

Morgan Stanley Investment Management – International Equity

City of Fort Pierce Retirement and Benefit System

November 20, 2014

Contact:

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Pooled International Equity Trust Portfolio

Data as of September 30, 2014

Original Investment (September 1, 1991)	\$ 2,767,286.72
+ Contributions	3,295,000.00
-Withdrawals	(14,881,563.00)
- Investment Management Fees	(2,044,306.69)
+ Interest Income	265,455.86
+ Dividend Income	5,953,761.37
+ Realized Gain/(Loss)	12,400,545.95
- Other Expenses	(13,165.51)
+/- Market Appreciation/(Depreciation)	6,138,432.91
Market Value	\$12,462,786.98 ¹

1. State Street custodial accounting information reflects time period beginning January 1993. Data not available for client inception of September 1991. Fund Accounting Systems changed effective August 1, 2001. All cumulative numbers past July 31, 2001 should be considered estimates. Our figures represent investments in the Morgan Stanley Investment Management International Equity Trust.

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This material authorized for distribution only when preceded or accompanied by an effective Private Placement Memorandum, which describes in detail the Fund's investment policies, management fees and other matter of interest to the prospective investor. Please read the memorandum carefully before you invest. Morgan Stanley & Co. Incorporated is the distributor of this portfolio. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability.

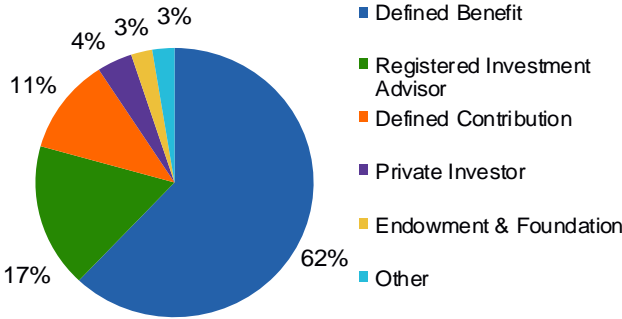
Section 1

International Equity
Team and Process Overview

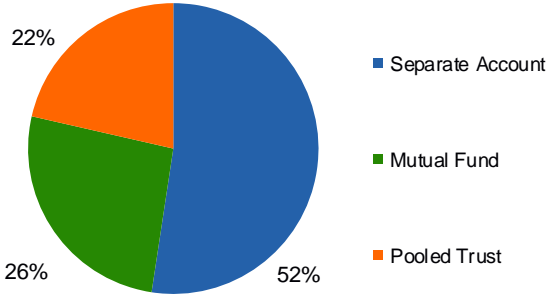
International Equity - Our Clients

International Equity AUM: \$19.5B¹

By Mandate Plan Type



By Vehicle



We are fortunate to have long term relationships:

- **Over 92% of our 42 Pooled Trust ERISA clients** have been with us for **over 10 years**
 - This includes 7 since 1990 and 4 since 1989.

Our clients are among the largest U.S. retirement funds².

- We manage money for:
 - **Five** of the **Top Fifteen Largest Retirement Funds**
 - **Fifteen** separate account clients rank in the **Top 200 Largest Retirement Funds**
 - **Five** of the **Top Ten Largest Corporate Funds**
 - **Four** of the **Top Ten Largest Defined Contribution Plans**

Consultants find our strategy helps meet their clients' needs:

- We manage over **\$13 Bn** in assets where **investment consultants are involved**, including investment consultant retirement plans.

Source: MSIM, Pension and Investments
 Data of September 30, 2014
 1. The assets under management figure include assets managed globally under this strategy within a number of separate products, jurisdictions and mandates.
 Pensions and Investments Top 1,000 Largest Retirement Funds, February 2014. Retirement Fund rankings based on total assets as of September 30, 2013.

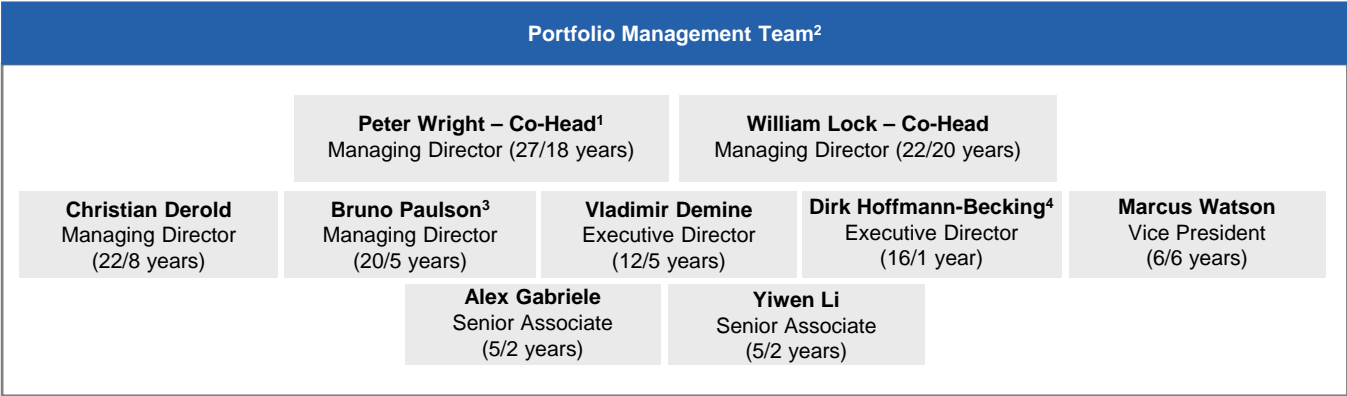
Portfolio Management Team

Boutique within Morgan Stanley Investment Management

Compensation linked to economics of product with significant portion in units of funds under the firm's compensation plan

Team combines fundamental research with portfolio management

Portfolio specialists link portfolio team to client



International Equity U.S.\$19.5Bn Assets Under Management ⁶	Global Quality U.S.\$2.7Bn Assets Under Management ⁶	Global Franchise U.S.\$15.4Bn Assets Under Management ⁶
Portfolio Specialists Cathy Colecchi Managing Director (18/31 years) ⁵ Nancy Jean Norton Executive Director (31/11 years) ⁵ Sean McDermott Vice President (10/2 years) ⁵	Portfolio Specialists Maggie Naylor Managing Director (25/27 years) ⁵ Alistair Corden-Lloyd Executive Director (13/17 years) ⁵ Anna Baron Senior Associate (13/13 years) ⁵ Munenori Yoshimi Executive Director (20/15 years) ⁵	Portfolio Specialists Laura Bottega Managing Director (16/8 years) ⁵ Monica Carta Vice President (12/12 years) ⁵ Cathy Colecchi Managing Director (18/31 years) ⁵ Munenori Yoshimi Executive Director (20/15 years) ⁵

1. Peter Wright has announced his intention to retire in December 2014.
 2. Years of investment experience / years on International Equity Team.
 3. Years of investment experience (7 years as a consultant, 13 years in financial services)/years on International Equity Team.
 4. Years of investment experience (5 years as a consultant, 11 years in financial services)/years on International Equity Team.
 5. Years of investment experience / years with the Firm.
 6. AUM as of September 30, 2014. The assets under management figures include assets managed globally under this strategy within a number of separate products, jurisdictions and mandates

Team members may change from time to time.

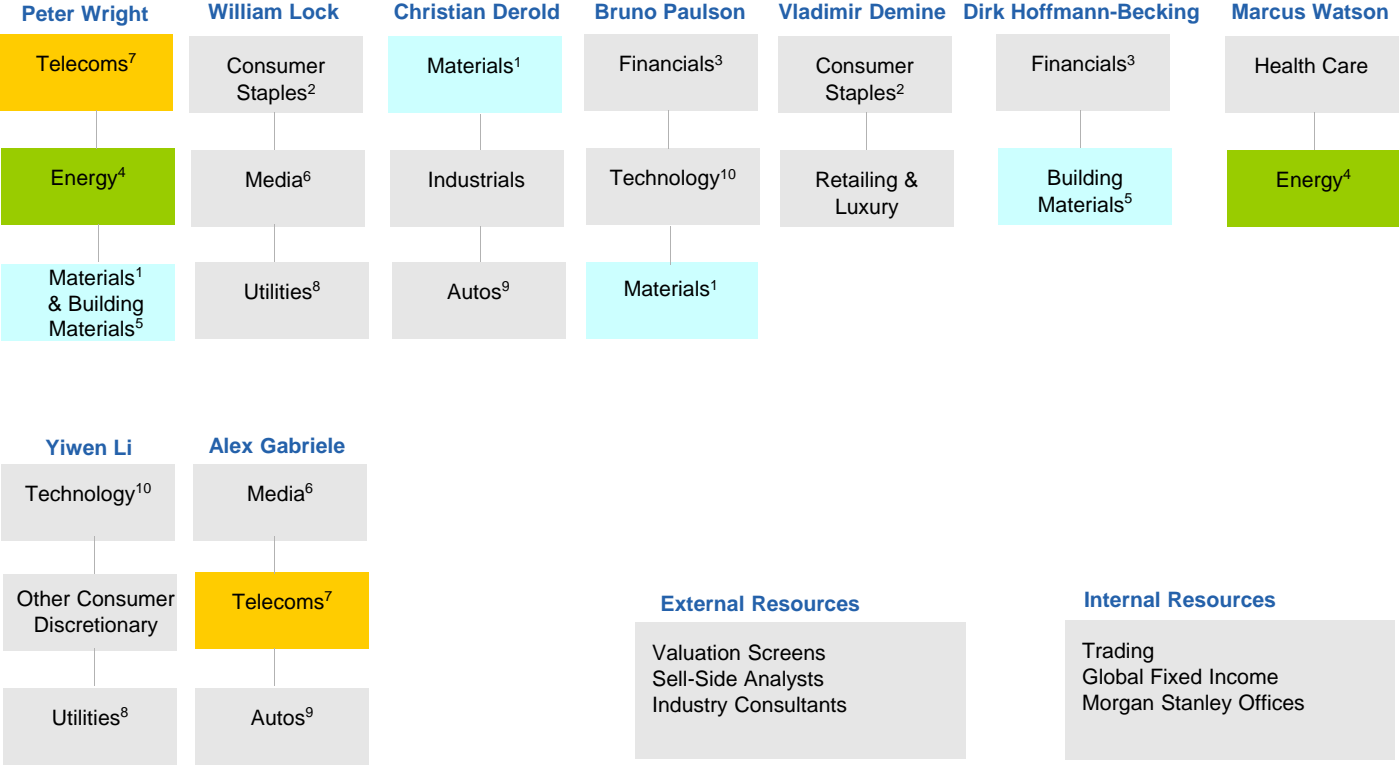
Primary Research Responsibilities: 2014

Chart denotes primary responsibilities but high degree of cross coverage and overlapping responsibility.

We are generalist stock pickers with sector responsibilities, and we are organized by sector rather than geographic coverage.

During 2014, Peter will transition his co-coverage of sectors to other members of the team.

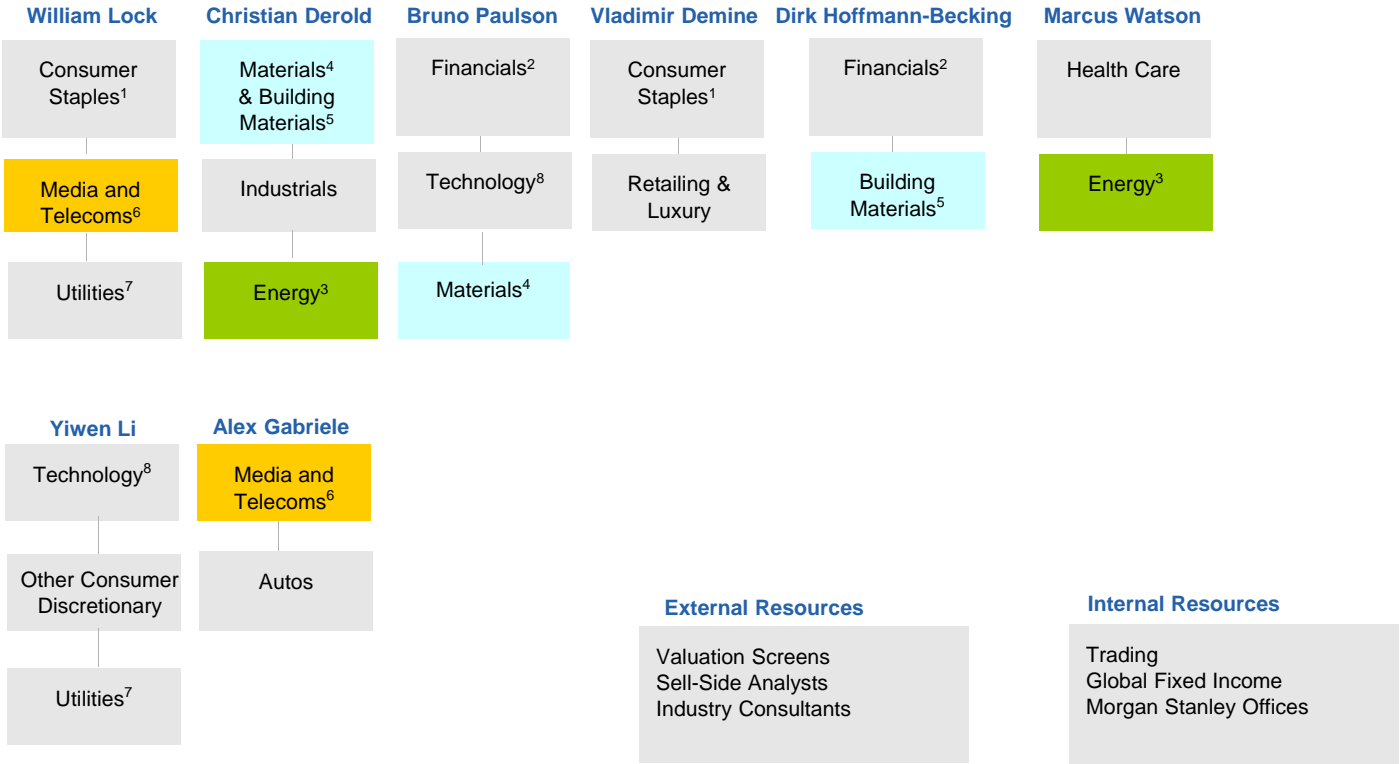
Peter's stock responsibilities:
 Intl Equity: 17 stocks
 Global Franchise: 0 stocks
 Global Quality: 0 stocks



1. Coverage by Peter Wright, Christian Derold and Bruno Paulson
 2. Dual coverage by William Lock and Vladimir Demine
 3. Dual coverage by Dirk Hoffmann-Becking and Bruno Paulson
 4. Dual coverage by Peter Wright and Marcus Watson
 5. Dual coverage by Peter Wright and Dirk Hoffmann-Becking
 6. Dual coverage by William Lock and Alex Gabriele
 7. Dual coverage by Peter Wright and Alex Gabriele
 8. Dual coverage by William Lock and Yiwen Li
 9. Dual coverage by Christian Derold and Alex Gabriele
 10. Dual coverage by Bruno Paulson and Yiwen Li

Primary Research Responsibilities: 2015

In 2015, each of Peter's sectors will be co-covered by a senior team member



1. Dual coverage by William Lock and Vladimir Demine
 2. Dual coverage by Dirk Hoffmann-Becking and Bruno Paulson
 3. Dual coverage by Christian Derold and Marcus Watson
 4. Materials dual coverage by Christian Derold and Bruno Paulson
 5. Building Materials dual coverage by Christian Derold and Dirk Hoffmann-Becking
 6. Dual coverage by William Lock and Alex Gabriele
 7. Dual coverage by William Lock and Yiwen Li
 8. Dual coverage by Bruno Paulson and Yiwen Li

Investment Philosophy

Quality at the right price

We Believe:

- The best route to attractive long term returns is through compounding and capital preservation
- Superior business franchises can generate attractive returns over the long term
- Valuation is important; we look to buy these franchises at a discount to their long term intrinsic value

Our Goal¹:

- To outperform the MSCI EAFE Index over a full market cycle while providing:
 - attractive absolute returns in rising markets
 - downside protection in challenging markets

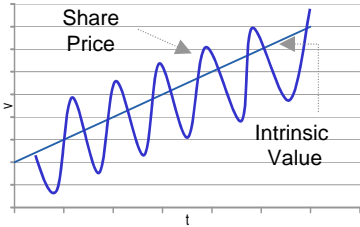
Source: Morgan Stanley Investment Management

1. This goal is a target only and no guarantee is made that it will be achieved. A full market cycle is generally 3-5 years. MSCI EAFE index is a reporting benchmark.

How We Categorize Businesses

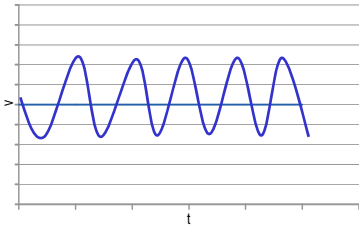
- Ideally buy “Compounders” at a discount to intrinsic value but true “Compounders” are scarce and rarely cheap
- “Cash Cows” at discount to intrinsic value are next best
- Avoid “Value Traps” or “Cash Cows” transitioning to “Value Traps”
- In reality, most companies contain a mix of all three. It is important to identify the hand of cards correctly

Compounder



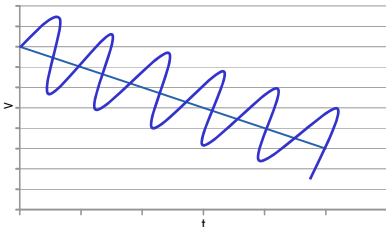
- High unlevered returns on operating capital, opportunities to grow capital base at high returns
- High barriers to entry, preferably intangible assets
- Strong market structure, few competitors
- Disciplined use of free cash flow

Cyclical “Cash Cow”



- Returns on capital close to cost of capital, regulated returns or high degree of cyclicity
- Mature business, few new investment opportunities
- Competitive market structures

Value Trap



- Low and structurally declining returns on capital
- High capital intensity, high fixed cost base
- Many competitors, new entrants
- Technology or IP risk, product obsolescence

v = Intrinsic Value
t = Time

For illustrative purposes only. There is no guarantee any security within each category will perform as outlined above.

Investment Process

A disciplined bottom-up approach

<p>1. Quantitative Screens</p>	<p>Initial Liquidity, Valuation and Quality Metrics (~ 1000 stocks)</p> <ul style="list-style-type: none"> • Is free float > \$2B? • Is stock attractively priced on absolute basis and relative to global peers? • Does stock possess desirable economic characteristics?
<p>2. Kicking the Tyres</p>	<p>Assess Franchise, Financial Strength and Management (~ 300 - 400 stocks)</p> <ul style="list-style-type: none"> • Look for dominant market shares and effective barriers to entry • Are Returns on Operating Capital Employed improving, stable or fading? • How does management allocate capital? How are management paid?
<p>3. Assess Fair Value</p>	<p>Determine Long Term Fair Value</p> <ul style="list-style-type: none"> • Focus on free cash flow, not accounting numbers • Why may the market be wrong? • Is there a catalyst to realize value?
<p>4. Portfolio Construction & Maintenance</p>	<p>Meet Weekly to Review Portfolio & Stock Candidates (~ 70 - 90 stocks)</p> <ul style="list-style-type: none"> • Does new idea offer better risk/reward tradeoff? • Stock weighting influenced by level of conviction, risk/reward tradeoff, liquidity • Continuous re-evaluation and maintenance research • No prescribed industry or country limits; 5% max in any 1 security

The information presented represents how the portfolio management team applies their investment process under normal market conditions.

Risk Management

Seek to minimize risks that can jeopardize long term compounding

- We believe we are fallible and stress-test our assumptions about individual stocks accordingly
- We believe that cap-weighted benchmarks are inherently risky
- We worry about quality and price while indices do not
- We do not care about tracking error!

Risks We Worry About
<ul style="list-style-type: none"> • Company Risk <ul style="list-style-type: none"> - Understand the specific risks facing the company we are buying - Look for resilient franchises - Understand motivations of management • Valuation Risk <ul style="list-style-type: none"> - Aim to avoid overpaying by emphasizing free cash-flow yields vs. local bond yields • Financial Risk <ul style="list-style-type: none"> - Prefer strong balance sheets with the ability to cover interest and other fixed charges • Portfolio Risk <ul style="list-style-type: none"> - Seek to maintain broad diversification by country, sector and number of holdings

Risks We don't
<ul style="list-style-type: none"> • Tracking error • Missing out on latest investment trend • Short term "noise"

Stocks are more volatile than corporate bonds, and Government bonds and Treasury Bills are guaranteed as to the timely payment of principal and interest, if held to maturity. Fixed income investments are subject to credit and interest rate risks. Diversification does not protect an investor against a loss in a particular market; however it allows an investor to spread that risk across various asset classes.

Asymmetric Return Profile

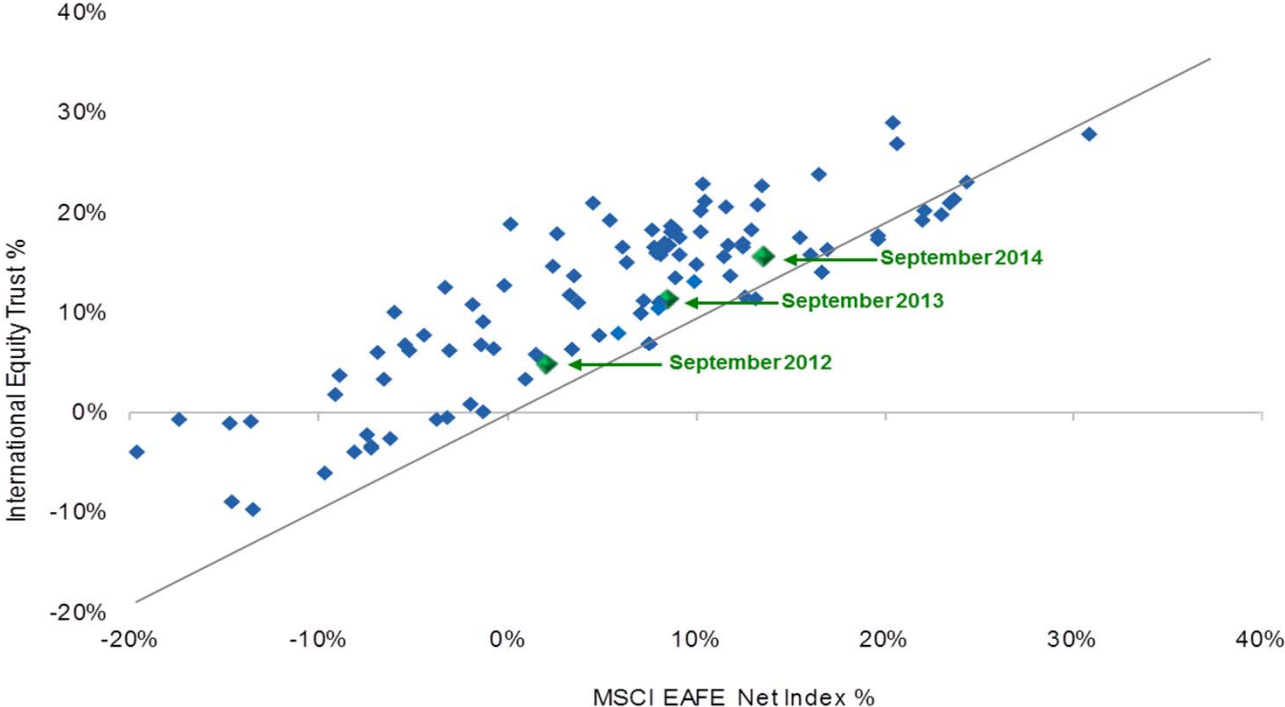
Morgan Stanley International Equity Trust – U.S.\$

Rolling 3 Year Periods Since Inception through September 30, 2014

The inception date of the Morgan Stanley International Equity Trust is September 30, 1986

- This strategy has exhibited:
 - Asymmetrical performance
 - Strong capital preservation characteristics
 - Strongest outperformance in down periods
 - Weakest relative performance in concentrated, momentum-driven “up” markets

Quarterly Data



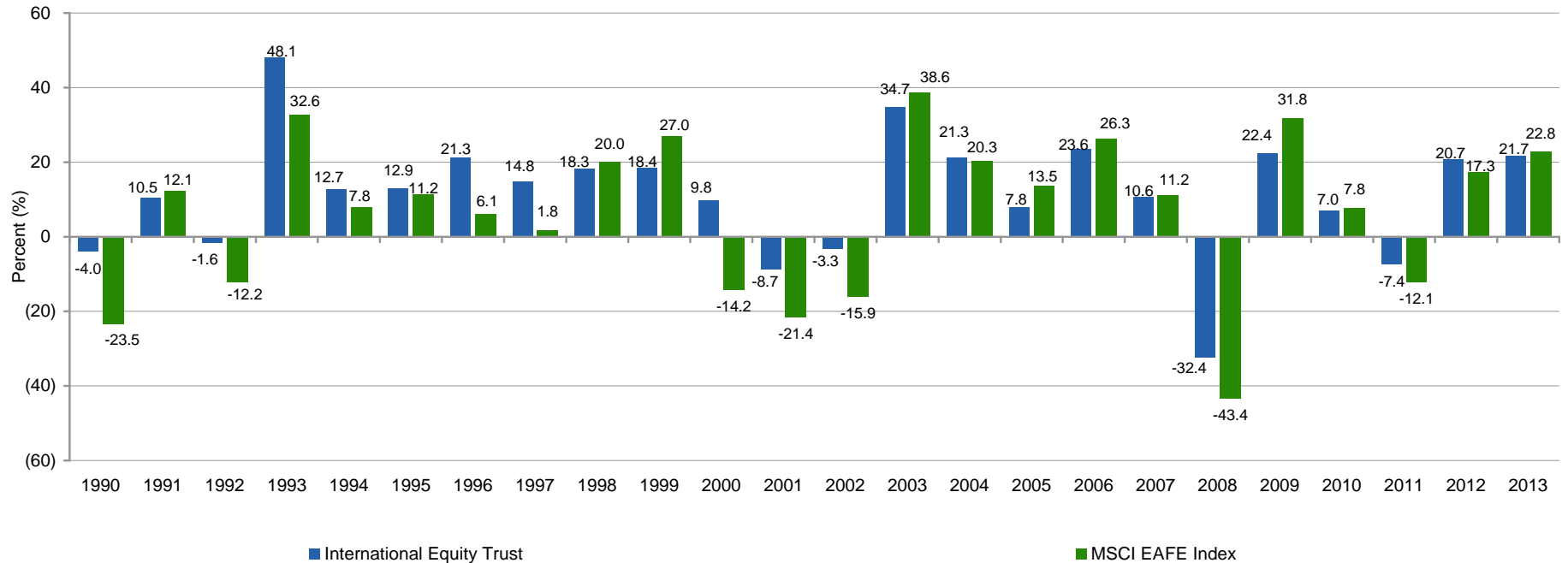
Past performance should not be construed as a guarantee of future performance. Performance returns reflect the average annual rates of return. The Morgan Stanley International Equity Trust investment returns are GROSS of custody as well as investment management fees, in U.S.\$ terms, and assume the reinvestment of all dividends and income. If expenses were deducted returns would have been lower. Investment returns and principal value will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Performance returns are compared to those of an unmanaged index and are considered to be a relevant comparison to the portfolio. Comparisons of performance assume the reinvestment of all dividends and income.

International Equity Trust

Presented in U.S.\$ Terms

Calendar Year Performance Returns

The inception date of the Morgan Stanley International Equity Trust is September 30, 1986



Source: Morgan Stanley Investment Management

Past performance should not be construed as a guarantee of future performance. Performance returns reflect the average annual rates of return. The Morgan Stanley International Equity Trust investment returns are GROSS of custody as well as investment management fees, in U.S.\$ terms, and assume the reinvestment of all dividends and income. If expenses were deducted, returns would have been lower. Investment returns and principal value will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Performance returns are compared to those of an unmanaged index and are considered to be a relevant comparison to the portfolio. Comparisons of performance assume the reinvestment of all dividends and income.

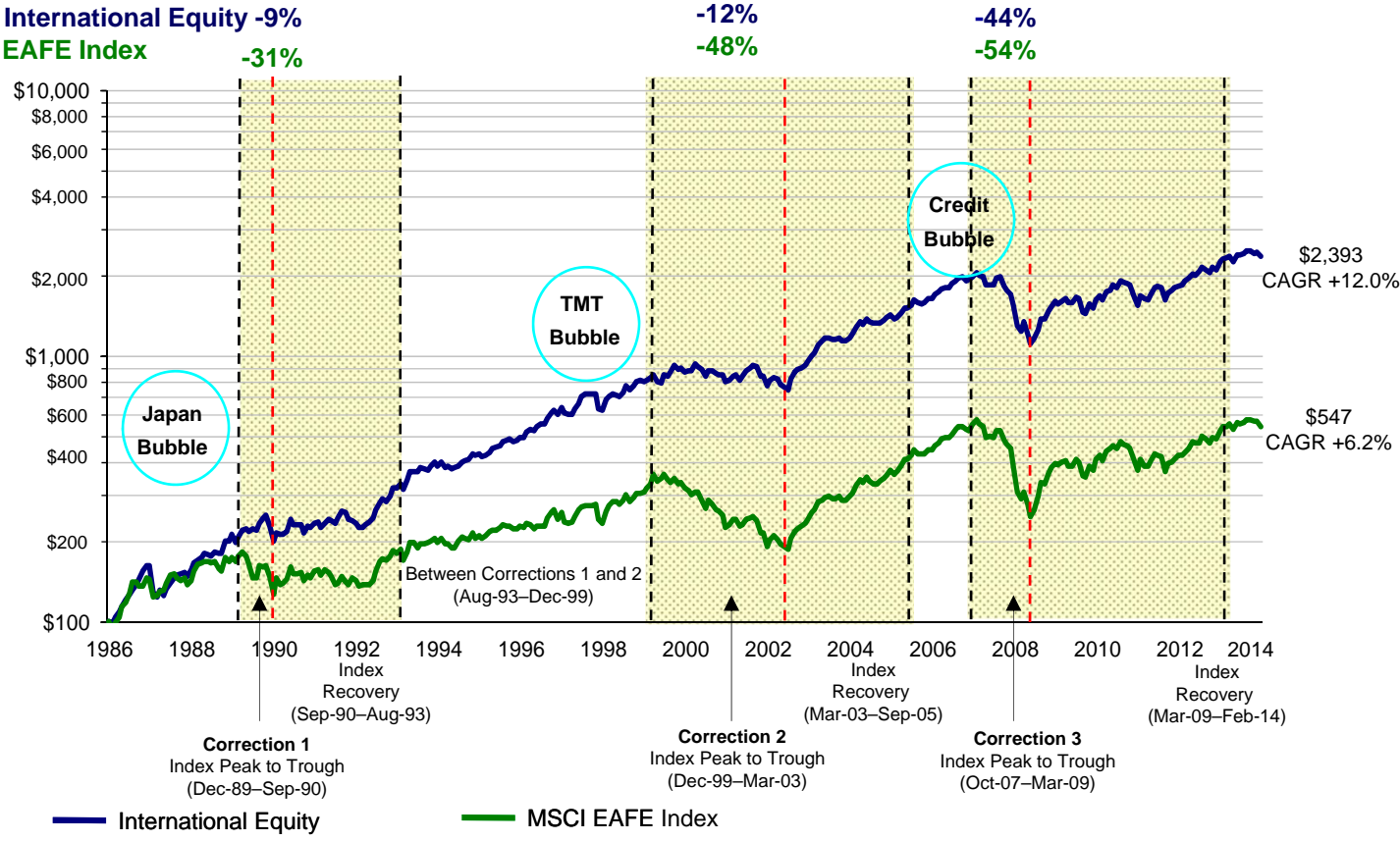
Morgan Stanley

For the Exclusive Use of the City of Fort Pierce Retirement and Benefit System and May Not be Redistributed

The Power of Compounding

Morgan Stanley International Equity Trust – U.S.\$

- \$100 invested in the portfolio worth \$2,393 v \$547 invested in the index as of September 30, 2014
- Our value discipline has identified and helped avoid the 3 great asset bubbles of the last 25 years



Source: MSCI, Morgan Stanley Investment Management; as of September 30, 2014
 Past performance is no guarantee of future results. The returns represent the Morgan Stanley International Equity Trust and are presented GROSS of custody as well as investment management fees. Had fees been included, returns would be lower and results may be less favorable. Returns are quoted in U.S.\$ terms and include the reinvestment of all dividends and income. The inception date of the Morgan Stanley International Equity Trust is September 30, 1986. Please refer to section 2 of the presentation for the Trust's investment performance. Individual results may vary.

Section 2

International Equity
Performance and Portfolio Positioning

City of Fort Pierce Retirement and Benefit System

Morgan Stanley International Equity Trust

Average Annual Returns

Presented in U.S.\$ terms

	For Periods Ending September 30, 2014							Since Inception (%)
	YTD (%)	3Q 2014 (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	20 Years (%)	
International Equity Trust	-0.09	-4.77	5.75	15.59	8.28	7.40	9.57	10.72
MSCI EAFE Index	-1.38	-5.88	4.25	13.65	6.56	6.32	5.16	5.86
Excess Returns (bps)	129	111	150	194	172	108	441	486

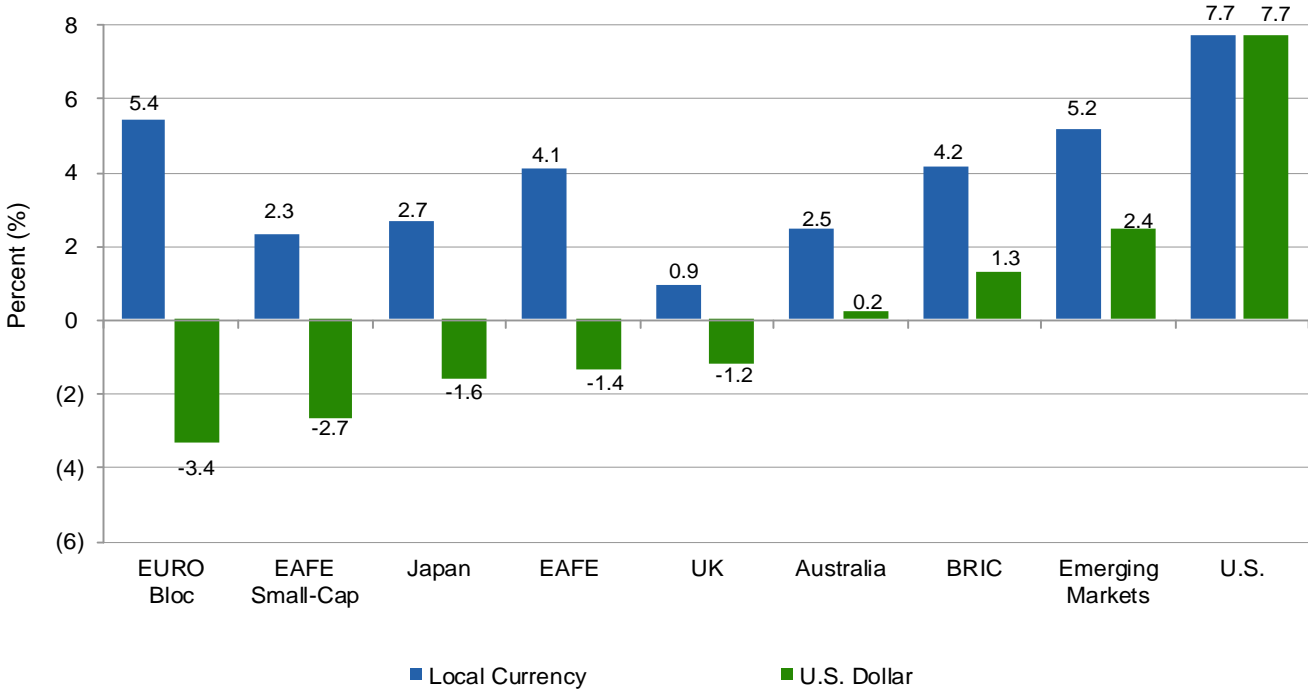
City of Fort Pierce Retirement and Benefit System

- Market Value as of September 30, 2014: \$12,462,786.98
- Inception Date: September 1, 1991

Past performance should not be construed as a guarantee of future performance. Returns less than one year are not annualized. Performance returns reflect the average annual rates of return. The Morgan Stanley International Equity Trust investment returns are GROSS of investment management fees, in U.S.\$ terms and assume the reinvestment of all dividends and income and would be lower if expenses were deducted. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance returns are compared to those of an unmanaged index and are considered to be a relevant comparison to the portfolio. The comparison index is the MSCI EAFE Index with Net Dividends reinvested. 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.

YTD Index Regional Returns

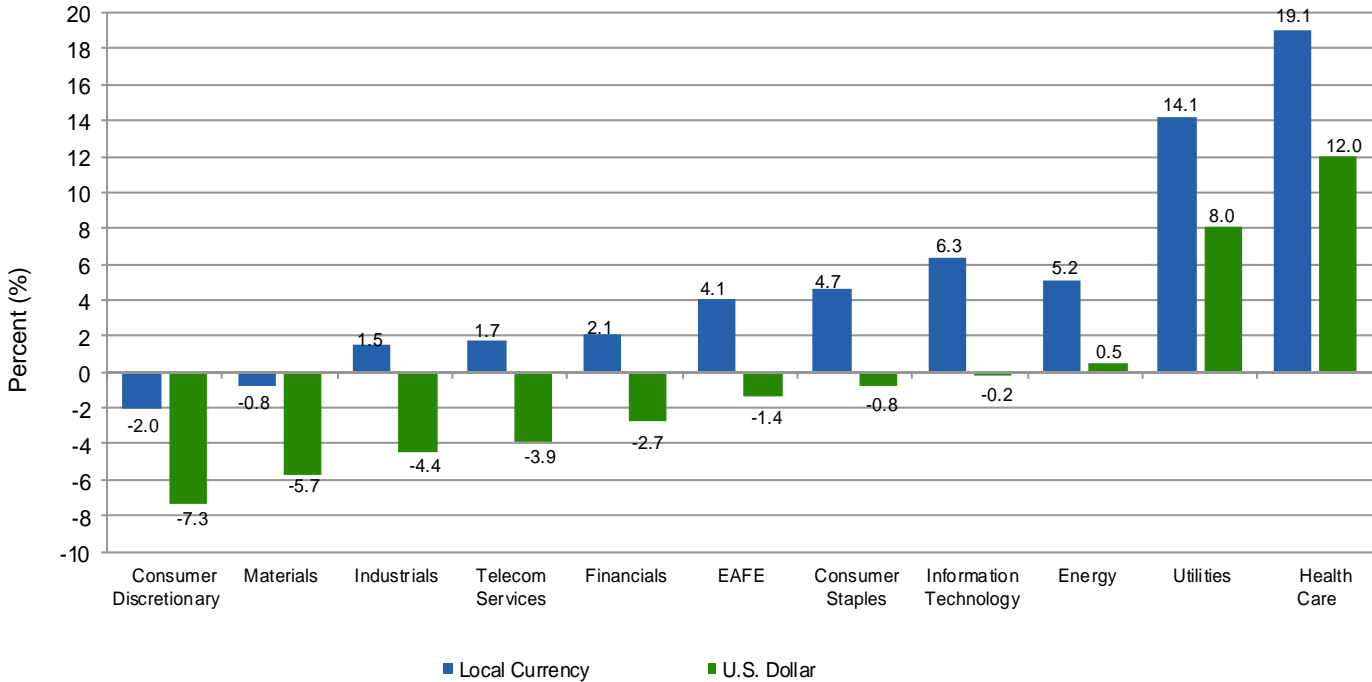
MSCI Official Indices



Source: FactSet
 Data as of September 30, 2014. **Past performance is no guarantee of future results.** For illustrative purposes only and should not be deemed as a recommendation to buy or sell securities in the countries or regions shown above. MSCI EAFE is an unmanaged index and It is not possible to invest directly in an index.

YTD Index Sector Returns

MSCI EAFE Net Official Index



Source: FactSet. Data as of September 30, 2014. **Past performance is no guarantee of future results.** For illustrative purposes only and should not be deemed as a recommendation to buy or sell securities in the industries shown.

YTD Sector Attribution

Morgan Stanley International Equity Trust

Data as of September 30, 2014¹

Top Five Contributors³:

• Reckitt Benckiser	+53bps
• Novartis	+44bps
• British American Tobacco	+43bps
• Sanofi	+36bps
• Weir Group	+30bps

Top Five Detractors³:

• SAP	-30bps
• Mitsubishi Estate	-28bps
• Sumitomo Mitsui Financial Group	-21bps
• Diageo	-20bps
• Novo Nordisk	-19bps

	Sector Performance		Average Sector Weightings		Performance Attribution		
	Portfolio %	Index %	Portfolio %	Index %	Selection %	Allocation %	Total %
Consumer Staples	4.82	-0.77	24.56	11.00	1.34	0.10	1.43
Consumer Discretionary	-4.69	-7.39	7.70	11.73	0.16	0.27	0.43
Telecom Services	4.12	-3.86	2.03	5.07	0.17	0.07	0.24
Industrials	-4.42	-4.40	6.36	12.75	-0.05	0.21	0.16
Energy	0.22	0.39	8.41	7.00	-0.04	0.12	0.08
Health Care	8.24	11.89	13.90	10.55	-0.40	0.38	-0.02
Materials	-7.36	-5.50	8.88	8.04	-0.10	0.03	-0.07
Information Technology	-2.46	-0.15	6.42	4.48	-0.14	0.06	-0.08
Utilities	0.00	8.04	0.00	3.74	0.00	-0.33	-0.33
Financials	-6.20	-2.70	18.90	25.59	-0.74	0.08	-0.65
Cash	0.03	0.00	2.82	0.00	0.00	-0.09	-0.09
Hedging	0.03	0.00	0.01	0.00	0.00	0.21	0.21
Total	-0.09	-1.38	100.00	100.00	0.21	1.08	1.29
Other ²	0.00	0.00					0.00
Total Returns	-0.09	-1.38					1.29

Source: Morgan Stanley Investment Management and FactSet

- Portfolio weight is an average for the period from January 1, 2014 through September 30, 2014. Index MSCI EAFE Net. Attribution total return may differ from reported total return due to differing methodologies. Returns are Gross of fees, quoted in USD terms, and include the reinvestment of all dividends and income. Had fees been included, results would be lower and may differ. **Past performance is no guarantee of future results.** Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the sectors shown.
- "Other" is the difference between the buy-and-hold attribution and official portfolio returns Gross of Fees. It reflects the Net impact of cash flows and security transactions. Additional contributors can include differences in pricing sources and fair valuation practices between systems used to calculate these returns. In volatile or illiquid markets and for high turnover portfolios, these differences can become increasingly significant. Attribution considers the total return of each security (price appreciation and dividend income). Management Fees and expenses are not considered by the attribution. The "Cash" line in the attribution includes cash balances as well as other cash instruments.
- Contribution is net and relative to the index. We do not own companies listed in italics.

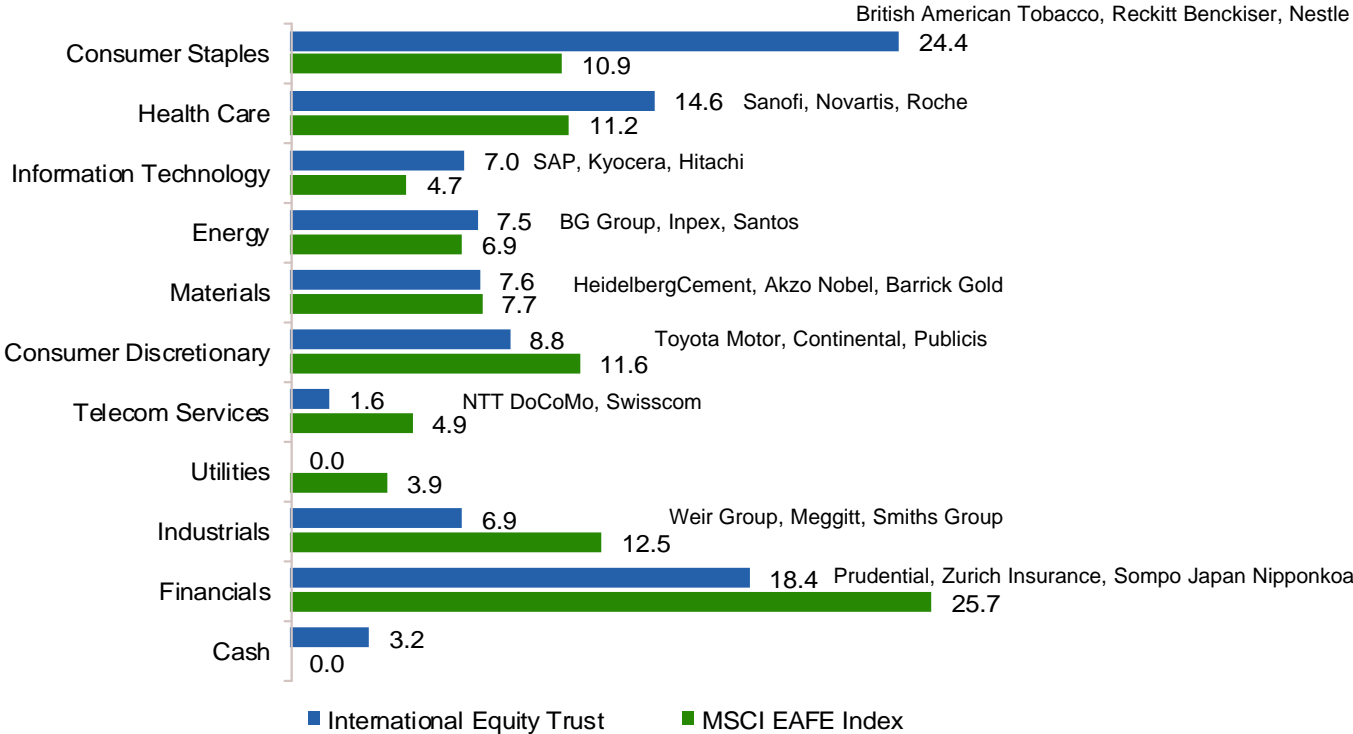
Current Portfolio

Sector Weightings

Morgan Stanley International Equity Trust

Largest Portfolio Holdings within Each Sector

- Sector weights result from bottom-up stock selection process
- Overweight defensive sectors (43.8% vs 30.9%)
- Underweight cyclical sectors (56.2% vs 69.1%)



Source: Morgan Stanley Investment Management
 Data as of September 30, 2014. Subject to change daily. Each portfolio may differ due to specific restrictions and guidelines. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the industries shown above. Up to the three largest holdings are stated for each sector.

Financials Underweight Dissected

Morgan Stanley International Equity Trust

- Remain heavily underweight banks with no direct exposure to PIIGS banks. Our strategy remains choosy and opportunistic. Few bank franchises can beat their cost of capital – de-levering and forced alterations to the business model require a heavy discount to account for the considerable risks
- Strongly overweight insurers given their limited solvency, liquidity and regulatory risks. Wary of exposure to vulnerable sovereigns and low long-run interest rates

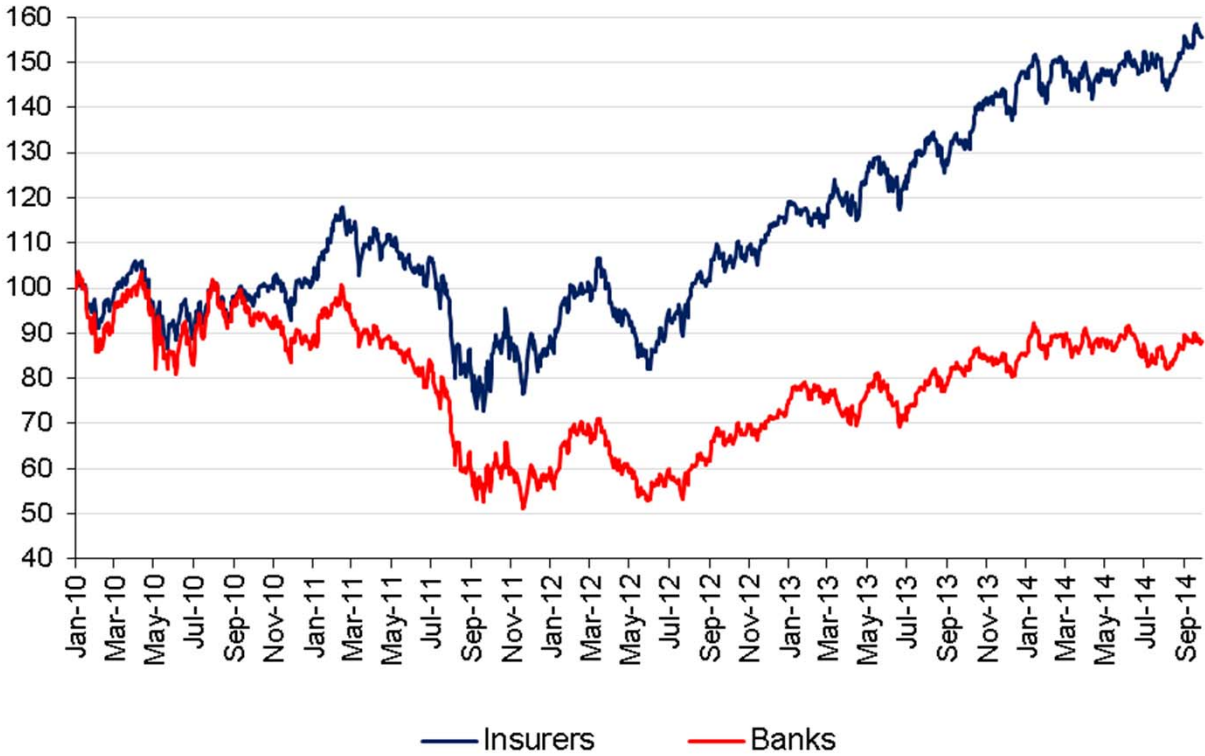
Financials Weighting	MSCI EAFE	Portfolio
Banks	13.9	7.5
Capital Markets	1.9	1.4
Diversified	1.1	0.0
Insurance	5.3	8.3
Real Estate	<u>3.5</u>	<u>1.2</u>
Financials	25.7	18.4

Banks Weighting	MSCI EAFE	Portfolio	Main Holdings
UK	3.0	2.0	Lloyds, HSBC
Japan	1.9	1.9	SMFG, Sumitomo Mitsui Trust Holdings
France	1.0	1.2	BNP Paribas
Australia	2.7	0.0	
Spain	1.8	0.0	
Italy	0.7	0.0	
Other	<u>2.8</u>	<u>2.4</u>	Nordea (Sweden) Svenska Handelsbanken (Sweden)
	13.9	7.5	

Insurance Weighting	MSCI EAFE	Portfolio	Main Holdings
UK	1.3	3.9	Prudential, Friends Life (Resolution), Admiral Group
Switzerland	0.7	1.7	Zurich Insurance Group
Japan	0.5	2.1	Sompo Japan Nipponkoa (NKSJ), MS&AD Insurance
Australia	0.4	0.0	
France	0.4	0.0	
Germany	0.9	0.0	
Other	<u>1.1</u>	<u>0.6</u>	AIA
	5.3	8.3	

Source: MSCI and FactSet
 Data as of September 30, 2014. Subject to change daily. Up to three largest holdings, when available, are provided for each weighting. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned in the countries or industries shown above.

European Insurers vs Banks



Source: Bloomberg
STOXX600 European Banks (SX7P)
STOXX600 European Insurance (SXIP)
Data of September 30, 2014. Index rebased to 100 in January 2010. **Past performance is not indicative of future results.** Provided for informational purposes only and is not a recommendation to buy or sell any security.

Materials Dissected

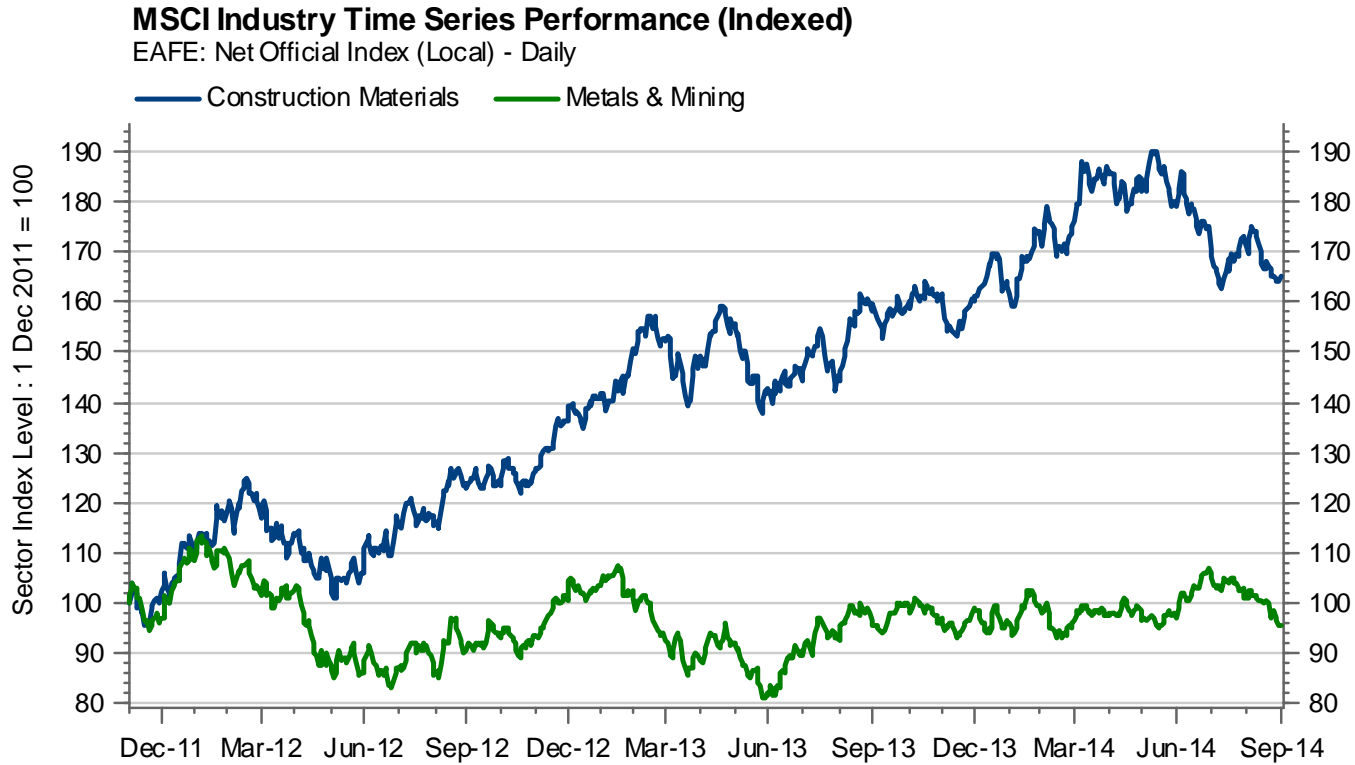
Morgan Stanley International Equity Trust

- Broadly neutral on metals and mining with improving medium term free cash flow prospects offset by shorter term concerns over Chinese demand
- Remain overweight construction materials where earnings are at cyclical lows but offer high operational leverage to any economic recovery

Industry Sub Group	MSCI EAFE (%)	Portfolio (%)	Holdings
Metals and Mining	3.54	3.07	Barrick Gold, Glencore, BHP Billiton, Rio Tinto, Turquoise Hill Resources
Chemicals	3.28	2.00	Akzo Nobel, BASF, Nitto Denko
Construction Materials	0.59	2.55	HeidelbergCement, CRH, Holcim
Paper and Forest Products	0.12	0.00	
Containers and Packaging	0.15	0.00	
	7.68	7.62	

Source: MSCI and FactSet
 Data as of September 30, 2014. Subject to change daily. Up to three largest holdings, when available, are stated for each sector.
 Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the industries shown above.

Metals and Mining versus Building Materials



Source: MSCI, FactSet
Data of September 30, 2014. Past performance is not indicative of future results. Provided for illustrative purposes only and should not be deemed as a recommendation to buy or sell any securities in the industries shown above.

Geographic Allocation

Morgan Stanley International Equity Trust

Data as of September 30, 2014

Region	International Equity Trust (%)	MSCI EAFE (%)	Currency Hedge ¹ (%)
Europe non-Euro			
United Kingdom	29.6	21.3	
Switzerland	15.6	9.2	
Sweden	2.4	3.1	
Denmark	0.0	1.6	
Norway	0.0	0.8	
Total	47.6%	36.0%	
Asia/Pacific			
Japan	19.0	21.0	-5.0
Australia	2.0	7.5	
Hong Kong	0.6	2.9	
Singapore	0.0	1.5	
New Zealand	0.0	0.1	
China	1.3	0.0	
Total	22.9%	33.0%	
Europe Euro			
France	10.1	9.8	
Germany	7.8	8.8	
Spain	0.0	3.6	
Netherlands	5.3	2.8	
Italy	0.9	2.5	
Belgium	0.0	1.3	
Finland	0.0	0.9	
Ireland	0.9	0.3	
Austria	0.0	0.2	
Portugal	0.0	0.2	
Total	25.0%	30.4%	
Africa/Mideast			
Israel	0.0	0.6	
Total	0.0%	0.6%	
North America			
United States	0.0	0.0	5.1
Canada	1.3	0.0	
Total	1.3%	0.0%	
Cash	3.2%	0.0%	

1. Yen hedged to US dollar.

Source: Morgan Stanley Investment Management, MSCI and FactSet

Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the regions shown above.

- Country weights result from bottom-up stock selection process
- Currency hedging primarily used for defensive purposes

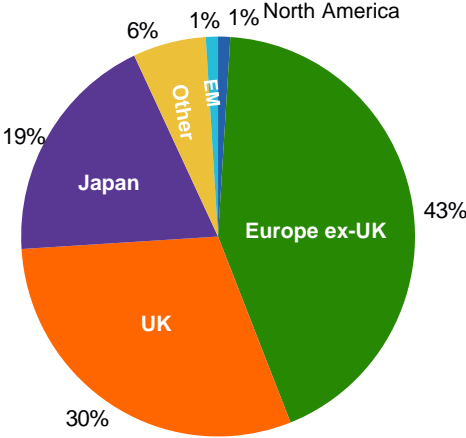
Regional Breakdown

Morgan Stanley International Equity Trust

Selected Company EM Exposure²

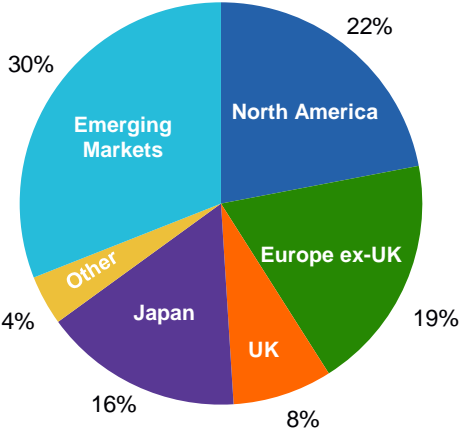
- AIA 100%
- Sinopec 100%
- BAT 68%
- Holcim 60%
- Unilever 57%
- BHP 52%
- Prudential 45%
- Nestlé 43%
- Vallourec 38%
- Akzo Nobel 37%
- Diageo 35%
- Bayer 35%
- Roche 22%

Listed Exposure



Economic Exposure

Weighted Regional Exposure based on % of Company Sales¹



■ North America ■ Europe ex UK ■ UK ■ Japan ■ Other Developed Markets ■ Emerging Markets

Source: Morgan Stanley Investment Management
 1. Data as of September 30, 2014. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the countries or regions shown above. Holdings and weightings are subject to change. Each portfolio may differ due to specific investment restrictions and guidelines.
 2. Data as of September 30, 2014. Securities shown are for illustrative purposes only and percentages represent the weighted average based on revenues from emerging market sales.

Top Ten Holdings

Morgan Stanley International Equity Trust

Data as of September 30, 2014

Security	Industry	Country	(%)
British American Tobacco	Tobacco	United Kingdom	4.6
Reckitt Benckiser	Household Products	United Kingdom	4.6
Nestlé	Food Products	Switzerland	4.5
Sanofi	Pharmaceuticals	France	4.4
Unilever	Food Products	Netherlands	4.3
Novartis	Pharmaceuticals	Switzerland	3.6
Roche	Pharmaceuticals	Switzerland	3.1
Diageo	Beverages	United Kingdom	2.8
Toyota Motor	Automobiles	Japan	2.4
SAP	Software	Germany	2.4
Total			36.7

Source: Morgan Stanley Investment Management.
Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to purchase or sell the securities mentioned or securities in the industry and countries shown.

YTD Significant Movements in the Portfolio

Morgan Stanley International Equity Trust

Major Transactions: January 1, 2014 to September 30, 2014¹

Initial Purchases	Additions	Reductions	Final Sales
GlaxoSmithKline	Toyota	Imperial Tobacco Group	Vodafone
Publicis	HeidelbergCement	Aggreko	Credit Agricole
Meggitt	Glencore	British American Tobacco	Mitsubishi Electric
Svenska Handelsbanken	Hitachi	HSBC	ArcelorMittal
Wolseley	Santos	China Petroleum & Chemical	Verizon
Pernod Ricard	Lloyds Bank	Rio Tinto	Legal & General
Credit Agricole	Sompo Japan Nipponkoa (NKSJ)	Bayer	Astellas Pharma
Japan Tobacco	BASF	Novartis	Asatsu
Experian	BNP Paribas	ENI	
Kering	Diageo	Weir Group	
	British American Tobacco	Prudential	
	Continental	Glencore	
	Barrick Gold	LVMH	
	China Petroleum & Chemical	CRH	
	Mitsubishi Estate	Unilever	
	BG Group	Nestlé	
	Credit Suisse	Friends Life (Resolution)	
	Smiths Group	Inpex	

Source: Morgan Stanley Investment Management Limited

1. All information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. There is no guarantee that the securities shown, or holdings in general, will perform well. Holdings are subject to change.

Companies listed in bold font are transactions that have taken place from July 1, 2014 through to September 30, 2014

Companies listed in bold italic font are where additions have been made to new positions during the period from July 1, 2014 through to September 30, 2014

YTD Significant Movements in the Portfolio

Morgan Stanley International Equity Trust

Major Transactions: January 1, 2014 to September 30, 2014¹

Initial Purchases	Additions	Reductions	Final Sales
	SMFG	BG Group	
	Kyocera	Holcim	
	WorleyParsons	Sumitomo Mitsui Trust Holdings	
	MS&AD Insurance	Barrick Gold	
	Turquoise Hill Resources	BASF	
		Keyence	
		BHP Billiton	
		Reckitt Benckiser	
		Toyota	
		Swisscom	
		Admiral Group	

Source: Morgan Stanley Investment Management Limited

1. All information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. There is no guarantee that the securities shown, or holdings in general, will perform well. Holdings are subject to change.

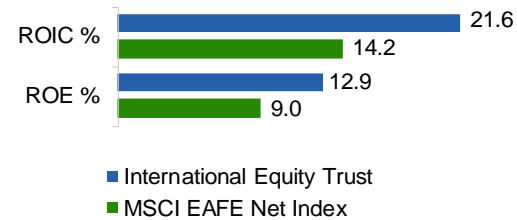
Companies listed in bold font are transactions that have taken place from July 1, 2014 through to September 30, 2014

Companies listed in bold italic font are where additions have been made to new positions during the period from July 1, 2014 through to September 30, 2014

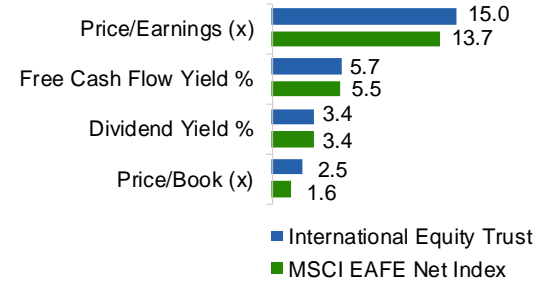
Portfolio Characteristics

Morgan Stanley International Equity Trust

Quality Ratios^{2,3}



Valuation Ratios^{2,3}



Market Cap Weights¹

	International Equity Trust %	MSCI EAFE Net Index %
Mega Cap > \$100bn	28	16
Large Cap \$50-100bn	26	21
Mid Cap \$10-50 bn	31	42
Small/Mid Cap \$1-10bn	16	21
Small Cap <\$1bn	0	0
Weighted Average Market Cap (\$bn)	72.3	54.2

Source: Morgan Stanley Investment Management, FactSet/Worldscope, MSCI

1.Data as of September 30, 2014.

2. ROIC=EBIT/PPE+trade working capital ex Financials (excludes goodwill). ROIC, ROE, Price/Book ratio are last reported. Price/Earnings ratio, Free Cash Flow (operating cash flow minus capex), and Dividend Yield are calculated using an average of the FactSet Consensus forecasted earnings per share, free cash flow, and dividend yield for the next 12 months. There is no guarantee that any International Equity portfolio will necessarily yield similar results over the next year.

3.Ratio methodology: Index names (sum of numerator/sum of denominator). Portfolio names (weighted sum of numerator/weighted sum of denominator).

Information shown is for illustrative purposes only and is subject to change daily. **Past performance is no guarantee of future results.** There is no guarantee that forecasts and estimates will come to pass due to changing market and economic conditions. Each portfolio may differ due to specific restrictions and guidelines

Section 3

International Equity
Outlook and Strategy

Valuations – Earnings Delivery is Key

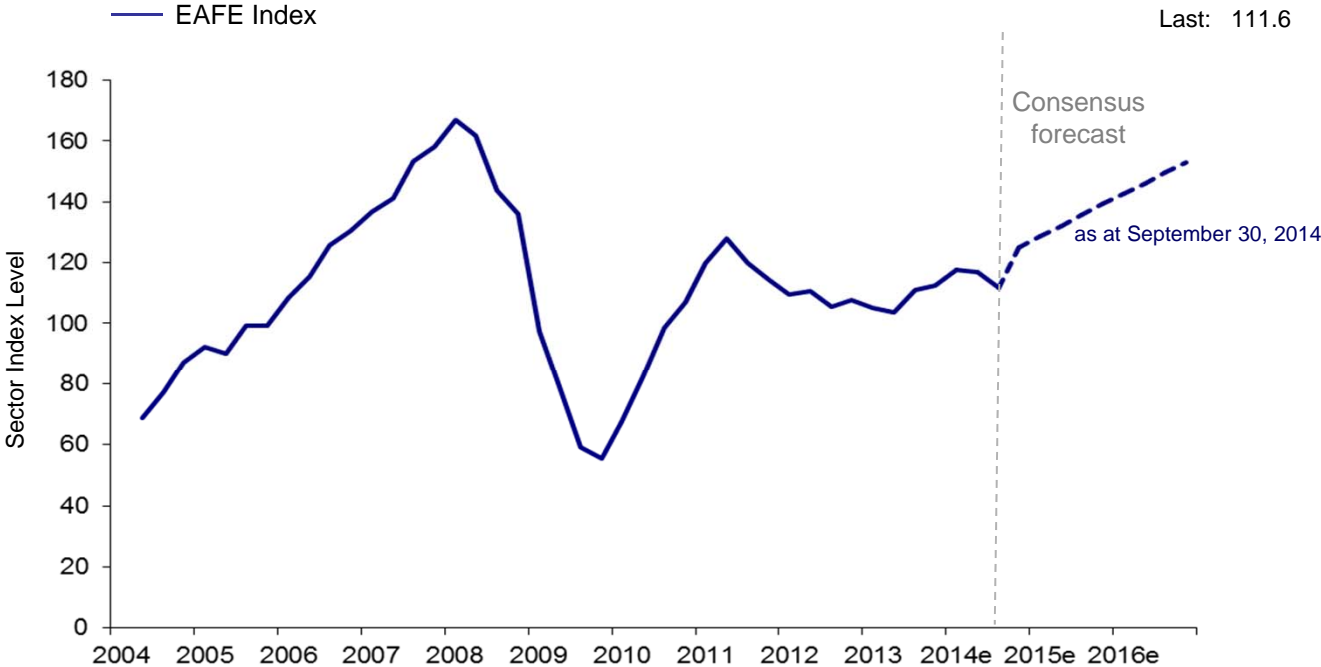
MSCI Market Time Series – Valuation

Latest 12 Months EPS – Quarterly
 June 30, 2004 – September 30, 2014

High: 167.0
 Low: 55.4
 Last: 111.6

as of September 30, 2014

	CY14	CY15	CY16
EPS	124.9	139.4	152.9
Growth %		11.6	9.7
PE	15.1	13.6	12.4

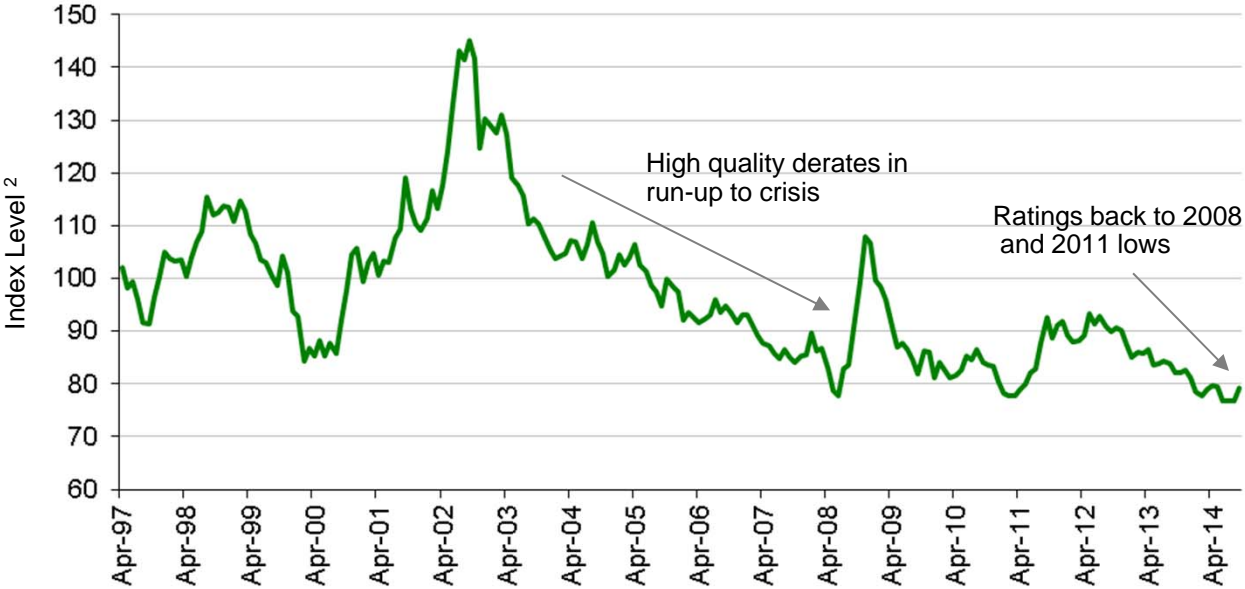


Source: MSCI, FactSet
 Data as of September 30, 2014 and quoted in USD.
 Projection is for index, based on summation of consensus forecasts for constituents of index
 Valuation series available from December 31, 2003
Past performance is no guarantee of future results. Forecasts/estimates are subject to change and may not necessarily come to pass due to changing markets and economic conditions.

“Quality” – What Re-rating?

- S&P issues ‘quality’ ratings for equities based on factors such as earnings stability and balance sheet robustness
- High and low quality indices for top and bottom quality tranches of S&P500 were established in 2010 dating back to 1997
- High quality re-rated in 2000-2 and 2008-9, but in general the last decade has seen a de-rating of quality. Currently relative rating of high quality to low quality is close to 2000 and 2008 lows

S&P 500 High Versus Low Quality Indices¹

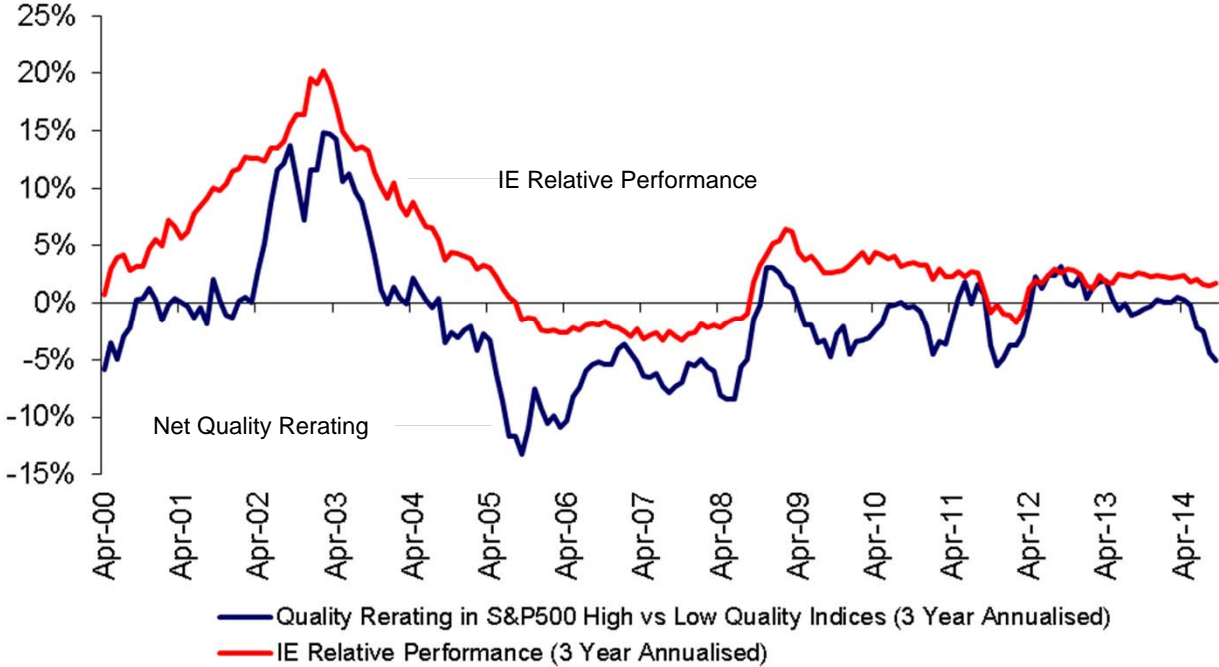


Data at September 30, 2014.
 1. The Standard & Poor's 500® Index (S&P 500®) measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. It is not possible to invest directly in an index. The S&P 500 High Quality Rankings Index is designed to provide exposure to constituents of the S&P 500 identified as high quality stocks – stocks with Quality Rankings of A- and above. The S&P 500 Low Quality Rankings Index is designed to provide exposure to those constituents of the S&P 500 identified as low quality stocks – stocks with Quality Rankings of B and below (excluding companies with scores of D or in liquidation). **Past performance is no guarantee of future results.** Provided for illustrative purposes only.
 2. Index is High Quality Index / Low Quality Index x 100

Re-rating of Quality Positive in the Past

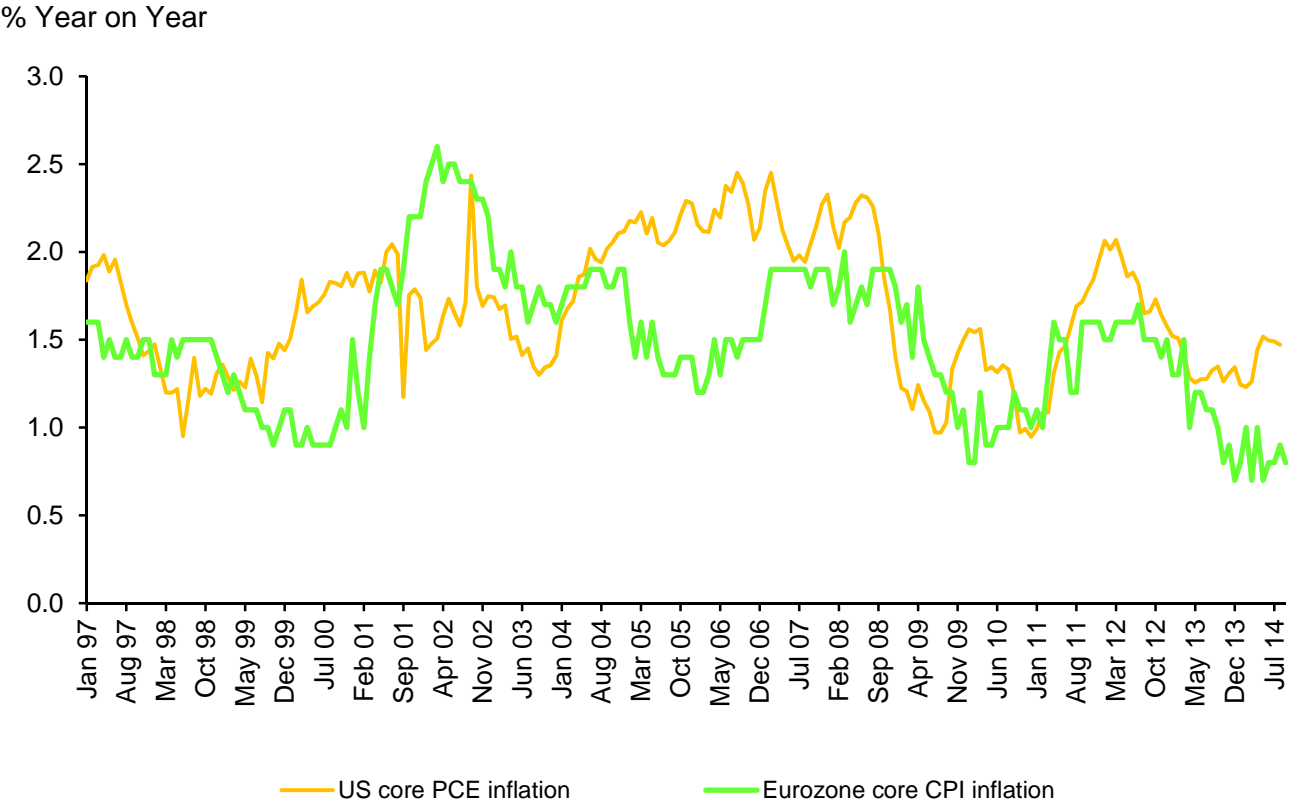
- International Equity has outperformed MSCI EAFE at times where quality rerated (2002-3, 2008-9), and only underperformed during severe de-ratings
- We believe the portfolio looks well positioned given currently low relative rating of high quality stocks

IE Relative Performance vs. Quality Rerating (3 Year Annualised)



Data as of September 30, 2014.
 Source: S&P, Morgan Stanley Investment Management. Quality re-rating is 3 year annualised change in S&P500 High Quality Rankings Index Total Return/S&P500 Low Quality Rankings Index.
 The relative performance represents the Morgan Stanley International Equity Representative Account versus MSCI EAFE. Performance figures are presented GROSS of custody as well as investment management fees and would be lower if fees were deducted. Figures are quoted in US\$ and include the reinvestment of all dividends and income. Past performance should not be construed as a guarantee of future performance.

Deflationary Pressures Remain in US and Europe

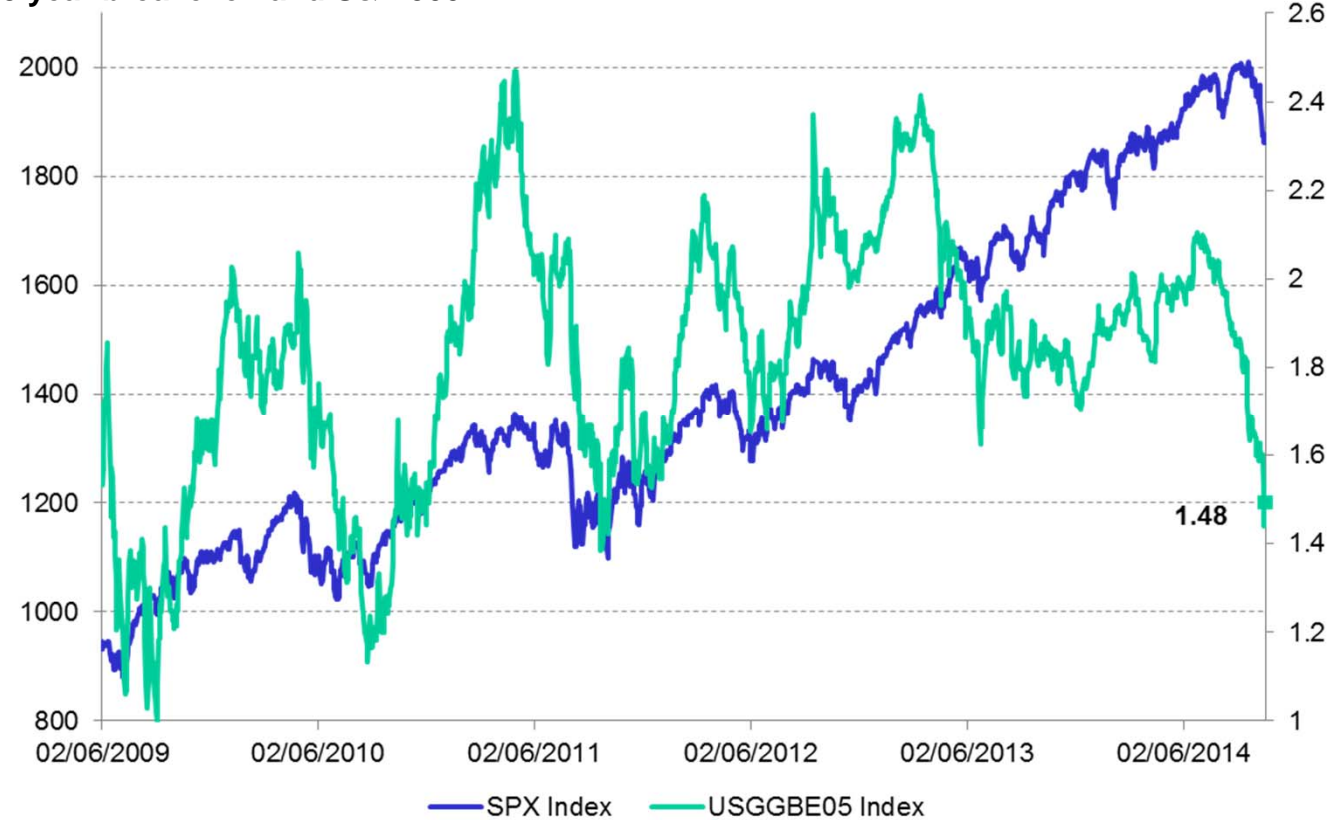


Source: CLSA
Data as of September 30, 2014
Past performance is no guarantee of future results. Provided for illustrative purposes only.

US Inflation Expectations Fell Rapidly in the Last Few Weeks – S&P 500 Does Not (Yet) Reflect That

5 year breakeven and S&P 500

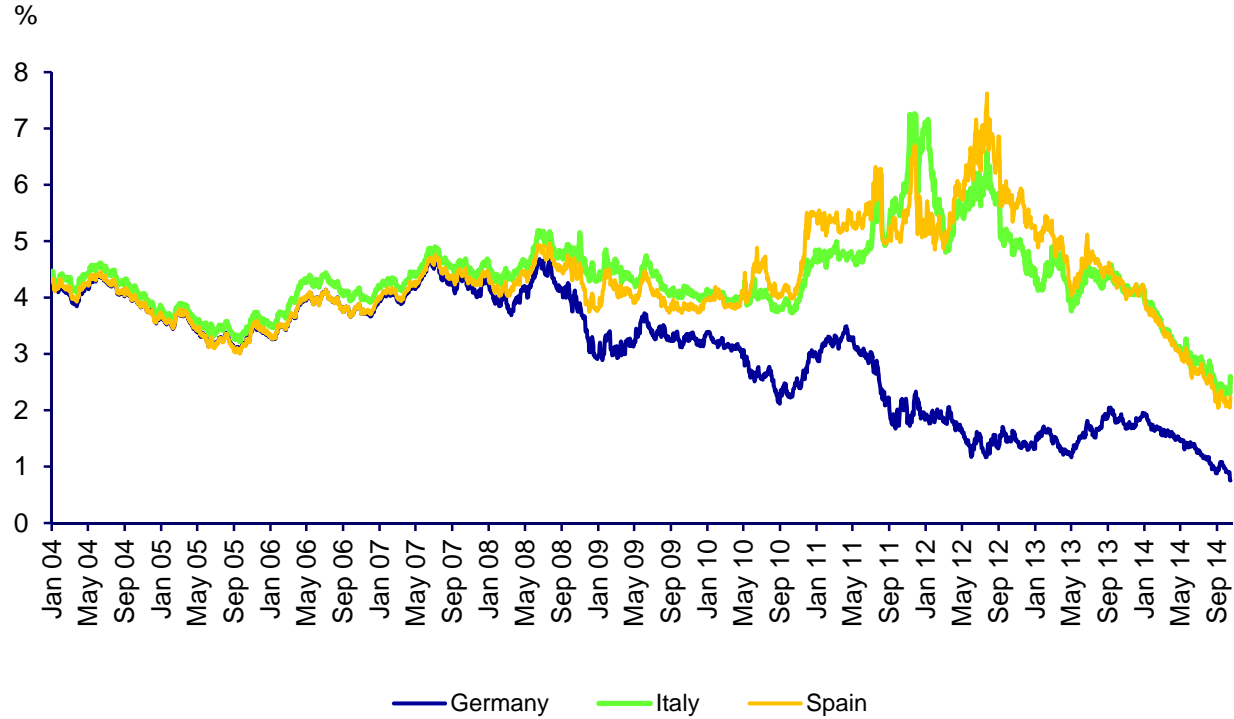
- Deflation affects stock market valuations, as it drives up real interest rates, hence indices typically fall when inflation expectations come down
- Historically periods when inflation expectations headed for 1% in the US resulted in sharp negative stock market returns (2001-2003, 2007/08).



Source: Bloomberg
 Data as of October 17, 2014
Past performance is no guarantee of future results. Provided for illustrative purposes only.

Reconvergence – Really?

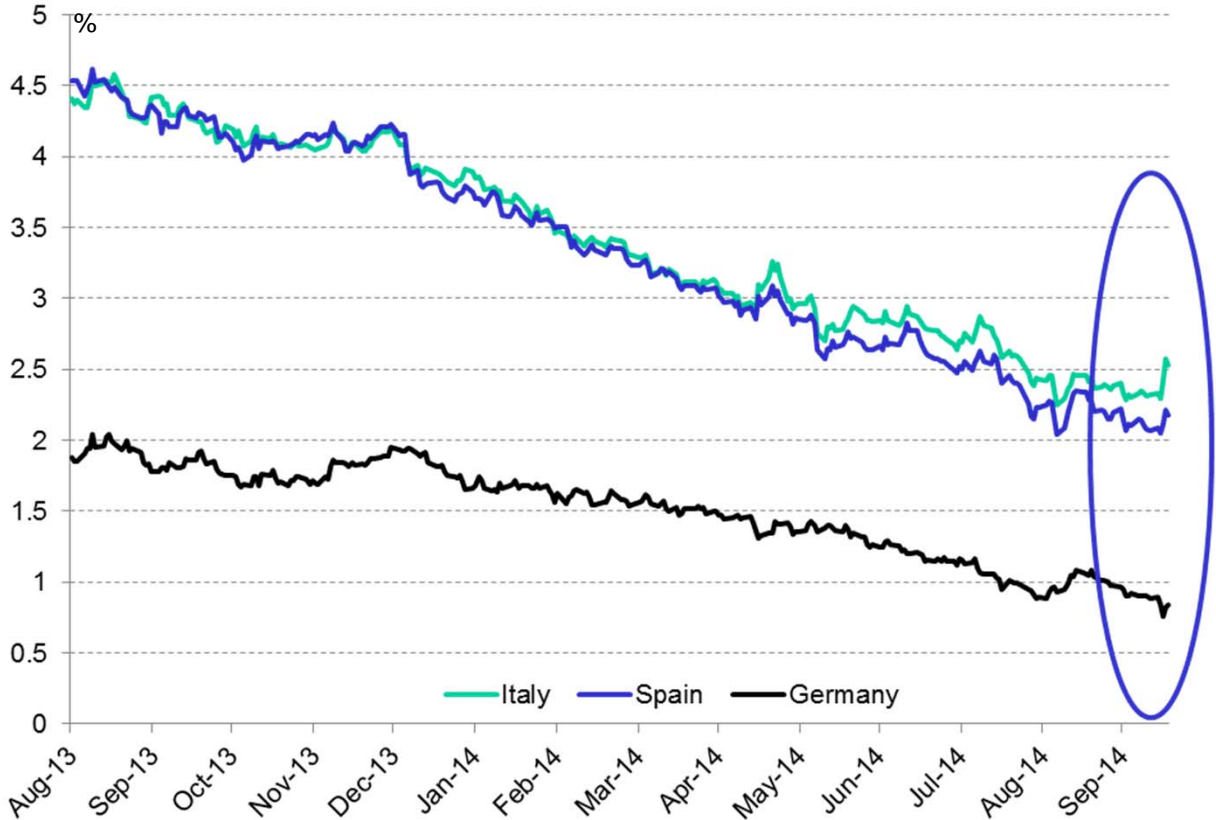
10 Year Government Bond Yields



Source: Bloomberg
Data as of October 17, 2014
Past performance is no guarantee of future results. Provided for illustrative purposes only.

A Break in the Trend of Falling Yields and Spreads in Europe?

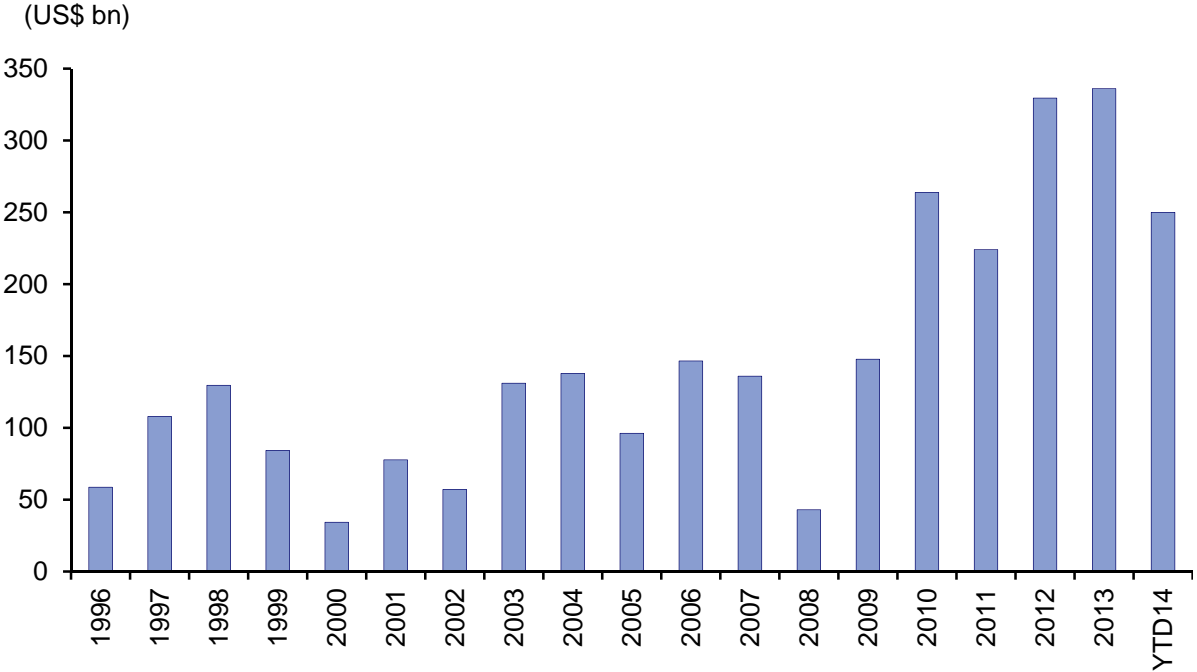
10 Year Government Bond Yields



Source: Bloomberg
Data as of October 17, 2014
Past performance is no guarantee of future results. Provided for illustrative purposes only.

Hunting Yield

US High Yield Corporate Bond Issuance



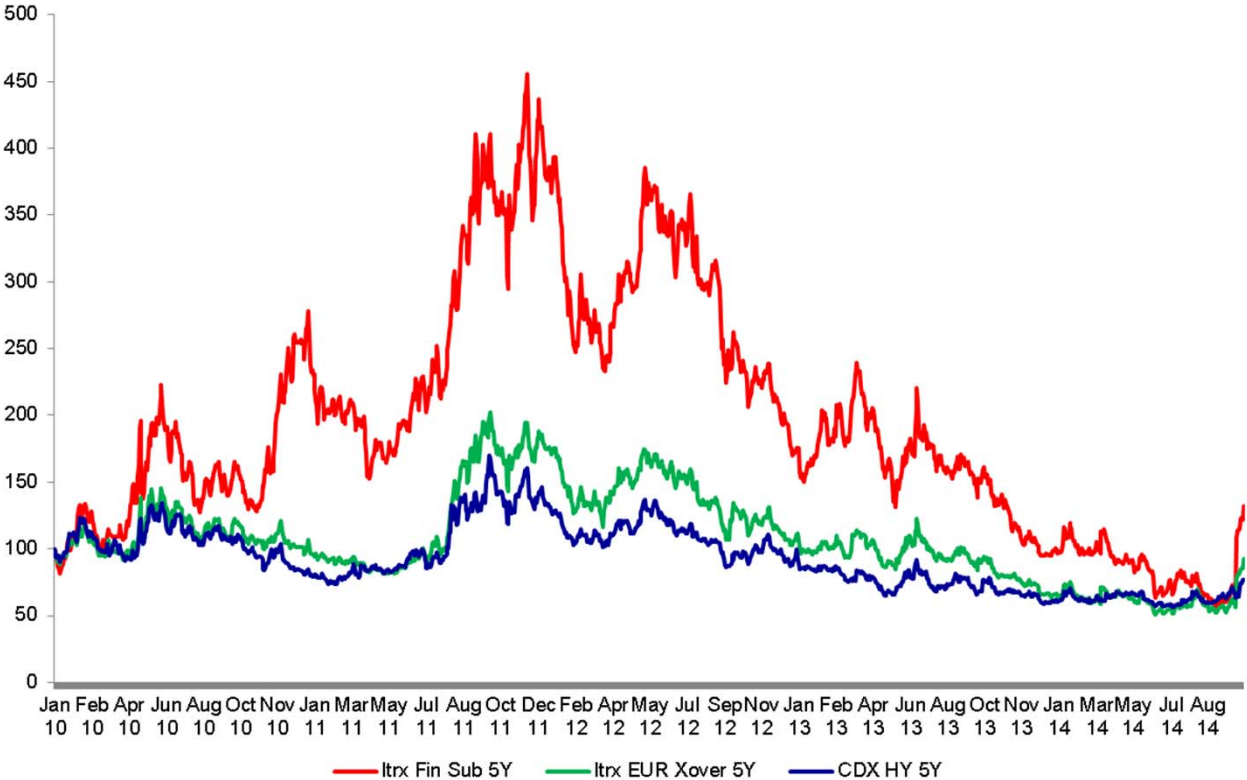
Note: YTD14 = January-September 2014
Source: SIFMA, CLSA, Piper Jaffray
Data as of September 30, 2014
Past performance is no guarantee of future results. Provided for illustrative purposes only.

Sharp Rise in Credit Default Swap (CDS) Pricing in the High Yield Market

US and European High Yield CDS Spreads

Market commentary attributes the sharp rise in high yield to:

- Fed tapering/rising interest rates
- Concerns about high prices (hardly any yield)
- Asset rotation from bonds into equities
- “Flash Crash” elements due to prevalence of electronic trading
- Absence of liquidity as investment banks had to cut inventory to comply with ever tighter regulation



Source: Bloomberg
Data as of October 17, 2014
Past performance is no guarantee of future results. Provided for illustrative purposes only.

Outlook

- The deleveraging process still has further to run
- Economic recovery in developed world remains fragile while growth in Emerging Markets is weakening
- Deflationary pressures in US and Europe still a risk and may delay “normalization” of interest rates
- Political and Policy risk remains high globally
- Japan showing early signs of breaking the deflationary mindset
- Valuations back at peak 2007 levels

As of September 2014. The information reflects the views of the Portfolio Management Team at the time of this writing. These views may change in response to changing circumstances and market conditions.

2014 Strategy

- Equities in the uncomfortable part of the cycle where both expectations and valuations are high
- Clear pockets of value (pharma, insurance, telecoms and Japan) have largely closed over the past 12-18 months. Some value in unloved Energy and Materials.
- European “re-convergence” plays have largely run their course, while the scarcity of genuine growth stocks has driven valuations too high
- Global, high quality, steady compounders with rock solid balance sheets and sustainable dividends still offer the best potential risk/reward trade-off

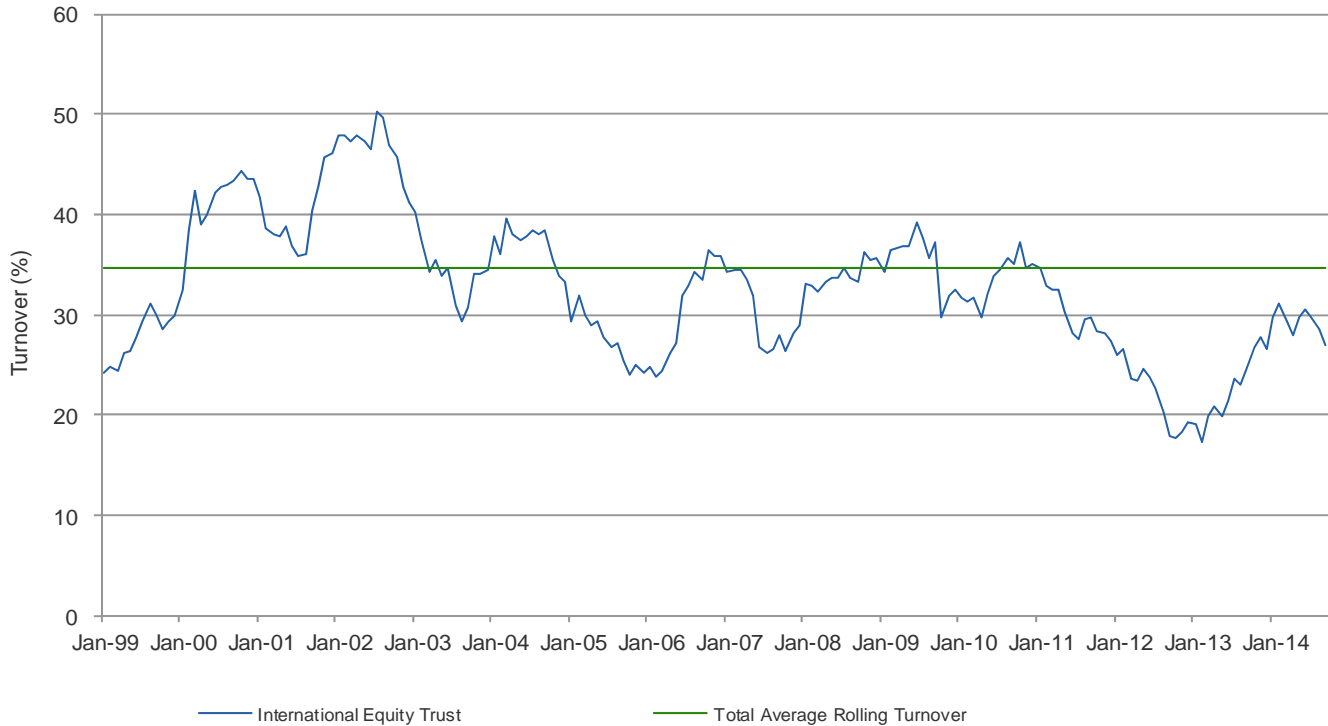
As of September 2014. The information reflects the views of the Portfolio Management Team at the time of this writing. These views may change in response to changing circumstances and market conditions.

Section 4

Appendix

12 Month Rolling Turnover

Morgan Stanley International Equity Trust



Source: Morgan Stanley Investment Management
 Data from January 1, 1999 to September 30, 2014. **Past Performance is not indicative of future results.** Subject to change daily. Provided for informational purposes only. Turnover calculated as: (Total of the lesser of buys or sales over 12 month period / Averaged market values over period) x 100.

YTD Country Attribution

Morgan Stanley International Equity Trust (%)

Data as of September 30, 2014¹

	Country Performance		Country Weightings		Attribution		
	Portfolio	Benchmark	Portfolio	Benchmark	Selection	Allocation	Total
Switzerland	8.24	2.19	15.67	9.12	0.89	0.25	1.14
United Kingdom	0.86	-1.12	30.21	21.55	0.56	0.01	0.57
China	11.82	0.00	1.61	0.00	0.00	0.21	0.21
Sweden	1.43	-4.25	2.36	3.15	0.12	0.02	0.14
Netherlands	-0.61	-2.82	5.50	2.66	0.14	-0.05	0.10
Austria	0.00	-24.23	0.00	0.26	0.00	0.07	0.07
Portugal	0.00	-19.78	0.00	0.19	0.00	0.04	0.04
Ireland	-6.40	0.42	1.09	0.31	-0.06	0.07	0.01
Germany	-10.75	-10.01	8.26	9.24	-0.06	0.07	0.01
France	-5.31	-4.11	9.55	10.12	-0.05	0.05	0.00
New Zealand	0.00	4.72	0.00	0.13	0.00	-0.01	-0.01
Finland	0.00	1.32	0.00	0.88	0.00	-0.02	-0.02
Japan	-2.91	-1.63	17.74	20.12	-0.25	0.21	-0.04
Norway	0.00	3.94	0.00	0.85	0.00	-0.04	-0.04
Hong Kong	4.22	1.80	0.54	2.87	0.02	-0.06	-0.04
Italy	5.03	4.48	1.24	2.51	-0.02	-0.03	-0.05
Belgium	0.00	3.52	0.00	1.21	0.00	-0.06	-0.06
Singapore	0.00	3.50	0.00	1.46	0.00	-0.07	-0.07
Canada	-7.04	0.00	1.43	0.00	0.00	-0.07	-0.07
Israel	0.00	21.29	0.00	0.51	0.00	-0.10	-0.10
Spain	0.00	3.89	0.00	3.57	0.00	-0.19	-0.19
Denmark	0.00	15.14	0.00	1.39	0.00	-0.21	-0.21
Australia	-6.23	0.14	1.99	7.76	-0.11	-0.10	-0.21
Cash ²	0.03	0.00	2.83	0.00	0.00	0.11	0.11
Total	-0.09	-1.38	100.00	100.00	1.16	0.13	1.29
Other ²	0.00	0.00					0.00
Total Returns	-0.09	-1.38					1.29

Source: Morgan Stanley Investment Management, FactSet

1. Portfolio weight is an average for the period from January 1, 2014 through September 30, 2014. Index MSCI EAFE Net. **Past performance is not indicative of future results.** Attribution total return may differ from reported total return due to differing methodologies. Returns are Gross of fees, quoted in USD terms, and include the reinvestment of all dividends and income. Had fees been included, results would be lower and may differ. Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities in the countries shown above. Past performance is no guarantee of future results.

2. "Other" is the difference between the buy-and-hold attribution and official portfolio returns Gross of Fees. It reflects the Net impact of cash flows and security transactions. Additional contributors can include differences in pricing sources and fair valuation practices between systems used to calculate these returns. In volatile or illiquid markets and for high turnover portfolios, these differences can become increasingly significant. Attribution considers the total return of each security (price appreciation and dividend income). Management Fees and expenses are not considered by the attribution. The 'Cash' line in the attribution includes cash balances as well as other cash instruments.

International Equity: Long Term Sector Attribution

Morgan Stanley International Equity Trust – U.S.\$

Cumulative Returns for January 1, 1999 – December 31, 2013¹

- Stock selection has accounted for 78% of the strategy's long term performance

	Sector Performance		Average Sector Weightings		Performance Attribution		
	Portfolio (%)	Index (%)	Portfolio (%)	Index (%)	Selection (%)	Allocation (%)	Total (%)
Consumer Staples	460.14	196.28	19.73	8.88	29.25	11.51	40.76
Information Technology	254.86	2.98	5.79	6.27	18.98	0.95	19.93
Health Care	344.88	135.58	8.56	8.68	13.46	2.82	16.28
Financials	71.53	44.33	16.17	25.42	12.50	3.38	15.88
Materials	385.66	253.95	8.40	7.87	7.85	6.15	14.01
Consumer Discretionary	175.55	108.36	8.78	11.99	8.81	2.56	11.37
Industrials	279.89	164.56	8.45	10.87	9.52	1.01	10.52
Telecom Services	82.20	44.15	7.95	7.21	5.18	0.08	5.26
Utilities	127.96	75.74	4.75	5.04	1.48	3.39	4.87
Energy	219.72	181.80	7.98	7.77	3.04	1.65	4.69
Cash ²	28.83	-	3.44	-	-	0.11	0.11
Hedging	-8.40	-	-0.01	-	-	-3.97	-3.97
Total	233.62	93.88	100.00	100.00	110.08	29.66	139.74
Other ²	-0.68	0.68	-	-	-	-	-1.36
Total Returns	232.94	94.56	-	-	-	-	138.38

Source: Morgan Stanley Investment Management and FactSet

1. Portfolio weight is an average for the period January 1, 1999 through December 31, 2013. Index MSCI EAFE Net Index. Attribution total return may differ from reported total return due to differing methodologies. Returns are Gross of fees, quoted in USD terms, and include the reinvestment of all dividends and income. Had fees been included, results would be lower and may differ. Each portfolio may differ due to specific investment restrictions and guidelines. Individual results will vary. Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities in the sectors shown above.

2. Other² is the difference between the buy-and-hold attribution and official portfolio returns Gross of Fees. It reflects the Net impact of cash flows and security transactions. Additional contributors can include differences in pricing sources and fair valuation practices between systems used to calculate these returns. In volatile or illiquid markets and for high turnover portfolios, these differences can become increasingly significant. Attribution considers the total return of each security (price appreciation and dividend income). Management Fees and expenses are not considered by the attribution. The 'Cash' line in the attribution includes cash balances as well as other cash instruments and derivatives (e.g., currency forwards) that can be held by the portfolio for hedging purposes.

Appendix - Biographies

Portfolio Management Team

William Lock

Managing Director

william.lock@morganstanley.com
William is a portfolio manager and co-head of the London-based International Equity team. He joined Morgan Stanley in 1994 and has 22 years of investment experience. Prior to joining the firm, he worked at Credit Suisse First Boston’s Corporate Finance Group, and was a management consultant with Arthur D. Little. William received a B.A. in modern history from Keble College, Oxford.

Peter Wright, CFA

Managing Director

peter.wright@morganstanley.com
Peter is a portfolio manager and co-head of the London-based International Equity team. He joined Morgan Stanley in 1996 and has 27 years of investment experience. Prior to joining the firm, Peter worked for the State of Wisconsin Investment Board as an investment director and portfolio manager. Peter received a B.C.A. from Victoria University of Wellington, New Zealand. He is a member of the CFA Institute.

Christian Derold

Managing Director

christian.derold@morganstanley.com
Christian is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2006 and has 22 years of investment experience. Prior to joining the firm, Christian was director of research at Millgate Capital, a long short equity hedge fund. Prior to this, he worked at the State of Wisconsin Investment Board where he managed the Board’s international equity portfolio. Christian received an M.A. in business administration from the University of Economics and Business Administration in Vienna, Austria.

Team members may change from time to time.

Portfolio Management Team

Bruno Paulson

Managing Director

bruno.paulson@morganstanley.com

Bruno is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2009. Prior to joining the firm, Bruno worked for Sanford Bernstein in London, where he was a Senior Analyst covering the financial sector, particularly banks and insurers, for eight years. Previously, he was a manager at the Boston Consulting Group where he focused on the financial services industry. Bruno has an MBA from INSEAD where he received the Ford Prize for graduating top of class. He was also a Research Fellow in Political Economy at Nuffield College, Oxford, and received a B.A. in Politics, Philosophy and Economics with 1st Class Honors from Keble College, Oxford.

Vladimir Demine, CFA

Executive Director

vladimir.demine@morganstanley.com

Vladimir is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2009 and has 12 years of investment management experience. Prior to joining the firm, Vladimir worked for UBS Global Asset Management in London, where he was an analyst responsible for stock selection of consumer staples holdings in key client mandates. Vladimir received an M.Sc. in investment management with Distinction from City University (CASS) Business School and a Master's in finance with Distinction from St Petersburg State University of Economics and Finance.

Dirk Hoffmann-Becking

Executive Director

dirk.hoffmann-becking@morganstanley.com

Dirk is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2013 and has 16 years of investment experience. Prior to joining the firm, Dirk worked for Société Générale as Global Head of Bank Sector Research. Previously, was a senior research analyst covering European Banks at Sanford Bernstein. Prior to that, Dirk spent five years as a consultant for McKinsey & Company and three years as a strategy manager at ABN Amro. Dirk has a Ph.D. in Law (magna cum laude) from Christian Albrechts University of Kiel, Germany and trained and worked as a lawyer at Freshfields Bruckhaus Deringer.

Team members may change from time to time.

Portfolio Management Team

Marcus Watson

Vice President

marcus.watson@morganstanley.com

Marcus is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2008. He received a B.Sc in psychology from the University of Newcastle Upon Tyne.

Alex Gabriele, CFA

Senior Associate

alexander.gabriele@morganstanley.com

Alex is a member of the London-based International Equity team and joined Morgan Stanley in 2012. He has 5 years of investment experience from a London based hedge fund. Previously, Alex was responsible for stock selection across the cyclical universe, predominantly in Asia ex-Japan. Alex holds a B.A in Natural Sciences from Trinity College, Cambridge.

Yiwen Li

Senior Associate

yiwen.li@morganstanley.com

Yiwen is a member of the London-based International Equity team and joined Morgan Stanley in 2012. He has 5 years of investment experience at two London based hedge funds. He was previously responsible for stock selection in Technology, Media and Consumer sectors. Yiwen received a BSc. in Philosophy and Economics from the London School of Economics. He is fluent in Mandarin and Cantonese.

Team members may change from time to time.

Portfolio Specialist Team

Catherine M. Colecchi

Managing Director

catherine.colecchi@morganstanley.com
Catherine is a portfolio specialist for the International Equity and Global Franchise products managed from London and works with clients based in the Americas. She joined Morgan Stanley in 1983 and MSIM in 1997, and has 18 years of investment experience. Previously she was a foreign exchange trader with assignments in Morgan Stanley's New York and London offices. Catherine received a BA from Vassar College and is a member of Phi Beta Kappa.

Nancy Jean Norton

Executive Director

nancy.norton@morganstanley.com
Nancy is a portfolio specialist for the International Equity products managed from London and works with North American-based clients. She re-joined Morgan Stanley Investment Management in 2011 and has 31 years of institutional investment experience. Prior to re-joining the firm, she was a Senior Vice President and Senior Relationship Manager at Cohen & Steers Capital Management, Director and Senior Relationship Manager at Deutsche Asset Management, Vice President and Principal Manager of Fiduciary Services at J.P. Morgan Asset Management. At MSIM, Nancy was Vice President in the Fiduciary Advisory Group. Nancy received a BA from St. John's University.

Sean McDermott

Vice President

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Sean is a portfolio specialist for the International Equity products managed from London and works with North American-based clients. He joined Morgan Stanley in 2012 and has 10 years of investment experience. Prior to joining the firm, Sean was a Vice President and Relationship Manager at Cohen & Steers Capital Management. Previously, he was a client service and sales associate at Robeco Investment Management and a legal assistant at Office of the Corporation Counsel. Sean received a B.A. in English from College of the Holy Cross.

Team members may change from time to time.

Important Disclosures

Morgan Stanley Investment Management International Equity Trust (the "Trust") is a privately offered unregistered fund whose units are offered for investment only to qualified employee benefit plans and certain governmental plans pursuant to a confidential offering memorandum. The Trust is not currently registered, and does not propose in the future to be, registered as an investment company under the U.S. Investment Company Act of 1940, as amended. Morgan Stanley Investment Management Inc. is the sponsor of the Trust and Morgan Stanley Investment Management Limited is the investment manager of the Trust; both of which are registered with the U.S. Securities and Exchange Commission as investment advisers under the U.S. Investment Advisers Act of 1940, as amended.

Past performance is no guarantee of future results. Returns are gross of fees and assume the reinvestment of all dividends and income. Periods less than one year are not annualized. Returns are compared to an unmanaged market index and assumes the reinvestment of dividends and income. The index shown is not meant to depict the performance of any specific investment, should not be considered an investment, and does not include any expenses, fees or sales charges, which would lower performance. An investor can not invest directly in an index.

This material has been prepared solely for informational purposes and is not an offer, or a solicitation of an offer, to buy or sell any security or instrument or to participate in any trading strategy. Sector and Country allocation data was generated from Morgan Stanley Investment Management's internal accounting records and is preliminary. The Trust has fair valuation policies and procedures to value foreign equity securities held by the Trust that become stale as a result of events that occur after the foreign markets close but before the Trust calculates its net asset value. These fair value adjustments are reflected in the net asset value of the Trust but are not reflected in MSIM's internal accounting records. The values of securities used to calculate the net asset value of the Trust could therefore differ from the information contained in this report. Using security values that do not reflect such fair value adjustments increases the comparability of the information to the stated benchmark.

Risk Factors

Equity Securities. In general, prices of equity securities are more volatile than those of fixed income securities. **Risks of International Investing.** Any investment in foreign equity securities may involve a greater degree of risk than an investment in domestic equity securities. Among other things, foreign securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities regulation, less favorable tax provisions, and a greater likelihood of war and expropriation of personal property than investments in domestic securities. **Liquidity.** A withdrawing subscriber may, at the discretion of MSIM, receive securities owned by the Trust in lieu of cash. The risk of loss and delay in liquidating these securities will be borne by the subscriber, with the result that such subscriber may receive less cash than it would have received on the date of withdrawal. **ERISA Issues.** MSIM anticipates that most or all of the subscribers will be entities subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and their participation will require special consideration of certain factors that are described in more detail in the Memorandum. **Federal Income Taxation.** The Trust has received a determination letter from the Internal Revenue Service as to the tax-exempt status of the Trust. MSIM, and the Trustee intend to comply with the provisions of ERISA and the Internal Revenue Code at all times. However, if for any reason the Trust should lose its tax-exempt status as a group trust, it would terminate pursuant to the terms of the Agreement of Trust.