

Morgan Stanley Institutional Fund
Global Real Estate Portfolio4Q18
FACTSHEET

Investment Approach

We seek attractive long-term, risk-adjusted returns by investing in publicly traded real estate securities, primarily in developed countries worldwide. We combine a value-oriented, bottom-up-driven investment strategy and a global top-down allocation that seeks diversified exposure to all major asset classes with an overweighting to property markets that we believe offer the best relative valuation.

Objective

Seeks to provide current income and capital appreciation.

Lipper Category

Global Real Estate

Morningstar Category

Global Real Estate

Portfolio Managers

| | Joined Firm | Years of Investment Experience |
|--------------------------------------|-------------|--------------------------------|
| Ted Bigman, Managing Director | 1995 | 32 |
| Michiel te Paske, Managing Director | 1997 | 22 |
| Sven van Kemenade, Managing Director | 1997 | 22 |
| Angeline Ho, Managing Director | 1997 | 27 |
| Bill Grant, Managing Director | 2000 | 17 |
| Desmond Foong, Managing Director | 2011 | 15 |

Investment Performance - Class I (% net of fees)

| % Average Annual Total Returns | 1 Year | 3 Year | 5 Year | 10 Year | Inception | | |
|--|--------|--------|--------|---------|-----------|-------|-------|
| Fund | -7.92 | 1.48 | 3.38 | 9.32 | 3.05 | | |
| FTSE EPRA Nareit Developed Real Estate Index - Net Total Return to US Investors ¹ | -5.05 | 3.35 | 4.99 | 10.21 | 3.32 | | |
| Lipper Category Average | -6.30 | 2.60 | 4.10 | 9.21 | - | | |
| Morningstar Category Average | -7.11 | 2.89 | 3.86 | 9.05 | - | | |
| % Calendar Year Returns | 4Q18 | YTD | 2018 | 2017 | 2016 | 2015 | 2014 |
| Fund | -7.80 | -7.92 | -7.92 | 9.73 | 3.42 | -0.94 | 14.08 |
| FTSE EPRA Nareit Developed Real Estate Index - Net Total Return to US Investors | -5.52 | -5.05 | -5.05 | 11.08 | 4.67 | -0.11 | 15.68 |
| Lipper Category Average | -6.42 | -6.30 | -6.30 | 11.51 | 2.78 | -0.46 | 14.63 |
| Morningstar Category Average | -6.26 | -7.11 | -7.11 | 15.12 | 1.97 | -0.92 | 11.67 |

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 | MRLBX | 61744J135 | 1.30 | 1.30 |
| Class C | MSRD | 61760X422 | 2.64 | 2.10 |
| Class I | MRLAX | 61744J143 | 1.02 | 1.00 |
| Class IS | MGREX | 61760X778 | 0.92 | 0.92 |

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
Global Real Estate Category

| | Percentile | Rank/ Total in Category |
|---------|------------|----------------------------|
| 1 Year | 67 | 157/213 |
| 3 Year | 80 | 152/192 |
| 5 Year | 71 | 102/152 |
| 10 Year | 42 | 40/106 |

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

Fund Facts

| | |
|-------------------------|---|
| Inception date | August 30, 2006 |
| Total net assets (\$MM) | \$ 896.6 |
| Benchmark | FTSE EPRA Nareit Developed Real Estate Index - Net Total Return to US Investors |
| Distribution frequency | At least annually |

Portfolio Characteristics

| | Fund |
|--|-------|
| Number of holdings | 155 |
| Weighted average market capitalization (\$B) | 15.16 |
| Weighted median market capitalization (\$B) | 9.94 |
| Turnover (%)* | 39 |

Risk/Return Statistics (3 Year)

| | Fund |
|------------------------|--------|
| Active share (%) | 41.74 |
| Alpha (%) | -1.93 |
| Beta (vs. benchmark) | 1.02 |
| Excess Return (%) | -1.88 |
| Information ratio | -1.10 |
| R squared | 0.98 |
| Sharpe ratio | 0.04 |
| Standard deviation (%) | 11.38 |
| Tracking error (%) | 1.70 |
| Up-capture ratio (%) | 93.53 |
| Down-capture ratio (%) | 106.75 |

Top Countries (% of Total Net Assets)

| | Fund |
|----------------|-------|
| United States | 53.41 |
| Hong Kong | 11.45 |
| Japan | 10.01 |
| France | 5.38 |
| United Kingdom | 5.37 |
| Australia | 3.79 |
| Germany | 2.46 |
| Canada | 1.85 |
| China | 0.98 |
| Spain | 0.93 |

Sector Allocation (% of Total Net Assets)

| | Fund |
|-------------------------|-------|
| Diversified | 26.30 |
| Retail | 22.75 |
| Office | 19.44 |
| Residential | 14.13 |
| Lodging/Resorts | 5.49 |
| Industrial | 4.90 |
| Healthcare | 3.23 |
| Self Storage | 2.69 |
| Industrial/Office Mixed | 0.43 |
| Cash | 0.02 |

Top Holdings (% of Total Net Assets)

| | Fund |
|-----------------------------|--------------|
| Simon Property Group | 6.11 |
| SL Green Realty Corp | 3.49 |
| Boston Properties Inc | 3.12 |
| Prologis Inc | 3.06 |
| AvalonBay Communities Inc | 2.95 |
| Host Hotels & Resorts Inc | 2.51 |
| Sun Hung Kai Properties Ltd | 2.27 |
| Macerich Co. | 2.17 |
| Link REIT | 2.13 |
| Klepierre | 1.91 |
| Total | 29.72 |

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.

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.

PORTFOLIO CHARACTERISTICS DEFINITIONS

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. **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 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, and market risks. The risks of investing in **emerging market** countries are greater than the risks generally associated with foreign investments. **Real estate investments, including real estate investment trusts,** are subject to risks similar to those associated with the direct ownership of real estate and they are sensitive to such factors

as management skills and changes in tax laws. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). 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. When investing in **value securities** (those believed to be undervalued in comparison to their peers), the market may not have the same value assessment as the manager, and, therefore, the performance of the securities may decline.

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.

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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 FTSE EPRA Nareit Developed Real Estate Index - Net Total Return to US Investors is a market capitalization weighted index designed to reflect the stock performance of companies engaged in the North American, European and Asian real estate markets. The performance of the Index is listed in U.S. dollars and assumes reinvestment of dividends. "Net Total Return to US investors" reflects a reduction in total returns after taking into account the withholding tax on dividends by certain foreign countries represented in the Index. 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 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.