Morgan Stanley
INVESTMENT MANAGEMENT

COMMENTARY
September 30, 2025

Morgan Stanley Institutional Fund

Emerging Markets Portfolio

EMERGING MARKETS EQUITY TEAM

Performance Review

In the quarter period ending September 30, 2025, the Portfolio's I shares returned 9.14% (net of fees)[1], while the benchmark returned 10.64%.

Our stock selections in Taiwan and Korea and allocation to Antofagasta (1.4% of the portfolio)[2] in Chile contributed to returns during the quarter. Stock selection in India was positive, though gains were offset by our overweight allocation to the market as equities underperformed on tariff volatility and net foreign outflows. The underweight to and aggregate stock selection in China and stock selection in South Africa also detracted from returns.

Top contributors to performance during the quarter are outlined below:

Artificial intelligence (AI) optimism continued during the quarter and our stock selection in Taiwan contributed to returns, led by the overweights to select AI hardware and semiconductor-related companies including Hon Hai, TSMC, Delta Electronics and Wiwynn (1.6%, 15.5%, 1.1%, and 1.6% of the portfolio, respectively).[2] We believe Taiwan is one of the best positioned markets in the AI hardware supply chain given it is home to TSMC (which is the sole supplier for almost all AI chips and dominates the advanced packaging technology capacity) and to companies like Hon Hai and Wiwynn, which have significant market share in the AI server assembly space.

Stock selection in Korea contributed, led by the overweight allocation to Samsung Electronics (5.7% of the portfolio).[2] Samsung's stock rallied after the company received a long-awaited certification from Nvidia (the dominant buyer of advanced memory) on its HBM3E (high-bandwidth memory), which is now approved for use in AI accelerators. Though the initial amount of chips to be supplied to Nvidia is expected to be relatively small, the qualification from Nvidia marked a significant milestone for Samsung, particularly in the competitive and rapidly advancing AI chip race.

The portfolio benefited from the allocation to Antofagasta in Chile as copper spot prices continued to increase year-to-date and rose again in September following a mine disruption in Indonesia which led to a supply shock and a downward revision in supply forecasts.

Top detractors from performance during the quarter are outlined below:

While our stock selection in India was positive, the overweight to the country hampered relative returns as the market optimism around goods and services tax (GST) rate reductions was offset by changes to the U.S. H-1B visa program and tariff policy. Foreign institutional investors were net sellers of equities for the quarter, though domestic institutional investors continued with net inflows, with contributions to India's systematic investment plans reaching a record high in September. Within the market, our allocations to Lodha Developers, Max Healthcare, Hitachi Energy, ICICI Bank and Reliance Industries detracted (0.7%, 0.9%, 1.2%, 2.0% and 1.8% of the portfolio, respectively).[2] Lodha and other real estate developers were impacted by concerns on increasing supply and greater investor focus on more defensive sectors, while Reliance's stock slid after quarterly results showed weakness in its retail segment and refining business.

The underweight to and stock selection in China detracted from returns. Chinese equities rallied during the quarter on continued AI and technology momentum, bolstered by Alibaba's CEO announcing at the company's annual cloud conference that their investment in AI would surpass $50 billion over the next three years (Alibaba, 4.2% of the portfolio).[2] Additionally, Alibaba launched its most advanced AI model, Qwen3-Max, which ranks high in code and agentic capabilities. Select Chinese holdings in the portfolio added to relative returns during the quarter, including Jiangsu Hengrui Pharmaceutical, Contemporary Amperex Technology (CATL), NAURA Technology and Xiaomi (0.8%, 0.7%, 0.6% and 1.0% of the portfolio, respectively); however, gains were offset by the allocations to China Merchants Bank, Bank of Jiangsu and China Construction Bank (1.4%, 0.6% and 2.2% of the portfolio, respectively) as major banks reported lower first-half net interest margins in their second quarter earnings reports.[2]

[1] Source: Morgan Stanley Investment Management. Data as of September 30, 2025. Performance for other share classes will vary.
[2] Holdings data as of September 30, 2025.

Stock selection in South Africa detracted, impacted by the zero allocations to select gold mining companies as these stocks rallied on the back of the rising gold spot price. The allocation to Capitec Bank (1.5% of the portfolio)[2] also detracted after the stock traded largely flat for the quarter. Capitec recently announced results for the first half of its fiscal year through August 31, 2025, reporting a 26% increase in profits with growth driven by its fintech and banking segments and continued expansion of its active customer base.

Portfolio Activity

During the quarter, within India we initiated a position in Avenue Supermarts (DMart, 0.5% of the portfolio),[2] a high-quality brick and mortar retail franchise in India focused on food and grocery, non-food fast-moving consumer goods and general merchandise/apparel. It is one of the lowest-cost retailers globally, operating on an everyday low cost, everyday low-price model, which helps drive its throughput. While we were previously cautious due to heighted competition and slower expansion, we believe these headwinds have shown signs of bottoming out. We think DMart could see accelerating revenue growth led by continued store expansion (management is targeting 10%-15% new store growth per annum)[3] and same-store sales growth.

We also initiated a position in Powszechna Kasa Oszczednosci Bank (PKO, 1.1% of the portfolio),[2] one of the largest financial services institutions in Poland. Our investment thesis is driven by an improving outlook for corporate loan growth as private investment picks up in Poland, as well as the winding down of its Swiss franc mortgage losses by this year, which should result in strong earnings growth as it offsets net interest margin impact from lower rates. Elsewhere in Poland, we exited our position in insurer PZU as the company is undergoing a corporate restructuring, which could have a dilutive impact in the medium term.

We established a position in Credicorp (0.3% of the portfolio)[2] in Peru, funded by exiting the position in Gruma, where we believe most of the pricing upside and margin improvements have played out. Credicorp is the largest bank in Peru with a large share of both loan and deposits. We think the bank will likely benefit from accelerating loan growth in the country, strong non-interest income from its digital wallet Yape, and a strong capital ratio and dividend payouts.

We added CATL, a leading player in lithium batteries in China that has maintained and grown market share over time, proving its technology leadership and profitability through cycles. The company is working on different technologies, including all-solid-state battery, lithium iron phosphate (LFP) battery (which uses iron and phosphate over cobalt, costing less and having a longer lifespan) and a fast-charging battery. According to its 2024 annual report, CATL's research and development expense in 2024 was $2.5 billion, the highest among battery makers. We think the company will likely benefit from the long-term trend of electrification in the autos industry and increasing demand for energy storage from renewable energy. Energy storage is an important solution for renewable energy consumption and this segment could see a strong compound annual growth rate in the next few years.

We added Kuaishou Technology (0.5% of the portfolio)[2] as we continue to identify attractive opportunities in China in growing thematics like AI. Our thesis for Kuaishou is based on the company's fast-developing AI video business (Kling) and improving advertising business. Kling is among the leaders in the global AI video industry and has accumulated 45 million users worldwide with an annualized run-rate revenue of over 1 billion renminbi.[4] The company has a low pricing strategy (nearly 40% lower than global peers), which has enabled strong user acquisition. On the advertising side, we expect the company to deliver improving growth through monetization rate increases in shelf ecommerce within the Kuaishou app.

Elsewhere in China, we exited Meituan and Kweichow Moutai. With regards to Meituan, we see limited upside for the food delivery business given the continued slowdown in domestic consumption and discretionary spending. The company reported its second quarter results at the end of the month, which came in lower than market expectations as sales were affected by increased competition and the ongoing price war with companies like Alibaba and JD.com (JD.com is not a portfolio holding). Kweichow Moutai's imbalances in baijiu distribution channels (with high inventory levels) is a risk which is likely to continue in the near future. Further, recent government directives aimed at reducing alcohol consumption at official receptions have negatively impacted the liquor sector and domestic liquor consumption has weakened.

Outlook

We believe that our integrated top-down and bottom-up analysis remains critical to identify the most attractive macro and stock investments across emerging markets (EM). Both levers continue to be balanced drivers of active returns and risk. In what we expect to be a mixed outlook for growth and ongoing realignment in the global economy, we believe the portfolio is well positioned while providing significant diversification with active positioning at both the country and stock level.[5]

We remain overweight **India** where our long-term secular, domestic-driven growth thesis remains unchanged. We are closely watching for impacts from external factors such as developments in U.S. economic growth and ongoing tariff discussions (with the 50% U.S. tariff on imports now in effect). Prime Minister Modi made multiple changes to the GST, which became effective September 22 and could help boost consumption across a number of categories and be another tailwind for the equity market. Early estimates

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2 Holdings data as of September 30, 2025.
3 Source: Avenue Supermarts company update/meeting July 2025.
4 Source: Kuaishou company communication, July 27, 2025, and company website, June 5, 2025.
5 Diversification neither assures a profit nor guarantees against loss in a declining market.

were that the tax cuts could add 0.6 percentage points to nominal growth and reduce inflation by 0.6-0.8 percentage points.[6] The Reserve Bank of India remains focused on financial stability, and we believe corporates are well positioned as returns on equity and profitability of listed companies are strong and earnings visibility remains high. Shifts in economic growth should coincide with changes in liquidity conditions, monetary policy, government spending and the flow of credit. Our exposure in India is diversified[5] and includes what we consider to be well-managed financials, industrials and consumer names, along with select real estate, health care, energy and materials companies.

The portfolio is overweight **Poland**, where we believe the economy is well positioned for sustained growth, led by domestic demand, manageable inflation, a tight labor market, improved external balances and low debt. Private investment should be a key driver of growth, aided by disbursal of European Union funds, and Germany's fiscal stimulus package should provide additional support in the medium term. Poland's Monetary Policy Council (MPC) unexpectedly cut rates by 25 basis points (bps) in July and following the reported drop in inflation data, the MPC cut the benchmark rate by another 25 bps in September, bringing the total reduction for 2025 so far to 100 bps.[7] Overall, we believe Poland's economy is structurally among the strongest in the Central and Eastern European region (particularly given its greater domestic focus) and remain invested in the largest bank in the country, an infrastructure construction company and an e-commerce platform.

Brazil continues to be a portfolio overweight. While gross domestic product (GDP) growth is expected to slow this year due to high real interest rates and tariff uncertainty, we think that inflation and therefore rates should begin to come down in the next three to six months, which will likely be positive for rate-sensitive names owned in the portfolio. The October 2026 presidential elections could introduce more pro-business policies, adding a further catalyst to the equity market—we are closely monitoring the potential candidates likely to run against President Lula. Other tailwinds for the economy include strong private sector job creation, a higher trade surplus, solid foreign direct investment and attractive currency and equity valuations.

We are overweight **Mexico**. While we are closely monitoring the tariff news and impacts to trade and growth (an exemption for USMCA-compliant goods and President Trump announcing a 90-day tariff delay beginning July 31 as negotiations continue), we believe strategic and economic interests will likely prevail and help keep the relationship between the U.S. and Mexico on track. Structurally, Mexico's GDP growth has remained strong with no major imbalances, growing real wages and continued investment (led by foreign direct investment and the country's attractive strategic positioning in the global supply chain with more competitive manufacturing wages). We believe many domestically focused companies trade at attractive valuations and should continue to benefit from a solid macro outlook, which would likely translate into solid earnings growth and dividend yields.

We maintain our structural underweight to **China** as the fundamental issues in the economy (excess unproductive investment, overcapacity and the need to shift to a consumption-led growth model) will take time to fully address. Volatility around the tariff hikes on Chinese imports by the U.S. and European Union is an additional headwind, and with higher tariffs and a global trade slowdown, external drivers are not likely to be the main driver of growth in the near term. On the other hand, we believe the emergence of DeepSeek marked a turning point in China's broader resurgence in innovation, investment and global competitiveness. China's strengths in consumer technologies and cost efficiency could unlock a more diversified AI opportunity set, one that balances the high-cost, high-performance AI segment with China's more accessible, cost-efficient solution. We are positioned in what we believe are the most sustainable beneficiaries of the AI thematic. We remain selective in our exposure in China and are invested in attractive growth themes, such as electric vehicles and edge AI, and within those themes are focused on companies with competitive advantages, strong corporate governance and solid growth prospects.

Fund Facts

Inception Date	September 25, 1992
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets Net Index
Class I expense ratio	**Gross 1.10 %**
	Net 0.99 %
Class A expense ratio	**Gross 1.40 %**
	Net 1.35 %

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

5 Diversification neither assures a profit nor guarantees against loss in a declining market.
6 Source: IDFC First Bank Ltd. as of August 17, 2025.
7 One basis point = 0.01%
* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

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 September 30, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	7.34	9.14	25.02	16.49	18.92	6.67	6.66
Class A Shares at NAV	7.29	9.07	24.71	16.06	18.48	6.31	6.32
Class A Shares (With Max 5.25% Sales Charge)	1.66	3.33	18.18	9.97	16.37	5.17	5.75
MSCI Emerging Markets Net Index	7.15	10.64	27.53	17.32	18.21	7.02	7.99

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 Emerging Markets Net Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets. 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. The MSCI Emerging Markets Index currently consists of 24 emerging-market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends. The index does not include any expenses, fees or sales charges, which would lower performance.

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 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. 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 strategy. Please be aware that this strategy 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 the risks generally associated with investments in foreign developed countries. **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). **China Risk.** Investments in securities of Chinese issuers, including A-shares, involve risks associated with investments in foreign markets as well as special considerations not typically associated with investments in the U.S. securities markets. Investments in China involve risk of a total loss due to government action or inaction. Additionally, the Chinese economy is export-driven and highly reliant on trade. Adverse changes to the economic conditions of its primary trading partners, such as the United States, Japan and South Korea, would adversely impact the Chinese economy and the Fund's investments. Moreover, a slowdown in other significant economies of the world, such as the United States, the European Union and certain Asian countries, may adversely affect economic growth in China. An economic downturn in China would adversely impact the Portfolio's investments. **Risks of Investing through Stock Connect.** Any investments in A-shares listed and traded through Stock Connect, or on such other stock exchanges in China which participate in Stock Connect is subject to a number of restrictions that may affect the Portfolio's investments and returns. Moreover, Stock Connect A shares generally may not be sold, purchased or otherwise transferred other than through Stock Connect in accordance with applicable rules. The Stock Connect program may be subject to further interpretation and guidance. There can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Portfolio's investments or returns.

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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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