

## Morgan Stanley European Equity Fund

**4Q18**  
FACTSHEET

### Investment Approach

Seeks capital appreciation by investing in European companies that the investment team believes possess a prominent and sustainable position in their field, potentially enabling superior profitability and investment returns. The investment team combines quantitative filters with rigorous qualitative analysis to create a concentrated, high conviction portfolio.

### Objective

Seeks to maximize the capital appreciation of its investments.

### Lipper Category

European Region

### Morningstar Category

Europe Stock

### Portfolio Managers

	Joined Firm	Years of Investment Experience
Matthew Leeman, Managing Director	2006	26
Riccardo Bindi, Executive Director	2006	26
Jonathan Day, Executive Director	2006	23
Jaymeen Patel, Executive Director	1998	17

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

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception
Fund	-13.01	1.41	-2.16	5.16	4.15
MSCI Europe Index <sup>1</sup>	-14.86	2.10	-0.61	6.15	4.43
Lipper Category Average	-16.39	1.01	-0.56	6.57	-
Morningstar Category Average	-15.34	1.46	-0.45	6.66	-

  

% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-13.98	-13.01	-13.01	23.11	-2.63	-5.28	-9.25
MSCI Europe Index	-12.72	-14.86	-14.86	25.51	-0.40	-2.84	-6.18
Lipper Category Average	-14.34	-16.39	-16.39	24.49	-0.94	1.73	-7.05
Morningstar Category Average	-13.28	-15.34	-15.34	23.70	-1.66	1.70	-7.30

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.

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	EUGAX	616939104	1.72	1.40
Class C	MSEEX	616939708	2.70	2.15
Class I	EUGDX	616939401	1.33	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 Rankings - Class I Europe Stock Category

	Percentile	Rank/ Total in Category
1 Year	29	27/119
3 Year	58	45/102
5 Year	82	51/70
10 Year	69	38/52

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

### Fund Facts

Inception date	June 01, 1990
Total net assets (\$MM)	\$ 92.8
Benchmark	MSCI Europe Index
Distribution frequency	Annually

### Portfolio Characteristics

	Fund	Index
Number of holdings	25	439
Price/earnings (LTM) <sup>2</sup>	12.64	12.29
Price/book	3.62	1.57
5 year EPS growth (%)	6.85	6.61
Weighted median market capitalization (\$B)	30.52	36.35
Turnover (%) <sup>*</sup>	11	-

### Risk/Return Statistics (3 Year)

	Fund	Index
Active share (%)	83.08	-
Alpha (%)	-0.58	-
Beta (vs. benchmark)	0.90	1.00
Excess Return (%)	-0.69	-
Information ratio	-0.15	-
R squared	0.86	1.00
Sharpe ratio	0.04	0.09
Standard deviation (%)	11.88	12.23
Tracking error (%)	4.59	-

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

	Fund	Index
Switzerland	20.86	13.86
Germany	20.33	14.13
United Kingdom	16.21	27.09
Denmark	12.28	2.80
Spain	8.89	4.96
France	8.54	17.79
Netherlands	4.48	5.50
Finland	3.87	1.67
Sweden	3.70	4.35

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

	Fund	Index
Euro	50.65	50.17
Swiss Franc	20.86	13.86
Danish Kroner	12.28	2.80
British Pound	11.67	27.13
Swedish Krona	3.70	4.35

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

	Fund	Index
Health Care	24.36	13.09
Industrials	22.18	12.85
Consumer Staples	15.58	14.08
Consumer Discretionary	15.12	9.11
Information Technology	13.33	5.19
Materials	8.59	7.48
Cash	0.25	–

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

	Fund	Index
Symrise AG	4.75	0.12
Grifols S.A.	4.69	0.10
SAP SE	4.66	1.25
RELX NV	4.54	0.52
ASML Holding NV	4.48	0.82
Reckitt Benckiser PLC	4.47	0.66
EssilorLuxottica	4.45	0.47
Coloplast AS	4.30	0.14
Amadeus IT Group S.A.	4.19	0.39
Novo Nordisk AS	4.15	1.06
<b>Total</b>	<b>44.68</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**

**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. The higher the P/E, the more investors are paying, and therefore the more earnings growth they are expecting. **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. **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 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 mutual fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and that the value of fund shares may therefore be less than what you paid for them. Accordingly, you can lose

money investing in this fund. Please be aware that this fund 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** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. **Concentrated investments in Europe** are more susceptible to such risks affecting European issuers than a fund that holds more geographically diversified investments. **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. **Liquidity** The Fund's investments in restricted and illiquid securities may entail greater risk than investments in other types of securities. These securities may be more difficult to sell, particularly in times of market turmoil. Additionally, the market for certain investments deemed liquid at the time of purchase may become illiquid under adverse market or economic conditions. Illiquid securities may be more difficult to value. If the Fund is forced to sell an illiquid security to fund redemptions or for other cash needs, it may be forced to sell the security at a loss or for less than its fair value.

**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](http://morganstanley.com/im) for the latest month-end Morningstar information.

**OTHER CONSIDERATIONS**

<sup>1</sup> The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe. 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 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.

<sup>2</sup> 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](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.