

Morgan Stanley Institutional Fund

Global Stars Portfolio

INTERNATIONAL EQUITY TEAM

Performance Review

In the quarter period ending September 30, 2024, the Portfolio's I shares returned 8.27% (net of fees)¹, while the benchmark returned 6.61%.

The largest contributors to absolute performance during the third quarter were **SAP** (+90 basis points [bps]), which continues to benefit from its transition to the cloud; **Intercontinental Exchange** (+68 bps), due to strong operational performance and favourable growth prospects, particularly in the exchanges and mortgage technology segments; **On** (+59 bps), which continues to capture global brand momentum supporting sales growth; **Aon** (+56 bps), following a robust set of second-quarter results in July that reassured investors the company was on track after a weak start to the year; and **Tradeweb** (+52 bps), off the back of recent acquisitions and revenue increases from the prior fiscal year. The largest detractors were **Alphabet** (-61 bps) and **Microsoft** (-23 bps), due to ongoing concerns surrounding the tech industry's significant artificial intelligence (AI) capital expenditure spend, and in Alphabet's case, potential regulatory action by the U.S. Department of Justice; **Universal Music Group** (-35 bps) and **Roper** (-5 bps), which were sold in the quarter; and **Adobe** (-14 bps), after coming up short on revenue estimates for its second quarter.

The portfolio's outperformance relative to MSCI ACWI in the quarter was driven by positive stock selection, mainly due to strength in information technology, health care and financials.

Outlook

I would like to take this opportunity to help investors better understand Global Stars' investment philosophy and approach, and to discuss my view of the current market conditions. **Global Stars had an encouraging first full quarter of performance**, returning +8.27% (I shares net of fees). For reference only, MSCI ACWI returned +6.61% over a comparable period. Most of the portfolio transition from Global Sustain to Global Stars was completed with some positions still under consideration.²

The investment philosophy of Global Stars seeks 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 some 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.

Company management, through their formulation and implementation of corporate strategy, can both create and destroy significant value. This is particularly true for growing, quality businesses as management has more control over the ultimate destiny of the business. Meanwhile, companies that are more average and economically sensitive are mostly at the mercy of economic cycles and regulation. Business excellence is generally characterized through the creation and nurturing of intangible assets such as brands, superior intellectual property and/or dominant network effects. Ultimately, this quality is visible through attractive business unit economics and high, unlevered returns on capital. Very few businesses can attain these properties and subsequently maintain them over a multi-year period.

Whilst all names in the portfolio exhibit high underlying returns, I broadly expect Global Stars' holdings to fall into one of these three categories:

1. Companies that are structurally taking market share through differentiated business models.
2. Companies that operate in large and growing addressable markets.
3. Companies with strong franchise businesses that operate in more mature markets, with low capital intensity and pricing power, that can compound at attractive rates meaningfully above inflation.

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

² Effective June 27, 2024, there were changes to the Fund, including (i) changing its name from "Morgan Stanley Institutional Fund Global Sustain Portfolio" to "Morgan Stanley Institutional Fund Global Stars Portfolio," (ii) modifying its principal investment strategies, including eliminating its 80% ESG Policy, (iii) reducing the Fund's contractual advisory fee rates and expense caps, and (iv) changing the Fund's benchmark index from the MSCI World Net Index to the MSCI ACWI Net Index. See the related prospectus supplement for further details.

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

Inevitably, some holdings are a blend of the above.

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 true mathematical power of compounding takes time to work, and as such it can be hidden in shorter time periods; index-relative thinking can be quite disruptive to any investor trying to capture the advantages of compounding.**

Regarding the outlook, a multi-year period of contradictions and economic exceptionalism continues. Today, different asset classes are signalling different medium-term economic prospects: the stock market is behaving as though a soft landing has happened, real estate and bonds are giving opposite signals on whether interest rate cuts are just starting or just ending, and the rising gold price likely indicates increasing discomfort with ballooning U.S. government debt with the long tail of consequences it brings for everything from the U.S. dollar to U.S. interest rates and the economy. **Amid these macro contradictions, Global Stars seeks optimism for investors through the ownership of businesses whose earnings should outperform peers, as well as the broader market, over the medium term.**

Fund Facts

Inception Date	August 30, 2013
Minimum Initial Investment (\$)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	Primary- MSCI All Country World Net Index
	Custom- Blended Index
	Former- MSCI World Net Index
Class I expense ratio	Gross 1.15 %
	Net 0.80 %
Class A expense ratio	Gross 1.46 %
	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.

Performance (%)

As of September 30, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	2.51	8.27	15.21	27.91	6.69	10.45	10.33
Class A Shares at NAV	2.43	8.11	14.89	27.46	6.31	10.07	9.94
Class A Shares (With Max 5.25% Sales Charge)	-2.95	2.43	8.84	20.74	4.41	8.89	9.35
MSCI All Country World Net Index	2.32	6.61	18.66	31.76	8.09	12.19	9.39

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.

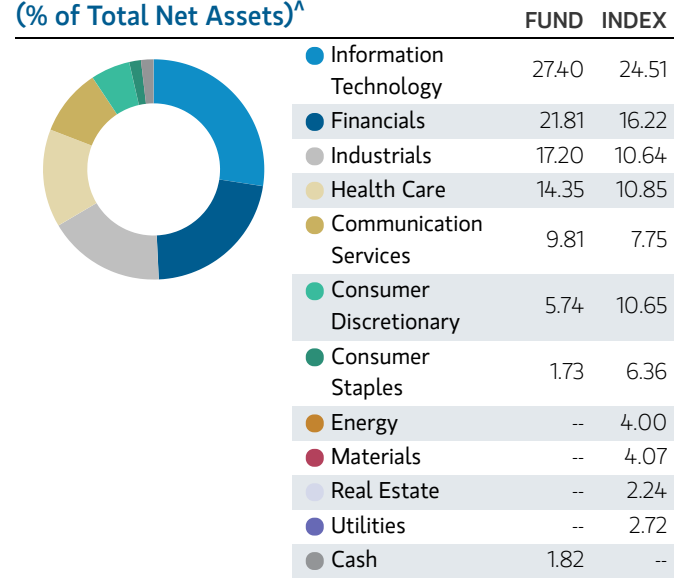
Please keep in mind that high double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions.

* 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
SAP SE	7.50	0.30
Microsoft Corp	5.33	3.88
Alphabet Inc	5.26	2.33
Visa Inc	3.74	0.55
Intercontinental Exchange Inc	3.42	0.12
Booking Holdings Inc	3.33	0.18
Tradeweb Markets Inc	3.28	0.02
Constellation Software Inc	3.25	0.08
Experian Plc	3.16	0.06
Arthur J Gallagher & Co.	3.10	0.08
Total	41.37	--

Sector Allocation (% of Total Net Assets)^



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

INDEX INFORMATION

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 **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.

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

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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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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