

Morgan Stanley Institutional Fund Active International Allocation Portfolio

4Q18
FACTSHEET

Investment Approach

The Active International Allocation Portfolio seeks long-term capital appreciation. The investment team relies on a proprietary, top-down framework to quantitatively and qualitatively rank developed and emerging countries, where allocation decisions are based on a country's projected future economic growth and equity market return potential. The approach combines country analysis with sector allocation and bottom-up stock selection, where investment decisions are implemented either through sector, industry or stock-specific allocations within and across markets. Investments are based on fundamental analysis, in an effort to identify those equities that stand to benefit the most from the team's investment view.

Objective

Seeks long-term capital appreciation.

Lipper Category

International Multi-Cap Growth

Morningstar Category

Foreign Large Blend

Portfolio Managers

	Joined Firm	Years of Investment Experience
Ben Rozin, Executive Director	2017	14
Jitania Kandhari, Managing Director	2006	20

Investment Performance - Class I (% net of fees)

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception		
Fund	-15.14	1.69	-0.64	5.03	5.19		
MSCI All Country World ex USA Index	-14.20	4.48	0.68	6.57	5.30		
Blended Index ²	-14.20	3.30	0.78	6.45	5.11		
MSCI EAFE Index ³	-13.79	2.87	0.53	6.32	5.06		
Lipper Category Average	-15.36	2.78	0.58	6.77	-		
Morningstar Category Average	-14.58	2.64	0.11	5.93	-		
% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-11.13	-15.14	-15.14	24.76	-0.67	-1.63	-6.37
Blended Index ²	-11.46	-14.20	-14.20	27.19	1.00	-0.81	-4.90
Lipper Category Average	-14.14	-15.36	-15.36	29.85	1.27	-3.39	-4.82
Morningstar Category Average	-12.65	-14.58	-14.58	25.12	0.79	-1.59	-4.98

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 or call 1-800-548-7786. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Performance and fund information is as of December 31, 2018, unless otherwise noted. Returns are net of fees and assume the reinvestment of all dividends and income. Returns for less than one year are cumulative (not annualized). Performance of other share classes will vary.

Please keep in mind that 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.

Expense Ratios	Symbol	Cusip	Gross (%)	Net (%)
Class A	MSIBX	61744J655	1.48	1.25
Class C	MSAAX	61760X554	20.06	2.00
Class I	MSACX	61744J846	1.14	0.90

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 for Class I shares.

Shares of the portfolio redeemed within 30 days of purchase will be subject to a 2% redemption fee, payable to the portfolio. The redemption fee is designed to protect the portfolio and its remaining shareholders from the effects of short-term trading.

Effective April 3, 2018, the investment objective and strategy was revised. Prior to this date, the objective and strategy was "We seek fundamentally attractive, undervalued, and out-of-favor markets to identify areas where a positive change could potentially unlock value and move stock prices higher. Our top-down decision-making process emphasizes rigorous analysis of region, country, sector and industry selection valuations and fundamentals."

Morningstar Rankings - Class I Foreign Large Blend Category

	Percentile	Rank/ Total in Category
1 Year	61	382/737
3 Year	72	416/635
5 Year	76	348/506
10 Year	77	292/379

Source: Morningstar, Inc. Rankings are based on total returns, are historical and do not guarantee future results.

Fund Facts

Inception date	January 17, 1992
Total net assets (\$MM)	\$ 175.0
Benchmark	MSCI All Country World ex USA Index
Former Benchmark ³	MSCI EAFE Index
Distribution frequency	At least annually

Portfolio Characteristics

	Fund	Index ¹
Number of holdings	255	2136
Price/earnings (NTM) ⁴	14.88	11.65
Price/book	2.39	1.46
Return on equity (%)	17.70	14.11
5 year EPS growth (%)	8.75	7.91
Weighted average market capitalization (\$B)	74.09	44.85
Weighted median market capitalization (\$B)	43.49	22.87
Turnover (%) [*]	22	-

Risk/Return Statistics (3 Year)

	Fund	Index ²
Active share (%)	68.72	-
Excess Return (%)	-1.61	-
Alpha (%)	-1.53	-
Beta (vs. benchmark)	0.97	1.00
Information ratio	-0.64	-
R squared	0.95	1.00
Sharpe ratio	0.06	0.20
Standard deviation (%)	11.45	11.57
Tracking error (%)	2.50	-

Security Type Breakdown (% of Total Net Assets)

	Fund	Index ¹
Equity Securities	92.46	98.67
Futures Contracts	6.80	-
Cash and Equivalents	0.75	-

Top Countries (% of Total Net Assets)

	Fund	Index ¹
United Kingdom	13.30	11.42
Germany	11.11	5.96
Japan	10.31	16.62
France	8.25	7.50
U.S.	7.80	–
India	6.38	2.44
Switzerland	6.10	5.84
China	3.68	7.89
Netherlands	3.43	2.32
Indonesia	3.24	0.60

Sector Allocation (% of Total Net Assets)

	Fund	Index ¹
Health Care	18.82	8.36
Consumer Staples	17.29	9.85
Financials	15.87	22.16
Information Technology	10.93	8.01
Industrials	10.11	11.70
Consumer Discretionary	9.87	10.56
Communication Services	5.94	7.63
Materials	4.28	7.67
Energy	4.10	7.30
Utilities	1.70	3.39

Top Holdings (% of Total Net Assets)

	Fund	Index ¹
Nestle S.A.	2.66	1.34
Tencent Holdings Ltd	2.13	1.24
Bank Central Asia PT	2.04	0.10
Bayer AG	2.03	0.35
Roche Holdings AG	2.03	0.94
Shire Plc	1.77	–
Novo Nordisk AS	1.49	0.45
Taiwan Semiconductor Mfg Co Ltd	1.43	0.98
AstraZeneca Plc	1.39	0.51
Anheuser-Busch InBev SA/NV	1.34	0.27
Total	18.31	–

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Past performance is not indicative of future results. Subject to change daily. Fund information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security or securities in the sectors and countries presented.

The index data displayed under characteristics and allocations are calculated using MSIM and other third-party methodologies and may differ from data published by the vendor.

PORTFOLIO CHARACTERISTICS DEFINITIONS

Price/earnings (P/E) is the price of a stock divided by its earnings per share. Sometimes called the multiple, P/E gives investors an idea of how much they are paying for a company's earning power. **Price/book** compares a stock's market value to the book value per share of total assets less total liabilities. This number is used to judge whether a stock is undervalued or overvalued. **Return on equity (ROE)** is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. **Earnings per share (EPS) growth** is the weighted average of earnings per share growth for all securities in the portfolio projected for the past five fiscal years. Earnings per share for a company is defined as total earnings divided by shares outstanding. **Weighted average market capitalization** is a stock market index weighted by the market capitalization of each stock in the index. In such a weighting scheme, larger companies account for a greater portion of the index. Most indexes are constructed in this manner, with the best example being the S&P 500. **Weighted median market capitalization** is the point at which half of the market value of a portfolio is invested in stocks with a greater market cap, and consequently the other half is invested in stocks with a lower market cap. **Forecast and estimates are subject to change and may not necessarily come to pass due to changing market and/or economic conditions.**

RISK/RETURN DEFINITIONS

Active Share is the fraction of the portfolio or fund that is invested differently than its benchmark as of the last day of the reporting period. A portfolio with a high degree of Active Share does not assure a fund's relative outperformance. Active Share calculation may consolidate holdings with the same economic exposure. **Excess Return** or value added (positive or negative) is the portfolio's return relative to the return of the benchmark. **Alpha** (Jensen's) is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. Prior to 6/30/2018 Alpha was calculated as the excess return of the fund versus benchmark. **Beta** is a measure of the relative volatility of a security or portfolio to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The Beta of the Market is always equal to 1. **Information ratio** is the portfolio's alpha or excess return per unit of risk, as measured by tracking error, versus the portfolio's benchmark. **R squared** measures how well an investment's returns correlate to an index. An R squared of 1.00 means the portfolio performance is 100% correlated to the index's, whereas a low r-squared means that the portfolio performance is less correlated to the index's. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance. **Standard deviation** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value. **Tracking error** is the amount by which the performance of the portfolio differs from that of the benchmark.

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 value of securities owned by the portfolio will decline. Accordingly, you can lose money investing in this strategy. Please be aware that this strategy 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 markets. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. **Illiquid securities**

may be more difficult to sell and value than publicly traded securities (liquidity risk).

Morningstar: Rankings as of December 31, 2018. **Rankings:** The percentile rankings are based on the average annual total returns for the periods stated and do not include any sales charges, but do include reinvestment of dividends and capital gains and Rule 12b-1 fees. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

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Morningstar information is based on quarter-end data. Please visit morganstanley.com/im for the latest month-end Morningstar information.

OTHER CONSIDERATIONS

¹ The **MSCI All Country World ex USA Index** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the United States. 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. Returns, including periods prior to January 1, 2001, are calculated using the return data of the MSCI All Country World ex USA Index (gross dividends) through December 31, 2000 and the return data of the MSCI All Country World ex USA Index (net dividends) after December 31, 2000. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. It is not possible to invest directly in an index. Effective January 1, 2017, the Fund's primary benchmark changed to MSCI All Country World ex USA Index because the Adviser believes the MSCI All Country World ex USA Index is a more appropriate benchmark for the Fund.

² The **Blended Index** performance shown is calculated using the MSCI EAFE Index from inception through 12/30/2016 and the MSCI All Country World ex USA Index Net Index thereafter.

³ The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the U.S. & Canada.

The performance of the Indices is listed in U.S. dollars and assumes reinvestment of net dividends. The indices are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

⁴ NTM = Next Twelve Months.

* Turnover is sourced from the fund's current prospectus.

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, download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

Morgan Stanley Investment Management (MSIM) is the asset management division of Morgan Stanley.