

# Morgan Stanley Institutional Fund Emerging Markets Leaders Portfolio

**4Q18**  
FACTSHEET

## Investment Approach

We focus on the future drivers of growth across the emerging markets in a way that is benchmark agnostic, and seek the most compelling opportunities by building an actively managed, focused portfolio of companies we believe are positioned to benefit from these growth themes.

## Objective

Seeks long-term capital appreciation.

## Lipper Category

Emerging Markets

## Morningstar Category

Diversified Emerging Markets

## Portfolio Managers

	Joined Firm	Years of Investment Experience
Ashutosh Sinha, Managing Director	(Rejoined) 2011	25
Vishal Gupta, Executive Director	2014	14

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

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception
Fund	-14.12	3.71	0.32	-	1.79
MSCI Emerging Markets Net Index <sup>1</sup>	-14.58	9.25	1.65	-	0.14
Lipper Category Average	-16.27	6.73	0.37	-	-
Morningstar Category Average	-16.10	6.98	0.52	-	-

% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-3.40	-14.12	-14.12	26.01	3.08	-7.27	-1.80
MSCI Emerging Markets Net Index	-7.47	-14.58	-14.58	37.28	11.19	-14.92	-2.19
Lipper Category Average	-7.41	-16.27	-16.27	34.57	8.77	-14.08	-3.24
Morningstar Category Average	-7.46	-16.10	-16.10	34.17	8.47	-13.79	-3.01

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.

Pursuant to an agreement and plan of reorganization, between the fund, on behalf of the Emerging Markets Leaders Portfolio (the "Portfolio"), and Morgan Stanley Emerging Markets Leaders Fund (Cayman) LP (the "Private Fund"), a private fund managed by Morgan Stanley Investment Management Inc., the Portfolio's adviser, on January 6, 2015, the Portfolio acquired substantially all of the assets and liabilities of the Private Fund in exchange for shares of the Portfolio (the "Reorganization"). The Private Fund commenced operations on June 30, 2011, and had an investment objective, policies, and strategies that were, in all material respects, the same as those of the Portfolio, and was managed in a manner that, in all material respects, complied with the investment guidelines and restrictions of the Portfolio. However, the Private Fund was not registered as an investment company under the Investment Company Act of 1940 (the "1940 Act"), and therefore was not subject to certain investment limitations, diversification requirements, liquidity requirements, and other restrictions imposed by the 1940 Act and the Internal Revenue Code of 1986, as amended, which, if applicable, may have adversely affected its performance. The Portfolio adopted the performance history of the Private Fund. As a result, the historical performance information shown reflects, for the periods prior to the Reorganization, the historical performance of the Private Fund. The performance of the Private Fund has been restated to reflect any applicable sales charge but is otherwise not adjusted to reflect differences in expenses between the Private Fund and each Class. If adjusted to reflect such difference in expenses, returns would be different.

Fund and performance information is as of December 31, 2018, unless otherwise noted. Performance information for periods prior to the Reorganization reflects the information of the Private Fund.

Expense Ratios	Symbol	Cusip	Gross (%)	Net (%)
Class A	MELAX	61760X596	2.01	1.55
Class C	MEMLX	61760X273	2.80	2.30
Class I	MELIX	61760X612	1.43	1.12
Class IS	MELSX	61760X570	1.42	1.10

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.

## Fund Facts

Inception date <sup>2</sup>	June 30, 2011
Total net assets (\$MM)	\$ 53.7
Benchmark	MSCI Emerging Markets Net Index
Distribution frequency	At least annually

## Portfolio Characteristics

	Fund	Index
Number of holdings	27	1125
Price/earnings (LTM) <sup>3</sup>	23.66	10.85
Price/cash flow	23.11	6.54
Price/book	3.90	1.49
Return on equity (%)	20.31	15.42

## Risk/Return Statistics (3 Year)

	Fund	Index
Active share (%)	86.79	-
Excess Return (%)	-5.53	-
Alpha (%)	-3.72	-
Beta (vs. benchmark)	0.78	1.00
Information ratio	-0.72	-
R squared	0.73	1.00
Sharpe ratio	0.20	0.56
Standard deviation (%)	13.52	14.81
Tracking error (%)	7.74	-
Up-capture ratio (%)	73.90	100.00
Down-capture ratio (%)	96.64	100.00

## Sector Allocation (% of Total Net Assets)

	Fund	Index
Consumer Discretionary	27.58	10.43
Financials	26.79	24.80
Health Care	11.56	2.82
Information Technology	9.76	14.24
Industrials	7.85	5.52
Consumer Staples	6.84	6.71
Communication Services	6.38	14.12
Cash	3.32	-

## Top Holdings (% of Total Net Assets)

	Fund	Index
Apollo Hospitals Enterprises Ltd	8.97	-
Tencent Holdings Ltd	6.38	4.77
Taiwan Semiconductor Mfg Co. Ltd	5.62	3.76
Adidas AG	5.35	-
AIA Group Ltd	5.32	-
Alibaba Group Holding Ltd	5.31	3.70
Voltronic Power Technology Corp.	4.28	-
IndusInd Bank Ltd	4.08	-
Samsonite International S.A.	3.84	-
King Slide Works Co. Ltd	3.57	-
<b>Total</b>	<b>52.72</b>	<b>-</b>

**Top Countries By Exposure (% of Total Net Assets)**

	Fund	Index
India	26.09	9.39
Taiwan	18.51	11.39
China	11.69	30.34
Hong Kong	9.16	0.06
Germany	5.35	—
Indonesia	5.21	2.31
South Africa	3.23	6.24
Thailand	3.15	2.42
Peru	2.97	0.43
South Korea	2.58	13.78

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment 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.

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.

**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/cash flow** is a ratio used to compare a company's market value to its cash flow. It is calculated by dividing the company's per-share stock price by the per-share operating cash flow. **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.

**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. **Upside/downside market capture** measures annualized performance in up/ down markets relative to the market 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. Accordingly, you can lose money investing. 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 the risks generally associated with investments in foreign developed countries. Stocks of small- and medium-capitalization companies entail special risks, such as limited product lines, markets, and financial resources, and greater market volatility than securities of larger, more-established companies. 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 public traded securities (liquidity risk). Nondiversified portfolios often invest in a more limited number of issuers. As such, changes in the financial condition or market value of a single issuer may cause greater volatility.

**OTHER CONSIDERATIONS**

<sup>1</sup> The MSCI Emerging Markets Net Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets. 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 MSCI Emerging Markets Index currently consists of 21 emerging-market country indices. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

<sup>2</sup> The Reorganization occurred on January 6, 2015. The inception date reflects the inception date of the Private Fund.

<sup>3</sup> LTM = Last Twelve Months.

**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.