

## Morgan Stanley Institutional Fund

## Ultra-Short Income Portfolio

## GLOBAL LIQUIDITY TEAM

## Performance Review

In the quarter period ending June 30, 2025, the Portfolio's IN shares returned 1.12% (net of fees)<sup>1</sup>, while the benchmark returned 1.04%.

## Market Review

The Federal Reserve (Fed) left rates unchanged at the June Federal Open Market Committee (FOMC) meeting, with the target range remaining at 4.25% to 4.50%. The Fed's revised dot plot showed that officials still anticipate two rate cuts in 2025, and an additional two in 2026, in line with their March release. In the Fed's Summary of Economic Projections, 2025 year-end personal consumption expenditures was revised higher along with the unemployment rate, while gross domestic product was meaningfully downgraded. In the press conference, Chair Powell continued to stress data dependency going forward as the fed funds rate is now much less restrictive compared to only two quarters ago, and there is a great deal of uncertainty around global trade policy and the subsequent impact on inflation and upcoming data.

## Portfolio Activity and Outlook

We remain comfortable managing the portfolio with elevated levels of daily and weekly liquidity.

Increased allocations to fixed-rate securities helped contribute to the Fund's yield remaining at an elevated level following 100 basis points<sup>2</sup> of Fed rate cuts, slowing reinvestment and reset risk in a lower interest rate environment. However, the book yield of the portfolio continued to decrease as legacy fixed-rate securities matured and we reinvested in a lower interest rate environment. As of quarter-end, the Fund is currently comprised of over 60% fixed-rate securities.

We are keeping the Fund's duration profile near the guideline limits of 90 days, as the market and Fed have projected two additional cuts for the remainder of 2025.

Portfolio composition remains high rated and liquid, with no exposure to China.

We continue to maximize the Fund's allowable exposure to A2/P2 rated securities. We believe these securities remain attractive given their yield pickup over A1/P1 paper and diversification<sup>3</sup> away from the financial sector that dominates the commercial paper/certificates of deposit A1/P1 market.

## Fund Facts

Inception Date	April 28, 2016
	A Shares - 1,000
Minimum Initial Investment (\$)*	IN Shares - 5,000,000
	IR Shares - 10,000,000
Benchmark	ICE BofA 3-Month U.S. Treasury Bill Index
Class IN expense ratio	Gross 0.35 %
	Net 0.30 %
Class A expense ratio	Gross 0.55 %
	Net 0.40 %
Class IR expense ratio	Gross 0.30 %
	Net 0.25 %

Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed.

<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of June 30, 2025. Performance for other share classes will vary.

<sup>2</sup> One basis point = 0.01%

<sup>3</sup> Diversification neither assures a profit nor guarantees against loss in a declining market.

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

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

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 June 30, 2025

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class IN Shares at NAV	0.46	1.12	2.27	5.04	4.96	3.01	--	2.36
Class A Shares at NAV	0.35	0.99	2.12	4.83	4.85	2.92	--	2.22
Class IR Shares at NAV	0.37	1.03	2.20	4.98	4.97	3.04	--	2.40
ICE BofA 3-Month U.S. Treasury Bill Index	0.33	1.04	2.07	4.68	4.56	2.76	--	2.14

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](https://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.

## INDEX INFORMATION

The **ICE BofA 3-Month U.S. Treasury Bill Index** is an unmanaged index of short-term U.S. government securities with a remaining term to final maturity of less than three months. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

The **London Interbank Offered Rate (LIBOR)** is the short-term interest rate that banks charge one another and that is generally representative of the most competitive and current cash rates available.

The **Secured Overnight Financing Rate (SOFR)** is a benchmark rate for U.S. dollar-denominated loans and securities based on overnight transactions in the U.S. Treasury repurchase market.

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. 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 these portfolios. Please be aware that these portfolios may be subject to certain additional risks. **Fixed-income** securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the

issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. The Portfolio is more susceptible to any economic, business, political, regulatory or other developments that adversely affect issuers in the **financial services** industry than a fund that does not concentrate its investments in the financial services industry. **Asset-backed securities** are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (liquidity risk). They are also subject to credit, market and interest rate risks. Asset-backed securities are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (liquidity risk). They are also subject to credit, market and interest rate risks. Certain **U.S. government securities** purchased by the portfolio, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Repurchase agreements** are subject to default and credit risks. By investing in **municipal obligations**, the fund may be susceptible to political, economic, regulatory or other factors affecting their issuers. **Foreign securities** are subject to currency, political, economic and market risks. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk).

## DEFINITIONS

**Weighted average life** measures the weighted average of the maturities of the portfolio's individual holdings.

**Weighted average maturity** measures the weighted average of the maturities of the portfolio's individual holdings, taking into account reset dates for floating rate securities.

**Ratings:** The rating given by a **Nationally Recognized Statistical Rating Organization ("NRSRO")** is the rating firms' subjective opinion concerning the ability and willingness of an issuer to meet its financial obligations in full and on time. Ratings apply only to portfolio holdings and do not remove the Fund's market risk.

Securities purchased by the Fund (or the issuers of such securities) will carry a rating in the highest two rating categories, A-2, P-2 or F2 or better by S&P, Moody's or Fitch, respectively, or the equivalent by another NRSRO, or if unrated, considered by the Adviser to be of equivalent quality.

### 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 (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](https://morganstanley.com/im) or call 1-800-548-7786. Please read the prospectus carefully before investing.**

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