Morgan Stanley Investment Funds Overview

European Equity Alpha Fund
A Concentrated, High Conviction European Equity Portfolio, Which Aims to Provide Stable and Consistent Alpha

We believe that to deliver long term outperformance, holdings should be different to those of the benchmark.

We focus on making investment decisions based on the attractiveness of individual companies, and as a result, only invest in the stocks that we maintain the highest conviction for. The Morgan Stanley Investment Funds European Equity Alpha Fund is a concentrated portfolio of European equities characterised by an active, fundamental and bottom-up approach to stock selection.

A Bottom-Up Approach to Selecting Quality
We focus on quality companies that we define as those which typically exhibit features such as:

• Strong and stable cash flow generation
• High returns on investment
• Visibility and predictability of earnings
• A solid balance sheet and management by a team with a proven track record.

Our process is built on identifying long-term investment opportunities using primary financial analysis, including meetings with management, such that the key drivers of a company’s financial statements are fully understood and the catalysts that can unlock a company’s value are identified.

Our analysis helps us construct a concentrated portfolio, in which each individual investment exhibits an attractive risk reward profile. We combine stocks carefully in order to create a concentrated portfolio that exhibits a well-diversified level of risk. We focus on risk-adjusted return and the portfolio to date is characterised by historically low and stable tracking error.

Benchmark Differentiation
We believe that to beat a benchmark, one should build a portfolio that is different to the benchmark itself. Our portfolio is clearly differentiated from the benchmark with greater concentration in the number of holdings owing to our high conviction approach. Studies have shown that adequate diversification may be achieved with only 30–40 holdings¹. We limit the holdings of the Fund to 30–50 names in order to capture alpha, without either diluting this excessively or taking unnecessary risk.

The Right Time for European Equity
For patient investors, we believe the outlook for European equity markets is compelling. Looking past the volatility created by sovereign debt markets and geopolitical tumult, the improvement in the Europe’s companies is supporting an acceleration of overall GDP growth. While certain identifiable risks remain, that may hinder Europe’s quicker return to economic health, European equity valuations remain attractive. Our patient and disciplined investment process strives to identify those stocks that have the fundamental strength to perform for the long term, irrespective of the duration of the European recovery.

A Stable, Experienced Team
The European Equity Team at Morgan Stanley Investment Management is an experienced and long tenured group of investors, with a strong team dynamic established over 11 years of working together. Our deep understanding of local nuances within the European markets, and fluency in several European languages, enhances our approach to bottom-up security analysis. The European Equity Team is part of the wider Morgan Stanley network, which provides access to a broad array of investment resources.

The MS INVF European Equity Alpha Fund offers investors a number of desirable portfolio characteristics

Investment Team

MATTHEW LEEMAN, MANAGING DIRECTOR
Matthew is head of the European Equity team. He joined Morgan Stanley in 2006 and has 24 years investment experience.

RICCARDO BINDI, EXECUTIVE DIRECTOR, CFA
Riccardo is a portfolio manager for the European Equity strategies. He joined Morgan Stanley in 2006 and has 24 years investment experience.

JONATHAN DAY, EXECUTIVE DIRECTOR, ASIP
Jonathan is a portfolio manager for the European Equity strategies. He joined Morgan Stanley in 2006 and has 21 years of investment experience.

JAYMEEN PATEL, EXECUTIVE DIRECTOR, MBA
Jaymeen is a portfolio manager for the European Equity team. He joined Morgan Stanley in 1998 and has 21 years of industry experience.

AWARDS

Morningstar Rating
★★★
Europe Large-Cap Blend Equity: Z Share Class
Out of 1,297 Funds

WHY INVEST?

1. Committed Investment Team
Our experienced, stable and well-resourced team implement a time-tested investment process.

2. Consistent Performance
The Fund has demonstrated strong and stable outperformance, achieving top quartile peer group rankings.

3. Attractive Risk / Return Profile
The concentrated portfolio is highly differentiated from the benchmark, with historically lower volatility than the index.

4. Outperformance Potential
Across Market Cycles
Our investment approach allows greater flexibility to take advantage of opportunities, thereby offering potentially superior returns throughout different market conditions.

5. High Conviction Portfolio
We believe we can create a portfolio that can deliver long-term outperformance, with more alpha per position by only investing in stocks that we maintain the highest conviction for.

MS INVF European Equity Alpha Fund Performance Information*

<table>
<thead>
<tr>
<th></th>
<th>1 YEAR</th>
<th>3 YEARS (Annualised)</th>
<th>5 YEARS (Annualised)</th>
<th>7 YEARS (Annualised)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS INVF EUROPEAN EQUITY ALPHA FUND</td>
<td>6.25%</td>
<td>11.24%</td>
<td>8.56%</td>
<td>12.30%</td>
</tr>
<tr>
<td>MSCI EUROPE (NET) INDEX</td>
<td>8.22%</td>
<td>11.48%</td>
<td>8.36%</td>
<td>11.80%</td>
</tr>
<tr>
<td>OUTPERFORMANCE</td>
<td>-1.97%</td>
<td>-0.24%</td>
<td>0.20%</td>
<td>0.50%</td>
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Growth of €100 Investment in the MS INVF European Equity Alpha Fund Since Inception*

*SOURCE: Morgan Stanley Investment Management, data as at 31 December 2015. Inception date: 5 March 1991. Data shown is for the I share class and from the point that the European Equity team assumed responsibility for the Fund, 26th December 2006. For informational purposes only. Past performance is not a reliable indicator of future performance. Figures are based on gross performance and therefore had fees, charges, etc. been taken into account, the returns would have been lower.
General Fund Information

FUND LAUNCH DATE: March 1991
BASE CURRENCY: EUR
CURRENCIES AVAILABLE: GBP, EUR, USD

To Learn More About This Fund
Please Contact Us

TELEPHONE: 0207 425 8701
EMAIL: msim_web_enquiry@morganstanley.com
www.morganstanley.com/im

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Morningstar
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Past performance is not a guarantee of future performance. The value of the investments and the income from them can go down as well as up and an investor may not get back the amount invested. There can be no assurance that the Fund will achieve its investment objectives. Funds that specialize in a particular region or market sector are more risky than those which hold a very broad spread of investments.

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