

Morgan Stanley Institutional Fund Emerging Markets Portfolio

4Q18

FACTSHEET

Investment Approach

We seek long-term capital appreciation by investing in emerging market countries where economies are developing strongly and markets are becoming more sophisticated. We believe that future economic growth matters a great deal for stock returns and that identifying those countries where growth could beat expectations over three to five years is critical to amplifying the portfolio's potential returns. We seek to translate our original macro-thematic research and fundamental bottom-up analysis into a growth-oriented portfolio.

Objective

Seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of issuers in emerging market countries.

Lipper Category

Emerging Markets

Morningstar Category

Diversified Emerging Markets

Portfolio Managers

	Joined Firm	Years of Investment Experience
Ruchir Sharma, Managing Director	1996	25
Eric Carlson, Managing Director	1997	23
Paul Psaila, Managing Director	1994	25
May Yu, Managing Director	(Rejoined) 2012	20
Amay Hattangadi, Managing Director	1997	21

Investment Performance - Class I (% net of fees)

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception		
Fund	-17.32	6.00	0.40	7.14	7.11		
MSCI Emerging Markets Net Index ¹	-14.58	9.25	1.65	8.02	7.04		
Lipper Category Average	-16.27	6.73	0.37	7.53	-		
Morningstar Category Average	-16.10	6.98	0.52	7.63	-		
% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-6.29	-17.32	-17.32	34.97	6.73	-10.33	-4.47
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	-3.23
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 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	MMKBX	61744J580	1.40	1.37
Class C	MSEPX	61760X497	2.30	2.15
Class I	MGEMX	61744J820	1.07	1.04
Class IS	MMMPX	61760X794	0.98	0.95

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.

Effective September 30, 2016, the total expense ratio cap for all share classes of the MSIF Emerging Markets Portfolio was lowered by 0.15% (15 basis points).

Morningstar Rankings - Class I Diversified Emerging Markets Category

	Percentile	Total in Category	Rank/
1 Year	63		501/833
3 Year	67		477/706
5 Year	60		327/531
10 Year	60		144/237

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

Fund Facts

Inception date	September 25, 1992
Total net assets (\$MM)	\$ 1,041.4
Benchmark	MSCI Emerging Markets Net Index
Distribution frequency	At least annually

Portfolio Characteristics

	Fund	Index
Number of holdings	109	1125
Price/earnings (LTM) ²	13.47	10.85
Price/cash flow	7.77	6.54
Price/book	2.04	1.49
Return on equity (%)	18.40	15.42
Weighted average market capitalization (\$B)	66.44	43.65
Weighted median market capitalization (\$B)	18.97	11.31
Turnover (%)*	35	-

Risk/Return Statistics (3 Year)

	Fund	Index
Active share (%)	65.05	-
Excess Return (%)	-3.25	-
Alpha (%)	-2.71	-
Beta (vs. benchmark)	0.93	1.00
Information ratio	-0.90	-
R squared	0.94	1.00
Sharpe ratio	0.35	0.56
Standard deviation (%)	14.27	14.81
Tracking error (%)	3.59	-

Top Countries (% of Total Net Assets)

	Fund	Index
China	21.03	30.34
India	10.09	9.39
Brazil	9.06	7.49
Taiwan	8.40	11.39
South Africa	5.80	6.24
South Korea	5.66	13.78
Mexico	4.77	2.78
Indonesia	4.73	2.31
Poland	4.14	1.26
Russia	3.96	3.70

Sector Allocation (% of Total Net Assets)

	Fund	Index
Financials	30.84	24.80
Consumer Staples	13.67	6.71
Consumer Discretionary	13.44	10.43
Information Technology	10.62	14.24
Communication Services	8.75	14.12
Materials	4.32	7.68
Energy	3.83	7.96
Industrials	3.82	5.52
Health Care	1.91	2.82
Real Estate	1.52	3.03
Cash	6.79	–

Top Holdings (% of Total Net Assets)

	Fund	Index
Taiwan Semiconductor Mfg Co. Ltd	4.72	3.76
Tencent Holdings Ltd	3.86	4.77
Samsung Electronics Co. Ltd	3.28	3.98
China Construction Bank Corp	2.76	1.65
Alibaba Group Holding Ltd	2.26	3.70
Petroleo Brasileiro S.A.	2.01	0.88
Bank of China Ltd	1.97	0.72
Itau Unibanco Holding S.A.	1.86	0.92
Bradesco S.A.	1.75	0.88
Fomento Economico Mexicano S.A.B. de C.V.	1.44	0.35
Total	25.91	–

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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.

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.

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. **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.

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. 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 the risks generally associated with investments in foreign developed countries. **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 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 23 emerging-market country indices. 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 should not be considered an investment. It is not possible to invest directly in an index.

² LTM = Last 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.