

Morgan Stanley Institutional Fund Emerging Markets Small Cap Portfolio

4Q18
FACTSHEET

Investment Approach

We focus on high-quality small cap investments across emerging and frontier markets, and seek what we believe are the most compelling opportunities by building an actively managed, focused portfolio of companies potentially positioned to benefit from these growth themes. To help achieve our objective, we combine top-down country allocation with bottom-up stock selection.

Objective

Seeks long-term capital appreciation.

Lipper Category

Emerging Markets

Morningstar Category

Diversified Emerging Markets

Investment Team

	Joined Firm	Years of Investment Experience
Timothy Drinkall, Managing Director	2007	24

Investment Performance - Class I (% net of fees)

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception
Fund	-15.73	3.09	-	-	3.98
MSCI Emerging Markets Small Cap Net Index ¹	-18.59	3.68	-	-	5.15
Lipper Category Average	-16.27	6.73	-	-	-
Morningstar Category Average	-16.10	6.98	-	-	-

% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-3.55	-15.73	-15.73	34.29	-3.19	-	-
MSCI Emerging Markets Small Cap Net Index	-7.18	-18.59	-18.59	33.84	2.28	-	-
Lipper Category Average	-7.41	-16.27	-16.27	34.57	8.77	-	-
Morningstar Category Average	-7.46	-16.10	-16.10	34.17	8.47	-	-

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.

Short-term returns may not be indicative of the fund's long-term performance potential. A fund's performance, especially for very short time periods, should not be the sole factor in making your investment decision.

Expense Ratios	Symbol	Cusip	Gross (%)	Net (%)
Class A	MSEOX	61760X190	12.42	1.69
Class C	MSESX	61760X182	20.52	2.44
Class I	MSEM X	61760X174	2.62	1.30
Class IS	MSETX	61760X166	19.51	1.29

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 Rankings - Class I Diversified Emerging Markets Category

	Percentile	Total in Category	Rank/
1 Year	48		359/833
3 Year	91		641/706

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

Fund Facts

Inception date	December 15, 2015
Total net assets (\$MM)	\$ 56.5
Benchmark	MSCI Emerging Markets Small Cap Net Index
Distribution frequency	At least annually

Portfolio Characteristics

	Fund	Index
Number of holdings	78	1587
Price/earnings (NTM) ²	15.71	9.92
5 year EPS growth (%)	17.73	8.43
Turnover (%) [*]	71	-

Risk/Return Statistics (3 Year)

	Fund	Index
Active share (%)	95.18	-
Excess Return (%)	-0.59	-
Alpha (%)	-0.03	-
Beta (vs. benchmark)	0.79	1.00
Information ratio	-0.09	-
R squared	0.79	1.00
Sharpe ratio	0.17	0.19
Standard deviation (%)	12.73	14.21
Tracking error (%)	6.59	-

Market Cap Weights

	Fund	Index
\$7-20B	2.38	-
\$3.5-7B	2.19	0.56
\$1-3.5B	50.84	48.78
< \$1B	44.59	50.66

Top Countries (% of Total Net Assets)

	Fund	Index
India	18.16	16.48
Taiwan	13.92	18.65
South Korea	12.51	18.23
China	12.14	11.81
Brazil	9.23	6.53
Indonesia	7.25	2.50
Malaysia	4.04	3.18
Egypt	3.59	0.56
Philippines	3.29	0.97
Mexico	2.62	2.88

Sector Allocation (% of Total Net Assets)

	Fund	Index
Consumer Discretionary	20.62	14.32
Industrials	19.25	14.50
Financials	15.76	11.16
Information Technology	13.86	14.02
Consumer Staples	11.13	7.04
Communication Services	6.46	4.21
Utilities	4.57	4.75
Health Care	4.54	8.72
Materials	3.07	11.71
Cash	0.96	-

Top Holdings (% of Total Net Assets)

	Fund	Index
TCI Co., Ltd	2.36	0.21
Duzonbizon Co. Ltd	2.00	0.15
BK Brasil Operacao E Assessoria A Restaurantes	2.00	0.11
Voltronic Power Technology Corp.	1.98	0.16
Sterlite Technologies Ltd	1.91	0.07
Nippon Indosari Corpindo Tbk	1.87	0.03
Bank Tabungan Negara Tbk Pt	1.78	-
Muangthai Capital Pcl	1.75	-
Sunny Friend Environmental Technology Co.	1.75	0.07
Innocean Worldwide, Inc.	1.74	0.07
Total	19.14	-

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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. **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. **Market capitalization** is the total dollar market value of all of a company's outstanding shares. **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 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, **equity securities'** values also fluctuate in response to activities specific to a company. Investments in **foreign markets** entail special risks such as currency, political, economic, and market 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-capitalization companies** carry special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. **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. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk).

Lipper Fund Awards. Source: Lipper Inc. Lipper awards are not intended to predict future results. The Thomson Reuters Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. For more information, see www.lipperfundawards.com. The Asset Class fund groups with at least five equity, five bond, or three mixed-asset

portfolios in the respective asset classes are eligible for a group award. The lowest average decile rank of the three years' Consistent Return measure of the eligible funds per asset class and group will determine the asset class group award winner over the three-year period. In cases of identical results, the lower average percentile rank will determine the winner. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Other share classes may have different performance and expense characteristics.

Morningstar: Rankings and ratings 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 weights 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. © 2019 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

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 Small Cap Net Index includes small cap representation across 23 Emerging Markets countries. With 1,864 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

² 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.