Morgan Stanley
INVESTMENT MANAGEMENT

COMMENTARY
September 30, 2024

Morgan Stanley Institutional Fund

Developing Opportunity Portfolio

GLOBAL OPPORTUNITY

Performance Review

In the quarter period ending September 30, 2024, the Portfolio's I shares returned 14.06% (net of fees)[1], while the benchmark returned 8.72%.

The Global Opportunity team creates a high conviction, concentrated portfolio of undervalued, high quality businesses. The long-term investment horizon and high active share approach can result in periods of performance deviation from the benchmark. The Fund outperformed the MSCI Emerging Markets Index this quarter due to favourable sector allocation despite unfavourable stock selection.

Market Review

Emerging markets equities advanced in the quarter, led by the consumer discretionary, health care, communication services, real estate and consumer staples sectors. The information technology and energy sectors detracted, underperforming the benchmark. On a country basis, Thailand, China, the Philippines, Malaysia and South Africa were the leading outperformers, while Turkey, Korea, Poland, Mexico and Colombia declined, underperforming the benchmark.

Portfolio Activity

A sector overweight position in consumer discretionary, underweight positions in information technology and energy, and stock selection in the real estate and consumer staples sectors were the greatest overall contributors to the relative performance of the portfolio during the period. Top individual contributors included Latin American ecommerce platform MercadoLibre, Chinese leading consumer services super-app Meituan, Indian fast commerce platform Zomato, travel agency Trip.com and Korean ecommerce platform Coupang. Conversely, stock selection in financials, consumer discretionary, communication services and utilities and a sector underweight position in health care were the greatest overall detractors from relative performance. Top individual detractors included content creation and consumption platform Webtoon, Chinese vertical integrated knitwear manufacturer Shenzhou, power management integrated circuit fabless integrated design manufacturer Silergy, Chinese social network Tencent and Indian private sector bank Axis Bank.

Shares of top contributor MercadoLibre outperformed after posting stronger-than-expected earnings results driven by accelerating growth in key markets including Brazil and Mexico. MercadoLibre is the largest ecommerce platform in Latin America, with a presence in 18 countries including Brazil, Argentina and Mexico; 56.6 million monthly active buyers on its online marketplaces; and 52 million fintech active users of its Mercado Pago digital payments platform.[2] We believe MercadoLibre can increasingly benefit by monetizing the uniqueness of its platform in Latin America, which has a population of more than 665 million and one of the fastest-growing internet penetration rates in the world.[3]

Top detractor Webtoon Entertainment is a leading global content creation and consumption platform for webcomics and webnovels, with around 24 million content creators, 169 million monthly active users and 55 million titles across more than 150 countries.[4] We believe that Webtoon is unique due to network effects with multiple flywheels – an increase in the quality and quantity of content drives an increase in the number of users and creators. This helps drive a stable supply of creative and evergreen content exclusive to the platform, which Webtoon can monetize through paid subscription, advertising and long-term management rights for intellectual property generated on its platform. An average user spends between 26 and 39 minutes per day on its webcomic content in Japan, Korea and the United States, and less than 1% of its content library has been adapted into films, streaming series or games.[4] We believe Webtoon can continue to benefit from an ongoing consumption shift away from paper comics towards webcomics and webnovels, as well as a rise in demand for high quality user-generated content and the "Korean wave," which could help Webtoon scale and monetize its uniqueness in the long run as its userbase grows and content consumption increases on its platform.

1 Source: Morgan Stanley Investment Management. Data as of September 30, 2024. Performance for other share classes will vary.
2 Source: Company data as of June 30, 2024.
3 Source: United Nations Population Division, December 2023.
4 Source: Initial Public Offering (IPO) Prospectus

Strategy and Outlook

The Chinese equity market reacted positively to the People's Bank of China policy easing steps to support the economy, including cuts to interest rates and the reserve requirement ratio and lowering the existing mortgage ratio and downpayment ratio. There was also an 800 billion renminbi liquidity injection into the stock market through the setup of a swap facility and re-lending facility. The magnitude is larger than the market expected, and the comprehensive package may improve market confidence to attract more flows in near term.

We continue to believe that careful and selective investments in China can represent an opportunity for investors willing to take a long-term view. Valuations of Chinese equities have disconnected from fundamentals, trading at 50% discount versus global equities,[5] and we are of the view that wide dispersion creates stock picking opportunity.

However, to sustain the recovery, the government still needs to resolve key issues of weak consumption and housing demand, high local government debt burden, and job security. The market is expecting more demand-side easing measures, especially fiscal easing, from policy makers. In the intermediate term, the macro backdrop remains challenging along with geopolitical uncertainties as we head into U.S. elections.

We recognize that it is difficult to predict near-term policy developments from a top-down perspective. As bottom-up investors, we focus on individual portfolio companies on a case-by-case basis. Our quality assessment and price-to-value approach take into account a wide range of potential outcomes over the next five to 10 years, including the policy and regulatory landscape in China. We continually reassess the investment thesis for each portfolio company, and the current weightings of each portfolio reflect our highest conviction ideas across each opportunity set.

Fund Facts

Inception Date	February 14, 2020
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets Net Index
Class I expense ratio	**Gross 1.69 %**
	Net 1.15 %
Class A expense ratio	**Gross 1.99 %**
	Net 1.50 %

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.

Performance (%)

As of September 30, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
Class I Shares at NAV	10.84	14.06	22.89	28.38	-5.06	--	--	1.33
Class A Shares at NAV	10.89	14.02	22.69	27.93	-5.32	--	--	1.04
Class A Shares (With Max 5.25% Sales Charge)	5.11	8.03	16.30	21.27	-7.00	--	--	-0.12
MSCI Emerging Markets Net Index	6.68	8.72	16.86	26.05	0.40	--	--	3.85

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.

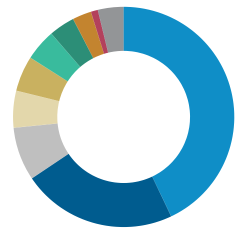
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

5 Source: FactSet. Data as of September 30, 2024.
* 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
MercadoLibre Inc	7.46	--
Meituan	6.39	1.33
Coupang Inc	6.38	--
Trip.com Group Ltd	6.09	0.42
ICICI Bank Ltd	5.81	0.96
Taiwan Semiconductor Mfg Co. Ltd	4.65	9.00
HDFC Bank Ltd	4.52	1.06
NU Holdings Ltd	4.51	0.49
Zomato Ltd	4.44	0.26
Kweichow Moutai Co. Ltd	3.91	0.23
Total	**54.16**	--

Sector Allocation (% of Total Net Assets)^



	FUND	INDEX
Consumer Discretionary	43.27	13.98
Financials	22.83	22.84
Communication Services	7.90	9.43
Industrials	5.46	6.77
Consumer Staples	5.24	5.24
Information Technology	4.65	22.23
Real Estate	3.82	1.59
Utilities	2.79	2.93
Health Care	1.04	3.60
Energy	--	4.75
Materials	--	6.64
Cash	3.78	--

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

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 should not be considered an investment. It is not possible to invest directly in an index.

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. 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. The risks of investing in **frontier emerging markets** are greater than risks associated with investments in other foreign or U.S. issuers and they are often considered highly speculative in nature. **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. **Focused Investing**. To the extent that the Portfolio invests in a limited number of issuers, the Portfolio will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Portfolio's overall value to decline to a greater degree than if the Portfolio were invested more widely. **China Risk**. 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. **Liquidity risk** The portfolio may invest in restricted and illiquid securities, which may be difficult for the portfolio to sell at a reasonable price. **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). There is no assurance strategies that incorporate **ESG factors** will result in more favorable investment performance. **India Risk.** To the extent the Portfolio invests a substantial portion of its assets in Indian issuers, the Portfolio may be adversely affected by factors that impact Indian businesses and the Indian economy (among other factors) and such factors may have a disproportionate impact on performance. **Active Management Risk.** The Adviser has considerable leeway in deciding which investments to buy, hold or sell, and which trading strategies to use. Such decisions will affect performance. To the extent the Portfolio invests a substantial portion of its assets in the **financials sector**, factors that have an adverse impact on this sector may have a disproportionate impact on performance. To the extent the Portfolio invests a substantial portion of its assets in the **consumer discretionary sector**, the Portfolio may be particularly susceptible to the risks associated with companies operating in such sector.

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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Certain information herein has been prepared on the basis of publicly available information, internally developed data and other third-party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and the Firm has not sought to independently verify information taken from public and third-party sources.

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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