Performance Review

In the quarter period ending December 31, 2019, the Portfolio’s I shares returned 11.79% (net of fees)\(^1\), while the benchmark returned 8.92%.

The long-term investment horizon and conviction-weighted approach embraced by the Global Opportunity team can result in periods of performance deviation from the benchmark and peers. Over time, this has led to the strong record we have developed over our product set. The Fund outperformed the MSCI All Country ("AC") World ex USA Index this period due to favorable stock selection.

Our team continues to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio; accordingly, we have had very little turnover in the portfolio to date, and we continue to find new ideas for inclusion in the portfolio which meet our strict criteria for quality and long-term value creation.

International equities advanced during the period led by information technology, health care, consumer discretionary and materials. The consumer staples, utilities, energy and communication services sectors underperformed the MSCI AC World ex USA Index.

Stock selection in consumer discretionary was the greatest overall contributor to the relative performance of the portfolio during the period as shares in Chinese tutorial provider TAL Education, Italian luxury outerwear designer Moncler SpA and Chinese social commerce platform Meituan Dianping advanced, offsetting underperformance in shares of Japanese online food delivery service Demae-can and Chinese hot pot restaurant Haidilao. Demae-can (previously known as ‘Yume No Machi’) has a highly cash generative business model that enjoys strong network effect, high return on invested capital and very entrepreneurial leadership under the baton of a female CEO, which we believe can benefit from increasing online takeaway penetration in Japan with more women in the labor force and technology-enabled convenience. We believe Haidilao can monetize its uniqueness by leveraging its strong brand image to rapidly expand its store base in the highly fragmented restaurant industry in China and overseas. A sector overweight position also contributed positively.

Stock selection in industrials, communication services and information technology also contributed positively as shares in Danish transportation and logistics company DSV Panalpina A/S, U.K. online real estate platform Rightmove plc and Taiwan Semiconductor Manufacturing Company (TSMC) outperformed. Shares in Chinese live-streaming gaming platform HUYA declined. HUYA has a strong network effect with over 144 million monthly active users (Source: Company data as of August 13, 2019). Driven by the secular trend of eSports and live streaming, we believe that HUYA can grow by broadening its user base, enriching content offerings, enhancing cross-selling synergies and expanding overseas. We believe HUYA can monetize its live-streaming user base through sales of virtual items and advertisement.

A sector overweight position in consumer staples was the greatest overall detractor from the relative performance of the portfolio as shares in Fevertree Drinks plc and Pigeon Corp. underperformed during the period. We believe that Fevertree’s differentiated line of mixers sourced from natural ingredients and its highly scalable outsourced business model have contributed to its strong pricing power and competitive advantage in the upscale beverages market. Pigeon is a leading global baby products brand manufacturer with leading positions in nursing bottles, breast pumps, baby skincare and other baby products in Japan, China and the U.S. We believe Pigeon is unique due to its brand power, being a trustworthy Japanese children's


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goods brand, and having a comprehensive range of childcare products and longstanding relationships with key distribution channels.

Stock selection in consumer staples, materials and financials and a sector underweight position in health care contributed negatively to relative performance, while sector underweight positions in utilities and real estate had negligible impact.

Outlook

As a team, we continue to focus on bottom-up stock selection and the long-term outlook for companies owned in the portfolio. We assess company prospects over a three- to five-year time horizon and own a portfolio of what we believe are undervalued, high quality companies with diverse business drivers not tied to any particular market environment.

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<tr>
<th>FUND FACTS</th>
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<tbody>
<tr>
<td><strong>Launch date</strong></td>
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<td><strong>Base currency</strong></td>
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<td><strong>Index</strong></td>
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### Performance (%)

**As of December 31, 2019 (Class I Share at NAV)**

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>QTD</th>
<th>YTD</th>
<th>1 YR</th>
<th>3 YR</th>
<th>5 YR</th>
<th>10 YR</th>
<th>SINCE INCEPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSIF International Opportunity Portfolio - I Shares</td>
<td>11.79</td>
<td>35.20</td>
<td>35.20</td>
<td>22.19</td>
<td>15.09</td>
<td>--</td>
<td>12.43</td>
</tr>
<tr>
<td>MSCI All Country World Ex-U.S. Index</td>
<td>8.92</td>
<td>21.51</td>
<td>21.51</td>
<td>9.87</td>
<td>5.51</td>
<td>--</td>
<td>4.93</td>
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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.

The gross expense ratio is 1.04% for Class I shares and the net expense ratio is 1.00%. 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. The minimum initial investment is $5,000,000.

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 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.
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. Accordingly, you can lose money investing in this Portfolio. 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 investing in emerging market countries are greater than risks associated with investments in foreign developed countries. To the extent that the Fund invests in a limited number of issuers (focused investing), 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. 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. 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).

INDEX INFORMATION
The MSCI All Country World Ex-U.S. Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. 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 does not include any expenses, fees or sales charges, which would lower performance. The index is unmanaged and not representative of any Morgan Stanley investment. 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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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.
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