 | 8.27 | 10.28 | 5.89 | 5.90 |

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------|-------|-------|--------|-------|-------|-------|-------|
| Class I Shares | 30.48 | 22.41 | -15.14 | 24.76 | -0.67 | -1.63 | -6.37 |
| Blended Index | 10.65 | 21.51 | -14.20 | 27.19 | 1.00 | -0.81 | -4.90 |

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 or call 1-800-548-7786. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Performance and fund information is as of June 30, 2021, unless otherwise noted. Returns are net of fees and assume the reinvestment of all dividends and income. Returns for less than one year are cumulative (not annualized). Performance of other share classes will vary.

Growth of Investment illustration is based on an initial investment of \$10,000 made since fund inception, assumes reinvestment of dividends and capital gains and application of fees, but does not include sales charges. Performance would have been lower if sales charges had been included. Results are hypothetical.

Please keep in mind that high double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions.

| Expense Ratios | SYMBOL | CUSIP | GROSS (%) | NET (%) |
|----------------|--------|-----------|-----------|---------|
| Class A | MSIBX | 61744J655 | 1.31 | 1.25 |
| Class C | MSAAX | 61760X554 | 5.66 | 2.00 |
| Class I | MSACX | 61744J846 | 1.02 | 0.90 |
| Class IS | MAIJX | 61768B877 | 21.16 | 0.85 |

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. The minimum initial investment is \$5,000,000 for Class I shares.

Effective April 3, 2018, the investment objective and strategy was revised. Prior to this date, the objective and strategy was "We seek fundamentally attractive, undervalued, and out-of-favor markets to identify areas where a positive change could potentially unlock value and move stock prices higher. Our top-down decision-making process emphasizes rigorous analysis of region, country, sector and industry selection valuations and fundamentals."



Morningstar Overall Rating

CLASS I SHARES

Out of 673 Funds. Based on Risk Adjusted Return. Class I Shares: 3Yr. rating 5 Stars; 5Yr. rating 5 Stars; 10Yr. rating 4 Stars.

Morningstar Category: Foreign Large Blend

Lipper Category: International Large-Cap Growth

Morningstar Rankings - Class I

| | PERCENTILE | RANK/TOTAL IN CATEGORY |
|-------|------------|------------------------|
| 1 YR | 4 | 24/757 |
| 3 YR | 1 | 5/673 |
| 5 YR | 4 | 25/579 |
| 10 YR | 15 | 43/385 |

Source: Morningstar, Inc. Rankings are based on total returns, are historical and do not guarantee future results.

Fund Facts

| | |
|--------------------------------|-------------------------------------|
| Inception date | January 17, 1992 |
| Total net assets | \$ 247,444 million |
| Primary benchmark ¹ | MSCI All Country World ex USA Index |
| Custom benchmark ² | Blended Index |
| Former benchmark ³ | MSCI EAFE Index |
| Distribution frequency | Annually |

Statistics (3 Year Annualized)

| | CLASS I | INDEX ² |
|------------------------|---------|--------------------|
| Alpha (%) | 5.96 | -- |
| Beta (vs. benchmark) | 0.99 | 1.00 |
| Excess return (%) | 5.92 | -- |
| Information ratio | 1.25 | -- |
| R squared | 0.93 | 1.00 |
| Sharpe ratio | 0.77 | 0.46 |
| Standard deviation (%) | 18.14 | 17.61 |
| Tracking error (%) | 4.73 | -- |
| Up-capture ratio (%) | 113.74 | 100.00 |
| Down-capture ratio (%) | 90.48 | 100.00 |

Characteristics

| | FUND | INDEX ¹ |
|--|--------|--------------------|
| Active share (%) | 81.65 | -- |
| Number of holdings | 109 | 2,348 |
| Price/earnings (NTM) [†] | 19.80 | 14.97 |
| Price/book | 3.57 | 1.98 |
| Return on equity (%) | 11.97 | 13.70 |
| 5 year EPS growth (%) | 4.35 | 7.45 |
| Weighted average market capitalization (\$B) | 121.58 | 79.17 |
| Weighted median market capitalization (\$B) | 56.96 | 34.41 |
| Turnover (%) [*] | 37 | -- |

[†] NTM = Next Twelve Months.

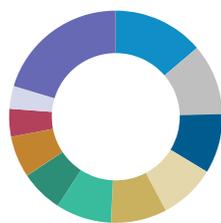
^{*} Turnover is sourced from the fund's current prospectus.

Security Type Breakdown (% of Total Net Assets)[#]

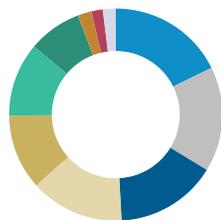
| | FUND | INDEX ¹ |
|--------------------|-------|--------------------|
| Equity Securities | 99.71 | 98.94 |
| Futures Contracts | 1.49 | -- |
| Cash & equivalents | -1.20 | -- |

Top Holdings (% of Total Net Assets)

| | FUND | INDEX ¹ |
|---------------------------------|--------------|--------------------|
| Sea Ltd | 8.66 | 0.01 |
| Glencore PLC | 3.57 | 0.16 |
| First Quantum Minerals Ltd. | 3.33 | 0.05 |
| Samsung Electronics Co Ltd | 3.02 | 1.25 |
| Taiwan Semiconductor Mfg Co Ltd | 3.01 | 1.91 |
| Farfetch Ltd. | 2.51 | 0.56 |
| Alibaba Group Holding Ltd | 2.48 | -- |
| Despegar.com | 2.13 | 1.56 |
| Unilever PLC | 1.96 | -- |
| Nikon Corp. | 1.93 | 0.45 |
| Total | 32.60 | -- |

Top Countries (% of Total Net Assets)[#]

| | FUND | INDEX ¹ |
|----------------|-------|--------------------|
| United Kingdom | 13.95 | 8.87 |
| U.S. | 10.95 | -- |
| Japan | 9.18 | 14.30 |
| Singapore | 8.66 | 0.66 |
| France | 8.60 | 7.10 |
| Germany | 8.52 | 5.80 |
| China | 6.54 | 11.74 |
| Canada | 6.42 | 7.03 |
| Netherlands | 4.29 | 2.68 |
| South Korea | 3.52 | 4.14 |
| Other | 20.55 | -- |
| Cash | -1.20 | -- |

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

| | FUND | INDEX ¹ |
|------------------------|-------|--------------------|
| Consumer Discretionary | 17.96 | 13.81 |
| Materials | 16.16 | 8.30 |
| Information Technology | 15.61 | 12.93 |
| Communication Services | 14.41 | 6.72 |
| Health Care | 11.60 | 9.28 |
| Consumer Staples | 11.39 | 8.49 |
| Industrials | 8.22 | 11.79 |
| Energy | 2.11 | 4.54 |
| Financials | 1.76 | 18.57 |
| Other | 1.97 | -- |
| Cash | -1.20 | -- |

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

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Past performance is not indicative of future results. Subject to change daily. Fund information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security or securities in the sectors and countries that may be presented. **Forecasts/estimates** are based on current market conditions, subject to change, and may not necessarily come to pass.

Index data displayed under characteristics and allocations are calculated using MSIM and/or other third-party methodologies and may differ from data published by the vendor.

Shares of the portfolio redeemed within 30 days of purchase will be subject to a 2% redemption fee, payable to the portfolio. The redemption fee is designed to protect the portfolio and its remaining shareholders from the effects of short-term trading.

DEFINITIONS: **Active share** is the fraction of the portfolio or fund that is invested differently than its benchmark as of the last day of the reporting period. **Alpha** (Jensen's) is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. Prior to 6/30/2018 Alpha was calculated as the excess return of the fund versus benchmark. **Beta** is a measure of the relative volatility of a security or portfolio to the market's upward or downward movements. **Earnings per share (EPS) growth** is the weighted average of earnings per share growth for all securities in the portfolio projected for the past five fiscal years. Earnings per share for a company is defined as total earnings divided by shares outstanding. **Excess return** or value added (positive or negative) is the portfolio's return relative to the return of the benchmark. **Information ratio** is the portfolio's alpha or excess return per unit of risk, as measured by tracking error, versus the portfolio's benchmark. **Price/book** compares a stock's market value to the book value per share of total assets less total liabilities. This number is used to judge whether a stock is undervalued or overvalued. **Price/earnings (P/E)** is the price of a stock divided by its earnings per share. Sometimes called the multiple, P/E gives investors an idea of how much they are paying for a company's earning power. **R squared** measures how well an investment's returns correlate to an index. An R squared of 1.00 means the portfolio performance is 100% correlated to the index's, whereas a low R squared means that the portfolio performance is less correlated to the index's. **Return on equity (ROE)** is the amount of net income returned as a percentage of shareholders equity. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. **Standard deviation** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value. **Tracking error** is the amount by which the performance of the portfolio differs from that of the benchmark. **Upside/downside market capture** measures annualized performance in up/down markets relative to the market benchmark. **Weighted average market capitalization** is an average of the market capitalization of stocks held by a portfolio or comprising an index, adjusted by each stock's corresponding weight in the portfolio or index. **Weighted median market capitalization** is the point at which half of the market value of a portfolio or index is invested in stocks with a greater market capitalization, and consequently the other half of the market value is invested in stocks with a lower market capitalization.

INDEX INFORMATION: ⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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.

Indices are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

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 value 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). **Privately placed and restricted securities** may be subject to resale restrictions as well as a lack of publicly available information, which will increase their illiquidity and could adversely affect the ability to value and sell them (liquidity risk).

Morningstar: Rankings and/or ratings as of June 30, 2021. **Rankings:** The percentile rankings are based on the average annual total returns for the periods stated and do not include any sales charges, but do include reinvestment of dividends and capital gains and Rule 12b-1 fees. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

Ratings: The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and openended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account sales loads.

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