

Morgan Stanley Institutional Fund

Global Stars Portfolio

INTERNATIONAL EQUITY TEAM

Performance Review

In the quarter period ending September 30, 2025, the Portfolio's I shares returned -0.76% (net of fees)¹, while the benchmark returned 7.62%.

In the third quarter, the Portfolio returned -0.76% and has returned +10.32% year-to-date. As a point of reference, the **MSCI All Country World Index (ACWI)** returned +7.62% in the third quarter and has returned +18.44% year-to-date.

The investment philosophy of Global Stars is to compound investor wealth over the long term by owning a concentrated portfolio of growth-orientated quality companies. These businesses are identified through fundamental, bottom-up analysis where it is possible to gain conviction in the medium-term prospects of the investment candidate. Portfolio holdings should exhibit the potential to grow at high returns on incremental capital over a multi-year period. Over shorter time periods, investment performance may deviate meaningfully from any broad market index or benchmark. Philosophically, investment opportunities are viewed on an absolute return basis, not relative to an index.

The largest contributor to absolute performance during the third quarter was **Alphabet**, which has continued to benefit from accelerating enterprise demand for artificial intelligence (AI) infrastructure and significant increases in cloud-related revenue, solid earnings from its cash-generative dominant platforms and improving ad trends supporting strong revenue growth in its search and YouTube segments. Other top contributors were **Tencent**, after reporting a net profit increase while emphasizing the growing advantages of AI integration across its products; **TSMC**, which has continued to benefit from robust demand for advanced chips particularly among its major clients; **Shopify**, after reporting 26% revenue growth,² which significantly beat consensus expectations; and **Galderma**, thanks to strong double-digit sales growth in aesthetics and skincare and new product approvals.

The market's nervousness about generative AI disruption in the latter half of the third quarter notably impacted software companies due to concerns that AI tools (e.g., code writing) could weaken their moats. Within Global Stars, these concerns specifically impacted **SAP** and **Constellation Software**, the portfolio's two largest absolute detractors in the quarter. Other notable detractors included **Tradeweb**, after slightly missing earnings and revenue estimates while facing rising expenses that pressured margins; **Ryan Specialty**, as investors saw concerns about property-insurance rate softening; and **DSV**, following disappointing results that reported weak organic operating performance in road and contract logistics.

The portfolio's underperformance relative to **MSCI ACWI** in the quarter was due to stock selection, largely driven by weakness in information technology, financials and consumer discretionary. Sector allocation was mostly neutral.

Outlook

Notes from the Road: San Francisco

By Alex Gabriele, Lead Portfolio Manager for Global Stars

San Francisco remains the epicentre of the AI boom, buzzing with enthusiasm and ambition. Real progress continues to attract capital, talent and customers, while those continuing to spout theories without accompanying actions risk being left behind. Following my most recent trip to San Francisco where I attended Goldman Sachs' flagship technology conference, a few themes stand out that are worth highlighting.

AI leadership and constraints

The top AI firms are developing tools for their own workflows before commercializing them, but explosive growth remains limited by access to compute. OpenAI's CFO Sarah Friar emphasized this, while Nvidia's Colette Kress noted that shortages in data infrastructure, networking and talent are equally constraining. Talent, in particular, has become the scarcest commodity. As Salesforce CEO Marc Benioff put it, "Everyone wants AI, but few know how to get from A to B." The shortage of experienced engineers is slowing implementation across industries.

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

² Source: FactSet, company data, August 2025.

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Execution, infrastructure and opportunity

Companies that mishandled their cloud migrations now face bigger problems. Poor integration and over-engineered security have left many ill-prepared for AI. As ServiceNow's CEO Bill McDermott noted, 85% of firms failed to earn a positive return on investment on digital transformation due to poor execution. Clean, unified data systems are now essential for speed and accuracy.

Meanwhile, "vibe coding," or natural language queries that create functioning code, is rapidly expanding software's total addressable market. By lowering the barrier to creation, it's unlocking entirely new categories of applications and growth for AI leaders.

The challenge of chips

AI's physical infrastructure remains the battleground. Smaller chips fail more often, forcing system-level engineering across data centres and networks. Networking, in particular, is emerging as a bigger competitive moat than raw compute power, as communication speed determines performance at scale. Tier 2 data centre providers are also quietly driving capacity growth, a trend not yet reflected in consensus estimates.

Macro and demand

On the macroeconomic front, at the time of writing, the U.S. economy is showing weaker jobs against moderate growth, raising the possibility of interest rate cuts – a potential floor for asset prices. While Uber's CEO sees no evidence of downtrading yet, Goldman Sachs' chief economist Jan Hatzius reminded us that disruption is not linear and that downturns can accelerate adoption, creating reasons to replace people with technology. Over the longer term, AI is expected to add materially to productivity growth, with chip designers emerging as key beneficiaries as demand evolves from today's software-driven AI toward "physical AI" applications like robotics and autonomous systems, and ultimately "science AI" that advances research and discovery.

Final thoughts

The divide between dreamers and doers is widening. Talent, infrastructure and integrated system design will define the winners. Beneath the hype lies a once-in-a-generation productivity shift, while our job remains the same: identify the genuine winners positioned to turn theory into durable earnings power.

Fund Facts

Inception Date	August 30, 2013
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI All Country World Net Index
	Custom- Blended Index
	Former- MSCI World Net Index
Class I expense ratio	Gross 1.32 %
	Net 0.80 %
Class A expense ratio	Gross 1.60 %
	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, 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.

* 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	0.17	-0.76	10.32	11.34	19.68	9.38	11.63
Class A Shares at NAV	0.22	-0.83	10.08	11.05	19.29	9.01	11.25
Class A Shares (With Max 5.25% Sales Charge)	-5.06	-6.05	4.28	5.21	17.16	7.84	10.65
MSCI All Country World Net Index	3.62	7.62	18.44	17.27	23.12	13.54	11.91

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.

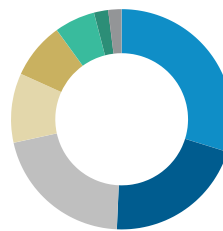
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

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.

Top Holdings (% of Total Net Assets)

	FUND	INDEX
SAP SE	5.28	0.31
Taiwan Semiconductor Mfg Co. Ltd	4.94	1.17
Microsoft Corp	4.12	4.05
Visa Inc	4.01	0.65
Alphabet Inc	3.89	2.89
Uber Technologies Inc	3.42	0.22
Tencent Holdings Ltd	3.38	0.61
MasterCard Inc	3.38	0.54
Cencora Inc	3.14	0.06
Netflix Inc	2.89	0.57
Total	38.45	--

Sector Allocation (% of Total Net Assets)^



	FUND	INDEX
Information Technology	29.75	27.17
Financials	20.89	17.40
Industrials	20.84	10.70
Communication Services	10.17	8.83
Consumer Discretionary	8.25	10.65
Health Care	5.93	8.50
Consumer Staples	2.10	5.28
Energy	--	3.46
Materials	--	3.58
Real Estate	--	1.87
Utilities	--	2.55
Cash	1.93	--

^ May not sum to 100% due to the exclusion of other assets and liabilities.

INDEX INFORMATION

The **MSCI All Country World Index (ACWI)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and 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 performance of the Index is listed in U.S. dollars and assumes

reinvestment of net dividends.

Blended Index performance shown is calculated using the MSCI World Net Index from inception through 06/27/2024 and the MSCI All Country World Net Index thereafter.

The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed 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 performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The 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. **ESG strategies** that incorporate impact investing and/or Environmental, Social and Governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance. 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 countries. 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. **Nondiversified 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. **Illiquid securities** may be more difficult to sell and value than public traded securities (liquidity risk).

IMPORTANT INFORMATION

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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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