Performance Review

In the one month period ending 31 May 2019, the Fund’s I shares returned -5.50% (net of fees), while the benchmark returned -7.26%.

In aggregate, our country allocation and stock selection were both critical to preserving capital in a difficult month for the asset class. Our stock selection in and underweight allocation to China were the largest contributor to returns, followed by our stock selection in and overweight allocations to both India and Indonesia. Also providing strong relative contributions to performance were our overweight allocation to Brazil, stock selection in South Africa, and our stock selection in and overweight allocation to Turkey. While our overweight allocation to Russia contributed positively for the month, our stock selection in Russia was the largest detractor, followed by our stock selection in Taiwan.

On a sector basis, our stock selection in and overweight allocation to financials and our stock selection among consumer discretionary names were the largest contributors to returns. Also contributing strongly were our overweight allocation to consumer staples, our stock selection in and underweight allocation to information technology (IT), stock selection among materials, and our aggregate underweight among communication services companies. Detracting from returns were our aggregate underweights among energy and utilities companies.

Market Review

The MSCI Emerging Markets (EM) Index returned -7.26% during the month, underperforming the MSCI World Index, which returned -5.77%. During the month, Argentina and Saudi Arabia were added to the EM index. Argentina (+12.93%) was the top performing country in the index, followed by Russia (+3.55%), Greece (+2.73%), Brazil (+1.71%) and the Philippines (+0.73%). China returned -13.09% during the month to lead all laggards, followed by Korea (-9.30%), Colombia (-9.20%), Chile (-8.92%) and Pakistan (-7.91%).

Portfolio Activity

In India, we rebalanced on domestic consumption concerns by selling auto company Maruti Suzuki and personal products company Marico Industries. We rebalanced into financial Axis Bank. Domestic consumption has slowed meaningfully over the past year and non-bank financial company (NBFC) liquidity issues have negatively impacted many stocks in the consumer sector. Incumbent Prime Minister Narendra Modi won by a much larger majority than consensus had expected in large part from strong support among the growing numbers of young voters. While we have our reservations about how committed his administration will be to reform, the release of his fiscal budget on July 5 will be a significant indicator of his broad intentions for his second term. In our view, consumption will still take some time to recover while the NBFC liquidity issues will be dealt with sooner. In our portfolio, we are lightening up on the consumption side and adding to what will likely be a weak total cost savings (TCS) over the short term.

In China, we added to IT companies Tencent and Alibaba during the month to take advantage of their recent market pullback. We also reinitiated a position in pharmaceutical company Sino Biopharm (SBP), which should be supported by more supportive government policies and new products to be launched. Further, the downside of the first round of centralized procurement is largely priced in, and risks on drug policies are expected and manageable. In addition, the Chinese regulator commented on a number of occasions its intent to contain the disruptive impact of a second round of centralized procurement. Separately, newly approved products should deliver sales above our previous estimates and replace products Runzhong and Ganmei over time. Lastly, the company is moving on a number of pipeline assets.

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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.
Strategy and Outlook

During the first quarter of 2019, much of what drove the emerging markets rally had taken its cue from the U.S. with a resurgence of focus on large-cap techs following the fourth quarter sell-off. A shift in investor sentiment appears to have begun in the second quarter—and particularly in the month of May—as the heavily tech- and trade-dependent EM markets suffered from a combination of escalating tariff threats between the U.S. and China and increasing regulatory and political scrutiny of large tech companies in many countries.

We have long noted that the three Ds—demographics, debt and deglobalization—would hinder growth and that investors in EM would increasingly become aware of the many countries and companies with solid growth that have largely been ignored since 2016 as tech and China dominated returns.

As a share of the global economy, the world has more debt than at the peak of the cycle in 2008, which is why interest-rate forecasts have been so wrong. With such high levels of debt, raising rates would be a huge hit to the economy—in the U.S. and in China. The world cannot handle higher interest rates, which is why any rate increase that happens has been repelled by the market. Deglobalization has already been disrupting supply chains. A company which in past years was planning to set up three new factories in China is now exploring setting up one in Vietnam, one in Indonesia and one in Thailand, for example. Many of these countries are beneficiaries of such shifts. Mexico could be another beneficiary because wages are falling relative to China, and the peso is cheap relative to the renminbi. We have noted for some time that we expect regulation to burden the technology sector. The manufacturing sector has 10 times more regulation than the tech sector. But regulators in the U.S., Europe and China are becoming more critical. Nearly every day, there are news stories about so-called tech-lash, whether it is about privacy, sharing of data or company size.

We remain cautious on China. Its demographics are less favorable than the U.S., its households are more leveraged, and in a world of deglobalization, it has more to lose, and this is all contributing to China’s economic slowdown. While China has been attempting to stimulate again, it is having less effect than in the past. We have observed that when external demand growth (thus, demand for China’s exports) slows, Chinese policymakers generally push for domestic demand in the form of excess investment growth with an aggressive build-up in leverage. Excess capacity brings about a problem of deflation in producer prices, resulting in weaker nominal gross domestic product (GDP) growth and a faster rise in debt-to-GDP. We are also cautious on countries like Korea and Taiwan, where the markets had outperformed just because of a few large-cap tech stocks.

We continue to favor countries that have carried out macroeconomic adjustments in recent years and have relatively low GDP per capita with an underpenetrated financial sector and relatively cheap currencies—markets like Indonesia, Poland, Peru, Mexico, Brazil and Egypt. The market’s neglect in recognizing reform and solid earnings the past several years is apparent in the very low market cap-to-GDP ratio of about 10% in places such as Mexico, Indonesia and Poland. In our EM portfolio, we have remained overweight such countries and invested in good quality, growth-oriented companies capable of sustaining or expanding their earnings as a result of healthy or improving domestic demand, resistance to declines in global trade and resilience in an environment brought about by the higher interest rates that accompanied the Federal Reserve’s tightening cycle. Our aggregate sector overweights are in the financials and consumer staples sectors—which generally benefit from the economic recovery and expansion phase that most EM countries only began to enter in the past couple years. Most EM economies are still in the early stages of a five-year expansion cycle, in contrast to the U.S., which is at the peak of a nearly 10-year economic expansion and bull market.

For further information, please contact your Morgan Stanley Investment Management representative.

<table>
<thead>
<tr>
<th>FUND FACTS</th>
<th>Launch date</th>
<th>Base currency</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01 July 1993</td>
<td>U.S. dollars</td>
<td>MSCI Emerging Markets Net Index</td>
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</tbody>
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<table>
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<tr>
<th>12 Month Performance Periods to Latest Month End (%)</th>
<th>MAY ’18 - MAY ’19</th>
<th>MAY ’17 - MAY ’18</th>
<th>MAY ’16 - MAY ’17</th>
<th>MAY ’15 - MAY ’16</th>
<th>MAY ’14 - MAY ’15</th>
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<tbody>
<tr>
<td>MS INVF Emerging Markets Equity Fund - I Shares</td>
<td>-8.43</td>
<td>6.90</td>
<td>21.82</td>
<td>-12.51</td>
<td>-2.22</td>
</tr>
<tr>
<td>MSCI Emerging Markets Net Index</td>
<td>-8.70</td>
<td>14.03</td>
<td>27.41</td>
<td>-17.63</td>
<td>-0.01</td>
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</table>

Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and Index data is Morgan Stanley Investment Management. Please visit our website www.morganstanley.com/im to see the latest performance returns for the fund’s other share classes.
Share Class I Risk and Reward Profile

<table>
<thead>
<tr>
<th>Potentially Lower Rewards</th>
<th>Potentially Higher Rewards</th>
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<tr>
<td>Category 1</td>
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<td>Category 5</td>
<td>Category 6</td>
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<tr>
<td>Category 7</td>
<td>Category 8</td>
</tr>
</tbody>
</table>

The risk and reward category shown is based on historic data.
- Historic figures are only a guide and may not be a reliable indicator of what may happen in the future.
- As such this category may change in the future.
- The higher the category, the greater the potential reward, but also the greater the risk of losing the investment. Category 1 does not indicate a risk free investment.
- The fund is in this category because it invests in shares of companies from emerging markets and the fund's simulated and/or realised return has experienced high rises and falls historically.
- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- This rating does not take into account other risk factors which should be considered before investing, these include:
  - The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
  - There may be an insufficient number of buyers or sellers which may affect the funds ability to buy or sell securities.

Please refer to the Prospectus for full risk disclosures. All data as of 31 May 2019 and subject to change daily.

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 23 emerging-market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends.

The MSCI World 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 purchased in the public equity markets by investors. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends.

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