

# Morgan Stanley Institutional Fund Asia Opportunity Portfolio

**4Q18**  
FACTSHEET

## Investment Approach

The Portfolio seeks long-term capital appreciation by investing in high quality established and emerging companies primarily located in Asia (excluding Japan) that the investment team believes are undervalued at the time of purchase. To achieve its objective, the investment team seeks companies with sustainable competitive advantages and long-term growth that creates value, rather than focusing on short-term events, with stock selection informed by rigorous fundamental analysis.

## Objective

Seeks long-term capital appreciation.

## Lipper Category

Pacific Ex Japan

## Morningstar Category

Pacific/Asia ex-Japan Stock

## Investment Team

	Joined Firm	Years of Investment Experience
Kristian Heugh, Managing Director	2001	18
Krace Zhou, Executive Director	2008	11

## Investment Performance - Class I (% net of fees)

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception†
Fund	-13.65	14.64	-	-	14.72
MSCI All Country Asia ex Japan Index <sup>1</sup>	-14.37	8.56	-	-	8.48
Lipper Category Average	-16.16	6.33	-	-	-
Morningstar Category Average	-14.82	6.83	-	-	-

  

% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-10.64	-13.65	-13.65	76.82	-1.34	-	-
MSCI All Country Asia ex Japan Index	-8.66	-14.37	-14.37	41.72	5.44	-	-
Lipper Category Average	-8.73	-16.16	-16.16	39.66	2.75	-	-
Morningstar Category Average	-8.26	-14.82	-14.82	37.39	2.62	-	-

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](http://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.

† Inception returns reflect the inception date of the fund.

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	MSAUX	61760X240	3.50	1.45
Class C	MSAWX	61760X232	5.26	2.20
Class I	MSAQX	61760X224	3.10	1.07
Class IS	MSAYX	61760X216	17.65	1.05

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.

## Morningstar Overall Rating

### Class I shares



Out of 80 Funds. Based on Risk Adjusted Return. Class I Shares Fund ratings out of 5 Stars: 3 Yrs. 5 Stars.

### Morningstar Rankings - Class I Pacific/Asia ex-Japan Stock Category

	Percentile	Rank/Total in Category
1 Year	34	28/83
3 Year	1	2/80

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

### Fund Facts

Inception date	December 29, 2015
Total net assets (\$MM)	\$ 35.1
Benchmark	MSCI All Country Asia ex Japan Index
Distribution frequency	Annually

### Portfolio Characteristics

	Fund	Index
Return on capital (%)	19.58	12.07
5 year EPS growth (%)	23.04	10.44
Sales growth (%)	26.40	17.39
Net cash to equity (%)	15.00	-28.00
Weighted average market capitalization (\$B)	69.58	49.06
Number of holdings	27	944
Turnover (%)*	50	-

### Risk/Return Statistics (3 Year)

	Fund	Index
Active share (%)	84.10	-
Excess Return (%)	6.07	-
Alpha (%)	5.90	-
Beta (vs. benchmark)	1.02	1.00
Information ratio	0.62	-
R squared	0.71	1.00
Sharpe ratio	0.76	0.51
Standard deviation (%)	18.01	14.80
Tracking error (%)	9.74	-

### Top Countries (% of Total Net Assets)

	Fund	Index
China	58.46	34.88
Taiwan	12.19	13.09
India	11.08	10.80
Hong Kong	9.45	11.74
South Korea	4.80	15.84
Philippines	1.89	1.28
United States	0.06	-

**Sector Allocation (% of Total Net Assets)**

	Fund	Index
Consumer Discretionary	35.84	12.10
Consumer Staples	23.91	5.15
Financials	16.24	24.19
Communication Services	9.06	12.86
Information Technology	7.42	16.44
Health Care	5.38	3.03
Cash	2.51	-

**Top Holdings (% of Total Net Assets)**

	Fund	Index
HDFC Bank Ltd	11.08	-
Tal Education Group	6.96	0.23
Foshan Haitian Flavouring	5.80	0.01
Jiangsu Yanghe Brewery	5.18	0.01
AIA Group Ltd	5.16	2.40
Kweichow Moutai Co.	5.15	0.04
Taiwan Semiconductor Mfg Co. Ltd	4.94	4.32
Shenzhen International Group	4.90	0.20
Naver Corp	4.80	0.37
China Resources Beer Holdings	4.79	0.12
<b>Total</b>	<b>58.76</b>	<b>-</b>

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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**

**Return on capital** is a measure of a company's efficiency at allocating the capital under its control to profitable investments, calculated by dividing net income minus dividends by total capital. **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. **Sales growth** is the increase in sales over a specific period of time, often but not necessarily annually. **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. **Net cash to equity** is the ratio of a company's cash on hand against the total net worth of the company.

**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 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. **Asia market** entails liquidity risk due to the small markets and low trading volume in many countries. In addition, companies in the region tend to be volatile and there is a significant possibility of loss. Furthermore, because the strategy concentrates in a single region of the world, performance may be more volatile than a global strategy. In general, **equities securities'** values also fluctuate in response to activities specific to a company. **Exchange traded funds (ETFs)** shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds (ETFs), the portfolio absorbs both its own expenses and those of the ETFs it invests in. Supply and demand for ETFs may not be correlated to that of the underlying securities. 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. The strategy may invest in **restricted and illiquid securities**, which may be difficult for the strategy to sell at a reasonable price (**Liquidity Risk**). **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, and 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). **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.

**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.  **Ratings:** The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weight are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account sales loads.

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Morningstar information is based on quarter-end data. Please visit [morganstanley.com/im](http://morganstanley.com/im) for the latest month-end Morningstar information.

**OTHER CONSIDERATIONS**

<sup>1</sup> The MSCI All Country Asia Ex-Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Asia, excluding Japan. 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.

\* 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](http://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.