

# High Quality Investing, Beyond the U.S.

ACTIVE FUNDAMENTAL EQUITY | GLOBAL OPPORTUNITY TEAM | FUND FLYER | MARCH 2019

“We apply Warren Buffett investment principles to growing companies,” says Kristian Heugh, portfolio manager of the MSIF International Opportunity and MSIF International Advantage Portfolios.<sup>1</sup> The two funds share core attributes, such as their emphasis on quality and price discipline, but they have important distinctions with respect to the types of companies they hold and their exposure to emerging markets.

## SHARED ATTRIBUTES

### Quality emphasis

Holdings consist of high-quality companies that we believe are sustainable with respect to disruptive change, financial strength and ESG externalities, with sustainable competitive advantages and growth.

### Price discipline

The team believes that strong stock selection is derived from long-term investments purchased at a large discount to intrinsic value.

### High conviction

Each portfolio is concentrated in the team’s highest conviction ideas with active share<sup>2</sup> typically over 90%.

### Historical outperformance

Through changing environments, both portfolios have historically outperformed their benchmarks since their inception as shown in the charts below.

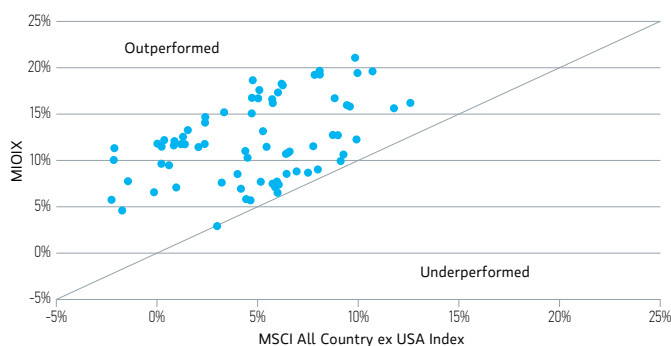
## KEY DISTINCTIONS (AS OF MARCH 31, 2019)

	International Opportunity	International Advantage
Types of companies	Owns both established and emerging businesses	Owns established businesses only
Size of companies	Multi cap: Weighted median market cap: \$12.83 bn	More large caps: Weighted median market cap: \$15.56 bn
Emerging market exposure	32.21%	10.55%
Volatility <sup>2</sup>	Moderate risk: • Beta of 1.14 • Std. dev of 14.72	Lower risk: • Beta of 0.92 • Std. dev of 11.85
Upside capture <sup>2</sup>	139%	119%
Downside capture <sup>2</sup>	71%	49%

## Two strong track records

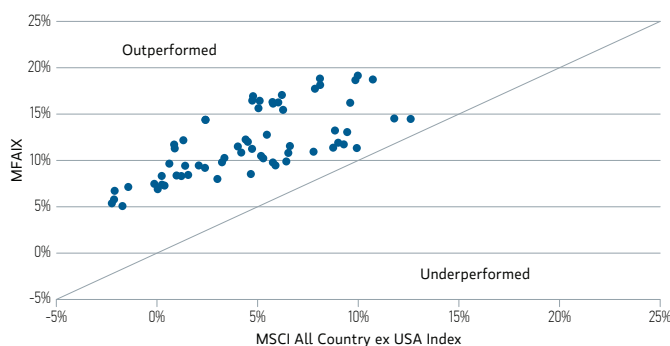
### International Opportunity Portfolio (MIOIX)

May 31, 2010 through March 31, 2019 (3-year rolling annual returns, computed monthly)



### International Advantage Portfolio (MFAIX)

December 31, 2010 through March 31, 2019 (3-year rolling returns, computed monthly)



Past performance is no guarantee of future results. See next page for standardized performance.

<sup>1</sup> The team applies what they believe to be investment principles similar to those of Warren Buffett. No representation is being made that the team’s investment results will be similar to those produced by investment portfolios managed by Warren Buffett.

<sup>2</sup> **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. **Beta** is a measure of the relative volatility of a fund to the market’s upward or downward movements. **Standard deviation** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value. **Upside/downside market capture** measures annualized performance in up/down markets relative to the market benchmark.

## Highly acclaimed among peers

### International Opportunity Portfolio (MIOIX)



**MORNINGSTAR OVERALL RATING** Class I shares as of March 31, 2019

Out of 373 Foreign Large Growth Funds. Based on risk-adjusted return.  
Out of 5 Stars: 3 Yrs. 5 Stars; 5 Yrs. 5 Stars

Performance—Class I (% net of fees)	SI			
	1 YR	3 YR	5 YR	(3/31/10)
International Opportunity	2.83	19.32	13.20	12.28
MSCI All Country World ex USA	-4.22	8.09	2.57	4.22

#### Morningstar Rankings—Class I Foreign Large Growth Category

	Percentile	Rank/Total in Category
1 Year	9	34/442
3 Year	1	2/373
5 Year	1	2/314

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. 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. SI = Since Inception.

The gross expense ratios for the International Opportunity Portfolio and International Advantage Portfolio (Class I shares) are 1.10% and 1.21%, respectively, and the net expense ratios are 1.00% and 1.00%, respectively. 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:** Foreign Large Growth Category—Class I Shares. 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. 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.

Morningstar information is based on quarter-end data. Please visit [morganstanley.com/im](http://morganstanley.com/im) for the latest month-end Morningstar information. © 2019 Morningstar, Inc. 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.

**Lipper Fund Awards:** 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. The Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Lipper Fund Award. For more information, see [www.lipperfundawards.com](http://www.lipperfundawards.com). Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Source: Lipper Inc. Other share classes may have different performance and expense characteristics. Lipper awards are not intended to predict future results and the accuracy of their information is not guaranteed.

The MSCI All Country World ex USA Index is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets, excluding the U.S. 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

### International Advantage Portfolio (MFAIX)



**MORNINGSTAR OVERALL RATING** Class I shares as of March 31, 2019

Out of 373 Foreign Large Growth Funds. Based on risk-adjusted return.  
Out of 5 Stars: 3 Yrs. 5 Stars; 5 Yrs. 5 Stars

Performance—Class I (% net of fees)	SI			
	1 YR	3 YR	5 YR (12/28/10)	
International Advantage	4.77	18.22	12.84	11.66
MSCI All Country World ex USA	-4.22	8.09	2.57	3.62

#### Morningstar Rankings—Class I Foreign Large Growth Category

	Percentile	Rank/Total in Category
1 Year	4	8/442
3 Year	1	5/373
5 Year	1	3/314



#### LIPPER FUND AWARDS FROM REFINITIV

2019 WINNER UNITED STATES

#### 2019 Best International Multi-Cap Growth Fund in the three- and five-year category

Class I shares. Based on risk-adjusted performance among 125 funds for the three-year and 110 funds for the five-year periods ended November 30, 2018.

is listed in U.S. dollars and assume reinvestment of net dividends. The indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

#### 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 and that the value of portfolio shares may therefore be less than what you paid for them. Accordingly, you can lose money investing in this portfolio. 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. Investing in the securities of smaller companies involves greater risk and price volatility than investing in larger, more established firms. Privately placed and restricted securities may be subject to resale restrictions as well as a lack of publicly available information, which will increase their illiquidity and could adversely affect the ability to value and sell them (liquidity risk). 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. To the extent that the Fund invests in a limited number of issuers (focused investing), 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. Exchange traded funds (ETFs) shares have many of the same risks as direct investments in common stocks or bonds and their market value will fluctuate as the value of the underlying index does. By investing in exchange traded funds (ETFs), the portfolio absorbs both its own expenses and those of the ETFs it invests in. Supply and demand for ETFs may not be correlated to that of the underlying securities.

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 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 is the asset management division of Morgan Stanley.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A BANK DEPOSIT