Performance Review
In the quarter period ending December 31, 2019, the Portfolio’s I shares returned 9.28% (net of fees), while the benchmark returned 8.84%.

Positive contributors to performance in the period included stock selection in information technology, consumer staples and health care. The underweight allocations to energy and communication services also contributed positively, as did the overweight in health care, industrials and information technology. Stock selection in industrials and consumer discretionary contributed negatively to performance. Another detractor from performance was our zero-weighting in financials.

Market Review
After a strong first quarter of 2019, and more muted second and third quarters, the last quarter of the year saw markets rally quite strongly. Markets went sideways from April until the end of September, although that did mask periods of volatility such as the sell-offs in May and August and the rallies in June and September. The last quarter continued September’s trajectory and was positive, driven very much by the sectors of the market that have been left behind over the last few years: value stocks, cyclicals, industrials, materials and financials being prime examples. Growth stocks and defensive sectors such as consumer staples were the big losers.

There is still some bearishness in the markets owing to concerns over tariffs and further escalations of the trade war between the U.S. and China, as well as increasing signs of a slowdown in the Chinese economy. However, these concerns seem to be priced in for the moment, and central banks’ willingness to ensure liquidity and maintain easy policies have been providing support and should continue to do so going forward. Although this cycle seems to be pretty long in the tooth, we may not be past the peak yet.

Portfolio Activity
During the quarter, we increased our position in Alcon (3.8% of the portfolio) and trimmed our position in ASML (5.4% of the portfolio).

Strategy and Outlook
We continue to believe that careful stock selection can be an important source of investment performance. We apply a disciplined and proven investment process to identify individual stocks that we feel are attractively valued relative to their future prospects. Typically, the companies on which we focus are characterised by strong business models, financial strength and management teams of demonstrable competence.

FUND FACTS

<table>
<thead>
<tr>
<th>Launch date</th>
<th>Base currency</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 28, 1997</td>
<td>U.S. dollars</td>
<td>MSCI Europe Index</td>
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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.
RISK CONSIDERATIONS

There is no assurance that a mutual fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and that the value of fund shares may therefore be less than what you paid for them. Accordingly, you can lose money investing in this fund. Please be aware that this fund 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 the risks generally associated with investments in foreign developed countries. Illiquid securities may be more difficult to sell and value than publicly traded securities (liquidity risk). 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. Concentrated investments in Europe are more susceptible to such risks affecting European issuers than a fund that holds more geographically diversified investments.

Focused Investing. To the extent that the Fund invests in a limited number of issuers, the Fund will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Fund’s overall value to decline to a greater degree than if the Fund were invested more widely.

INDEX INFORMATION

The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. 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 index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

IMPORTANT INFORMATION

The views and opinions expressed are those of the investment team at the time of writing and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. Holdings and sectors/region weightings are subject to change daily. All information provided is for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the sectors and regions referenced.

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strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Certain information herein is based on data obtained from third party sources believed to be reliable. However, we have not verified this information, and we make no representations whatsoever as to its accuracy or completeness.

Please consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, contact your financial advisor or download one at morganstanley.com/im. Please read the prospectus carefully before investing.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

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