Morgan Stanley Institutional Fund

Emerging Markets Leaders Portfolio

EMERGING MARKETS EQUITY TEAM

Performance Review

In the one month period ending November 30, 2024, the Fund's I shares returned -2.05% (net of fees)[1], while the benchmark returned -3.59%.

The U.S. market outperformed globally on the U.S. election result, helped by U.S. dollar strength. It wasn't just emerging market (EM) currencies that were weak, as major currencies outside the Japanese yen also weakened. Brazilian real was among the weakest as fiscal measures disappointed, with the real reaching an all-time low against the U.S. dollar. Potential for increased U.S. tariffs was the big concern, with the export-heavy markets of Korea, Taiwan and China all underperforming. China stimulus measures disappointed as a 10 trillion renminbi local government debt swap was announced without further fiscal stimulus measures, leading to a meaningful correction.

The Fund's outperformance was led by the healthy outperformance in India names (KEI 5.2%, Varun Beverages 4.7%, HDFC Bank 5.1% of the portfolio) as well as technology names, led Globant (Latin America based IT services, 4.4% of the portfolio), Coupang (Korea e-commerce, 3.2% of the portfolio) and MercadoLibre (Latin America ecommerce, 8.9% of the portfolio).[2] Avoiding Alibaba, Samsung and PDD also added to the Fund's performance. A zero weight in China also helped amid the continued fall in the index.

Conversely, Localiza (4.3% of the portfolio)[2] weakness continued as expectations for Brazilian interest rates to increase continue, given the country's growing fiscal deficit. NU Holdings' (2.8% of the portfolio)[2] share price also consolidated on worries over slowing growth. We had already been reducing our holding in NU on valuation concerns and the expectation of some cyclical headwinds. Voltronics' (2.9% of the portfolio)[2] share price consolidated as management expects a weak fourth quarter 2024, which tends to be seasonally slow anyway on weaker demand from Europe and South Africa.

Portfolio Activity

In this EM volatility, we continue to focus on opportunities where we believe earnings visibility has improved or valuations have seen a correction, providing better entry prices. In India, we added to Varun Beverages, which has further strengthened its relationship with Pepsico by adding newer geographies as a bottler as well as expanding into Pepsi's foods business. We added further to Titan (2.8% of the portfolio)[2], as a recent valuation correction provided an opportunity to increase the position.

In Korea, we added to Coupang as the company remains a strong market share gainer in the overall Korean retail space (not just e-commerce), offering the troika of price, assortment and convenience. Similar to other successful platforms globally, we believe margins can expand here in a non-linear fashion. We added to Banorte (1.9% of the portfolio)[2] and Localiza, as we continue to believe the ongoing volatility in Latin America offers these franchises at bargain prices. In Taiwan, we stayed away from chasing artificial intelligence (AI) plays at any valuations, while instead focusing on product companies like E-ink (2.7% of the portfolio)[2] and Voltronic.

Similarly, on selling, we cut positions when we see that 1) the business isn't as strong as what we had thought and hence the thesis is broken, or 2) valuations have built in most of the positives.

We exited Aarti Industries as there have been challenges to the core profitability of the company given that Chinese companies have been more aggressive with pricing. We underestimated the pricing power of the business, resulting in a sustained bout of lower margins amid Chinese companies flooding the market with cheaper products. We also booked profits in NU Holdings, cutting the position by more than half as we believe its recent stock price run-up after its inclusion in the MSCI Brazil Index had baked too much into valuations. We may look to add back to the positions if we believe valuations get saner. We also right-sized our holding in Avenue Supermart (2.0% of the portfolio),[2] as management undergoes their execution challenges in expanding store counts, despite attractive store economics.

1 Source: Morgan Stanley Investment Management. Data as of November 30, 2024. Performance for other share classes will vary.
2 Holdings data as of November 30, 2024.

Outlook

The Fund continues to focus on bottom-up opportunities while being cognizant of underlying market opportunities/volatilities. For example, while we haven't invested much in Korea over the years, we added to Coupang as we saw an efficient as well a structural market share winner in a large consumer market like Korea.

We continue to have zero weight in China as our view remains that the recent stimulus announcement does little to change the structural challenges that the economy faces (e.g., excess supply amid a trade war, supressed wages, low encouragement for private entrepreneurship, significant government debt hidden in local government financing vehicles, a broken revenue model for local governments, weakening consumer sentiment amid falling property prices and growing unemployment).

India (our largest weight) remains an island of both political and economic stability, in our view. There has been some slowdown in gross domestic product (GDP) growth in the recent quarter, but we expect it to be transient in nature (post-elections slowdown) rather than structural. Recent election wins in one of the largest states in India suggest political stability. Monetary and fiscal policies remain significantly prudent, which provide meaningful macro stability to the country. This, combined with a powerful institutional framework (judiciary, regulators), remains the bedrock of consistently creating new entrepreneurs (and hence, compounders).

The weakness in Mexico has been well flagged, and while the new U.S. administration will likely move toward a more aggressive stand, we believe the two countries remain intertwined. While macroeconomic indicators have continued to be volatile and may remain so for the next few months, we find valuations are already attractive for some of the high quality businesses in Mexico that have seen substantial correction in peso terms and much more so in U.S. dollar terms. As highlighted earlier, we added to Banorte after the recent fall in its share price.

Brazil is now in a spot where the micro picture is positive while the macro picture remains more challenging. Valuations again have become quite attractive post the recent correction. We continue to find comfort in our holdings in MercadoLibre, Localiza, NU, Raia Drogasil (2.2% of the portfolio) and WEG (2.0% of the portfolio).[2] We believe all of them are excellent operators of their businesses and consistent market share gainers.

In Taiwan, we remain focused on the technology sector for those companies that we believe can be a beneficiary of ongoing spending, including Unimicron (3.0% of the portfolio) (beneficiary of Blackwell packaging) and TSMC (9.7% of the portfolio), in addition to our long-time holdings in Voltronics and the new display company E-Ink.[2]

As we get ready for 2025, we continue to focus on finding what we believe are the best names in emerging markets that can compound amid macro adversities and generate a return well above the cost of capital.

Fund Facts

Inception Date	June 30, 2011
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	MSCI Emerging Markets Net Index
Class I expense ratio	**Gross 1.13 %**
	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 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.

Effective June 18, 2024, Morgan Stanley Investment Management reduced the total expense ratio ("TER") caps across all share classes for MSIF Emerging Markets Leaders Portfolio. New TER caps are as follows: Class IR & R6: 0.95%, Class I: 0.99%, Class A: 1.35%, Class C: 2.10%.

2 Holdings data as of November 30, 2024.

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

Performance (%)

As of November 30, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	-2.05	-4.54	6.98	12.07	-7.95	6.12	4.99
Class A Shares at NAV	-2.05	-4.55	6.69	11.74	-8.23	5.79	4.62
Class A Shares (With Max 5.25% Sales Charge)	-7.21	-9.56	1.06	5.87	-9.87	4.66	4.06
MSCI Emerging Markets Net Index	-3.59	-7.88	7.65	11.86	-1.27	3.20	3.16

Performance (%)

As of September 30, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	-0.30	3.25	12.07	23.64	-7.26	8.39	5.66
Class A Shares at NAV	-0.31	3.15	11.77	23.18	-7.55	8.04	5.29
Class A Shares (With Max 5.25% Sales Charge)	-5.53	-2.25	5.87	16.73	-9.20	6.88	4.72
MSCI Emerging Markets Net Index	6.68	8.72	16.86	26.05	0.40	5.75	4.02

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.

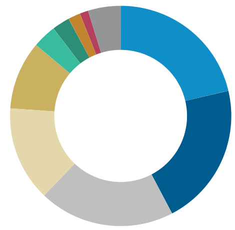
Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (not annualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class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

Pursuant to an agreement and plan of reorganization, between the fund, on behalf of the Emerging Markets Leaders Portfolio (the "Portfolio"), and Morgan Stanley Emerging Markets Leaders Fund (Cayman) LP (the "Private Fund"), a private fund managed by Morgan Stanley Investment Management Inc., the Portfolio's adviser, on January 6, 2015, the Portfolio acquired substantially all of the assets and liabilities of the Private Fund in exchange for shares of the Portfolio (the "Reorganization"). The Private Fund commenced operations on June 30, 2011, and had an investment objective, policies , and strategies that were, in all material respects, the same as those of the Portfolio, and was managed in a manner that, in all material respects, complied with the investment guidelines and restrictions of the Portfolio. However, the Private Fund was not registered as an investment company under the Investment Company Act of 1940 (the "1940 Act"), and therefore was not subject to certain investment limitations, diversification requirements, liquidity requirements, and other restrictions imposed by the 1940 Act and the Internal Revenue Code of 1986, as amended, which, if applicable, may have adversely affected its performance . The Portfolio adopted the performance history of the Private Fund. As a result, the historical performance information shown reflects, for the periods prior to the Reorganization, the historical performance of the Private Fund. The performance of the Private Fund has been restated to reflect any applicable sales charge but is otherwise not adjusted to reflect differences in expenses between the Private Fund and each Class. If adjusted to reflect such difference in expenses, returns would be different.

Top Holdings (% of Total Net Assets)

	FUND	INDEX
Taiwan Semiconductor Mfg Co. Ltd	10.00	9.83
MercadoLibre Inc	9.04	--
KEI Industries Ltd	5.25	--
HDFC Bank Ltd	5.15	1.56
Varun Beverages Ltd	4.77	0.11
Globant S.A.	4.47	--
ICICI Bank Ltd	4.29	1.04
Localiza Rent A Car S.A.	4.29	0.08
Bharti Airtel Ltd	3.53	0.64
Coupang Inc	3.27	--
Total	**54.06**	--

Sector Allocation (% of Total Net Assets)^



	FUND	INDEX
Consumer Discretionary	21.77	13.26
Industrials	21.40	6.79
Information Technology	20.27	23.36
Financials	14.20	23.79
Consumer Staples	10.25	4.94
Communication Services	3.53	9.27
Health Care	2.65	3.46
Real Estate	1.83	1.59
Materials	1.28	6.08
Energy	--	4.72
Utilities	--	2.73
Cash	4.84	--

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

The **MSCI Brazil Index** is designed to measure the performance of the large and mid cap segments of the Brazilian market. With 68 constituents, the index covers about 85% of the Brazilian equity universe.

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. 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 nvesting in **emerging market countries** are greater than the risks generally associated with investments in foreign developed countries. Investments in **securities of Chinese issuers** , including A-shares, involve risks and special considerations not typically associated with investments in the U.S. securities markets or foreign developed markets, such as heightened market, political and liquidity risk. 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. **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). **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. **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). **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. **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.

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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