

**Morgan Stanley Investment Management**

## City of Fort Pierce Retirement and Benefit System

May 19, 2016

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**Section 1**

International Equity Investment Summary

## Pooled International Equity Trust Portfolio

Data as of March 31, 2016

Original Investment (September 1, 1991)	\$ 2,767,286.72
+ Contributions	3,295,000.00
-Withdrawals	(14,881,563.00)
- Investment Management Fees	(2,208,927.57)
+ Interest Income	265,497.62
+ Dividend Income	6,431,915.25
+ Realized Gain/(Loss)	12,825,316.92
- Other Expenses	(14,186.89)
+/- Market Appreciation/(Depreciation)	4,649,317.33
Market Value	\$11,559,297.53 <sup>1</sup>

*1. State Street custodial accounting information reflects time period beginning January 1993. Data not available for client inception of September 1, 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.*

**Section 2**

**Team and Process Overview**

## 2016 marks ...

### International Equity



**Inception Date: September 30, 1986**  
**Excess return since inception:**  
**Gross Excess Return: 5.47%<sup>1</sup>**  
**Net Excess Return: 4.53%<sup>1</sup>**

### Global Franchise



**Inception date: March 31, 1996**  
**Excess return since inception:**  
**Gross Excess Return: 8.33%<sup>1</sup>**  
**Net Excess Return: 7.60%<sup>1</sup>**

### Global Quality



**Inception date: June 30, 2013**  
**Excess return since inception:**  
**Gross Excess Return: 2.83%<sup>1</sup>**  
**Net Excess Return: 2.30%<sup>1</sup>**

1. Data as of March 31, 2016 for the International Equity, Global Franchise and Global Quality Composite accounts. The composite excess results shown are ANNUALIZED, GROSS and NET of investment advisory fees and are quoted in USD. This data is supplemented by the Global Franchise, International Equity and Global Quality Composite GIPS® disclosure featured in the Appendix. While the International Equity and Global Franchise strategies presented are managed by the same portfolio management team as the Global Quality Strategy, the strategies have fundamental differences and past performance of one is not necessarily indicative of the performance (past or future) of the other. The Global Franchise and Global Quality Composite performance returns are compared to those of the MSCI World Index with Net dividends reinvested, the International Strategy Composite is compared to those of the MSCI EAFE Index with Net dividends reinvested. These indices are unmanaged market indices and are considered to be a relevant comparison to the portfolios. The indices do not include any expenses, fees or sales charges. Comparisons of performance assume the reinvestment of all dividends and income. It is not possible to invest directly in an index. **Past performance is not a guarantee of future performance.** For illustrative purposes only.

## Investment Philosophy

### We Believe:

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

### Our Goal<sup>1</sup>:

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

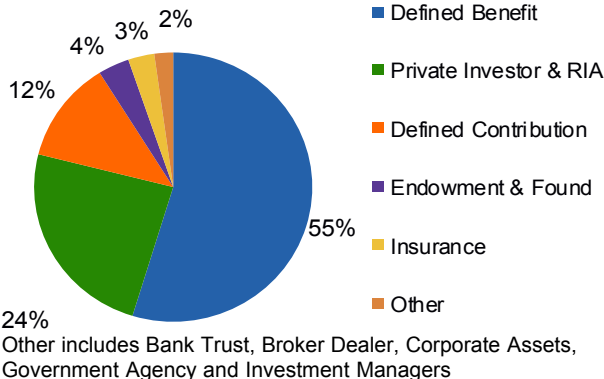
Source: Morgan Stanley Investment Management

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. It is not possible to invest directly in any Index. There is no assurance that a portfolio will achieve its investment objective or an investment strategy will work under all market conditions.

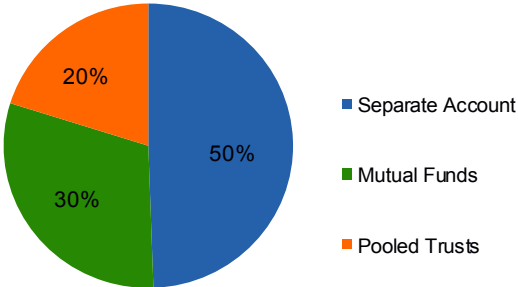
# International Equity - Our Clients

International Equity AUM: \$13.6B<sup>1</sup>

By Plan Type



By Vehicle



We are fortunate to have long-term relationships:

- **90% of our 48 Pooled Trust clients** have been with us for **more than 10 years**
  - This includes 5 since 1990 and 3 since 1989.

Our clients are among the largest U.S. retirement funds<sup>2</sup>.

- We manage money for:
  - **Five** of the **Top Fifty Largest Retirement Funds**
  - **Fourteen** clients rank in the **Top 200 Largest Retirement Funds**
  - **Three** of the **Top Ten Largest Corporate Funds**
  - **Three** of the **Top Ten Largest Defined Contribution Plans**

Consultants believe our strategy helps meet their clients' needs:

- We manage over **\$8 Bn** in assets where **investment consultants are involved**, including investment consultant retirement plans.

Source: MSIM, Pension and Investments  
 Data as of March 31, 2016  
 1. The assets under management figure include assets managed globally under this strategy within a number of separate products, jurisdictions and mandates.  
 2. Pensions and Investments Top 1,000 Largest Retirement Funds, February 2016. Retirement Fund rankings based on total assets as of September 30, 2014.

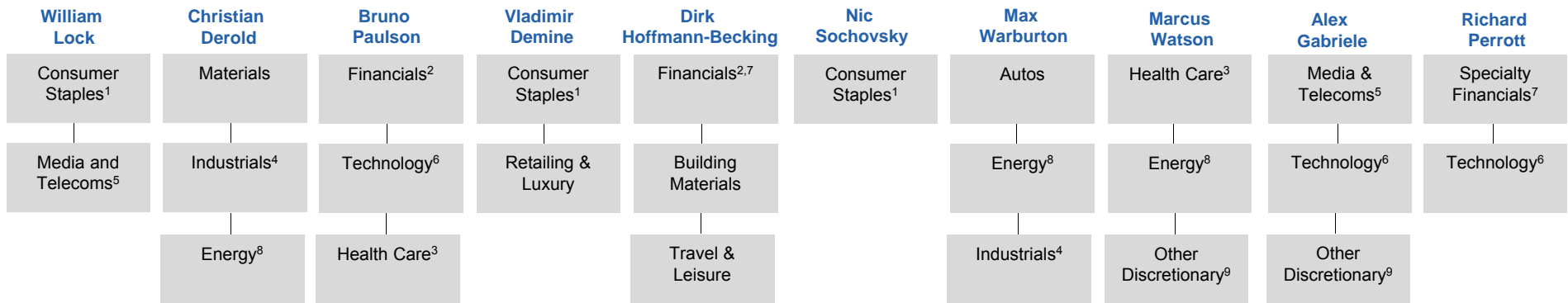
# Portfolio Management Team

- 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
- **Assets Under Management<sup>5</sup>:**  
 International Equity \$13.6Bn  
 Global Quality \$7.2Bn  
 Global Franchise \$12.4Bn  
**Total: \$33.2Bn**

Investment Team <sup>1</sup>						
			<b>Christian Derold</b> Managing Director (24/10 years)	<b>William Lock – Head</b> Managing Director (24/22 years)	<b>Bruno Paulson<sup>2</sup></b> Managing Director (22/7 years)	
<b>Dirk Hoffmann-Becking<sup>3</sup></b> Executive Director (18/3 years)	<b>Nic Sochovsky</b> Executive Director (18/1 year)	<b>Max Warburton</b> Executive Director (19/<1 year)	<b>Vladimir Demine</b> Executive Director (14/7 years)	<b>Marcus Watson</b> Vice President (8/8 years)	<b>Alex Gabriele</b> Vice President (7/4 years)	<b>Richard Perrott</b> Vice President (11/1 year)
Portfolio Specialist Team <sup>4</sup>				Global Franchise / Global Quality		
International Equity						
<b>Cathy Colecchi</b> Managing Director (33/33 years)		<b>Laura Bottega</b> Managing Director (18/10 years)				
<b>Nancy Jean Norton</b> Executive Director (33/13 years)		<b>Jill Ytuarte</b> Executive Director (18/12 years)		<b>Alistair Corden-Lloyd</b> Executive Director (24/19 years)		<b>Munenori Yoshimi</b> Executive Director (22/17 years)
<b>Jill Ytuarte</b> Executive Director (18/12 years)						
<b>Sean McDermott</b> Vice President (12/4 years)		<b>Monica Carta</b> Vice President (14/14 years)		<b>Anna Baron</b> Vice President (26/15 years)		

1. Data as of March 31, 2016. Years of investment experience / years on International Equity Team.  
 2. Years of investment experience (7 years as a consultant, 15 years in financial services)/years on International Equity Team.  
 3. Years of investment experience (5 years as a consultant, 13 years in financial services)/years on International Equity Team.  
 4. As of March 31, 2016. Years of industry experience / years with the Firm.  
 5. AUM as of March 31, 2016. The assets under management figures include assets managed globally under this strategy within a number of separate products, jurisdictions and mandates. Quoted in USD.

# Primary Research Responsibilities



- 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.

### External Resources

Valuation Screens  
Sell-Side Analysts  
Industry Consultants

### Internal Resources

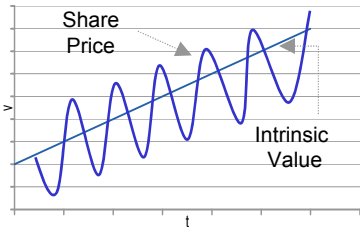
Trading  
Global Fixed Income  
Morgan Stanley Offices

1. Coverage by William Lock, Vladimir Demine and Nic Sochovsky  
 2. Dual coverage by Dirk Hoffmann-Becking and Bruno Paulson  
 3. Dual coverage by Marcus Watson and Bruno Paulson  
 4. Co-coverage with Christian Derold  
 5. Dual coverage by William Lock and Alex Gabriele  
 6. Coverage by Bruno Paulson, Alex Gabriele and Richard Perrott  
 7. Dual Coverage by Richard Perrott and Dirk Hoffmann-Becking  
 8. Coverage by Christian Derold, Marcus Watson and Max Warburton  
 9. Dual Coverage by Marcus Watson and Alex Gabriele

## How We Categorize Businesses

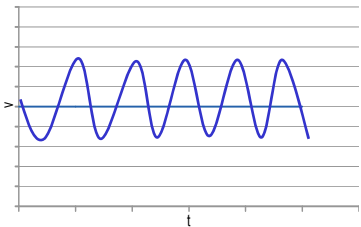
- Ideally buy “Compounders” at a discount to intrinsic value but true “Compounders” are scarce and rarely cheap
- “Cash Cows” at discount to intrinsic value are next best
- Avoid “Value Traps” or “Cash Cows” transitioning to “Value Traps”
- In reality, most companies contain a mix of all three. It is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

### Compounder



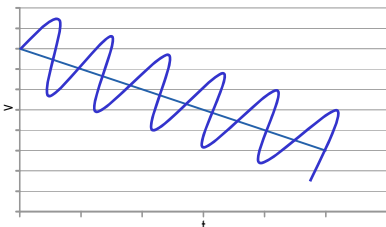
- High unlevered returns on operating capital, opportunities to grow capital base at high returns
- High barriers to entry, preferably intangible assets
- Strong market structure, few competitors
- Disciplined use of free cash flow

### 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

<b>1. Quantitative Screens</b>	<p><b>Initial Liquidity, Valuation and Quality Metrics ( ~ 1000 stocks)</b></p> <ul style="list-style-type: none"> <li>• Is free float &gt; \$2B?</li> <li>• Is stock attractively priced on absolute basis and relative to global peers?</li> <li>• Does stock possess desirable economic characteristics?</li> </ul>
<b>2. Kicking the Tyres</b>	<p><b>Assess Franchise, Financial Strength and Management ( ~ 300 - 400 stocks)</b></p> <ul style="list-style-type: none"> <li>• Look for dominant market shares and effective barriers to entry</li> <li>• Are Returns on Operating Capital Employed improving, stable or fading?</li> <li>• How does management allocate capital? How are management paid?</li> </ul>
<b>3. Assess Fair Value</b>	<p><b>Determine Long-Term Fair Value</b></p> <ul style="list-style-type: none"> <li>• Focus on free cash flow, not accounting numbers</li> <li>• Why may the market be wrong?</li> <li>• Is there a catalyst to realize value?</li> </ul>
<b>4. Portfolio Construction &amp; Maintenance</b>	<p><b>Meet Weekly to Review Portfolio &amp; Stock Candidates ( ~ 55 - 85 stocks)</b></p> <ul style="list-style-type: none"> <li>• Does new idea offer better risk/reward tradeoff?</li> <li>• Stock weighting influenced by level of conviction, risk/reward tradeoff, liquidity</li> <li>• Continuous re-evaluation and maintenance research</li> <li>• No prescribed industry or country limits; 5% max in any one security</li> </ul>

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

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

The views and opinions expressed herein are those of the portfolio management team as of the date of the presentation.

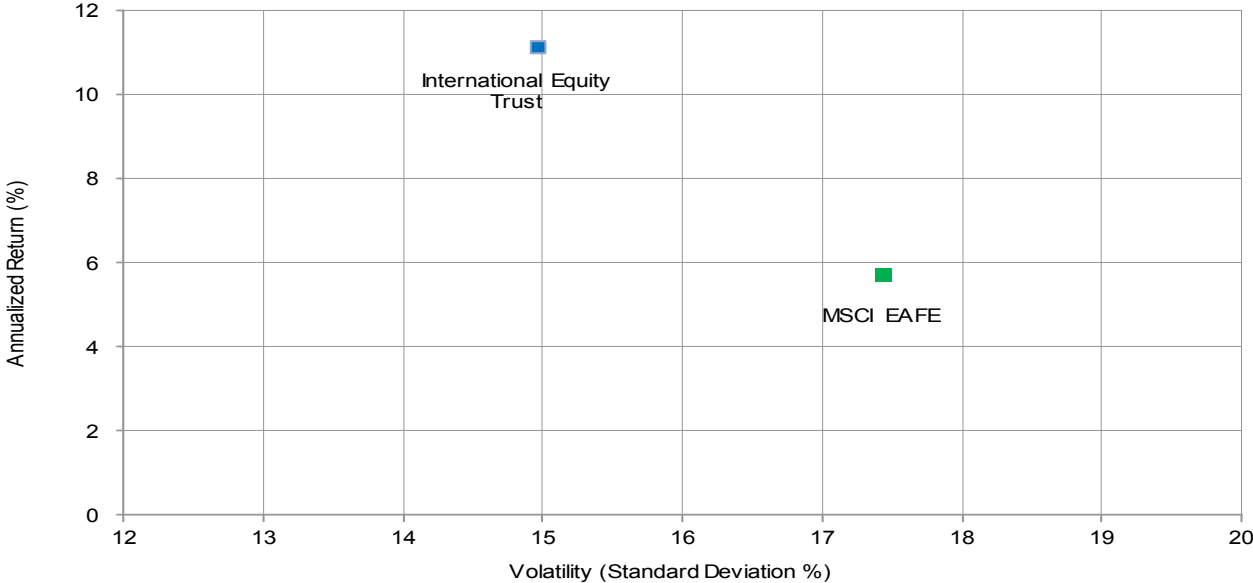
## Historically Attractive Risk Return Profile

Morgan Stanley International Equity Trust - USD

- **Long-term investment record:**
  - International Equity, 30 Years
- **Performance History:**
  - Attractive upside capture
  - Strong downside protection
  - Lower volatility

### Volatility versus Return Since Inception to March 31, 2016

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



Source: Morgan Stanley Investment Management . Chart data is shown from September 30, 1986 to March 31, 2016 and includes the comparison index MSCI EAFE Index. Data updated quarterly. **Past performance is no guarantee of future results.** Performance returns reflect the average annual rates of return. Returns are shown GROSS of investment advisory/management fees, are quoted in USD and include the reinvestment of dividends and income. Had fees been included, returns would have been lower.

## Asymmetric Return Profile

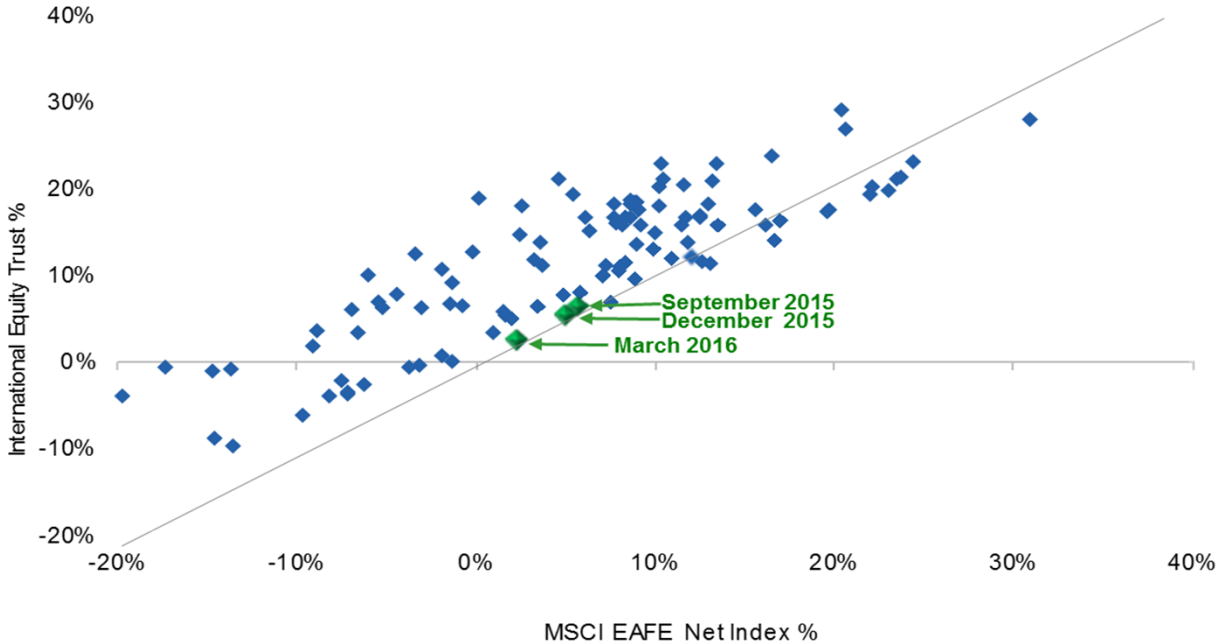
Morgan Stanley International Equity Trust – USD

Rolling 3 Year Periods Since Inception through March 31, 2016

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



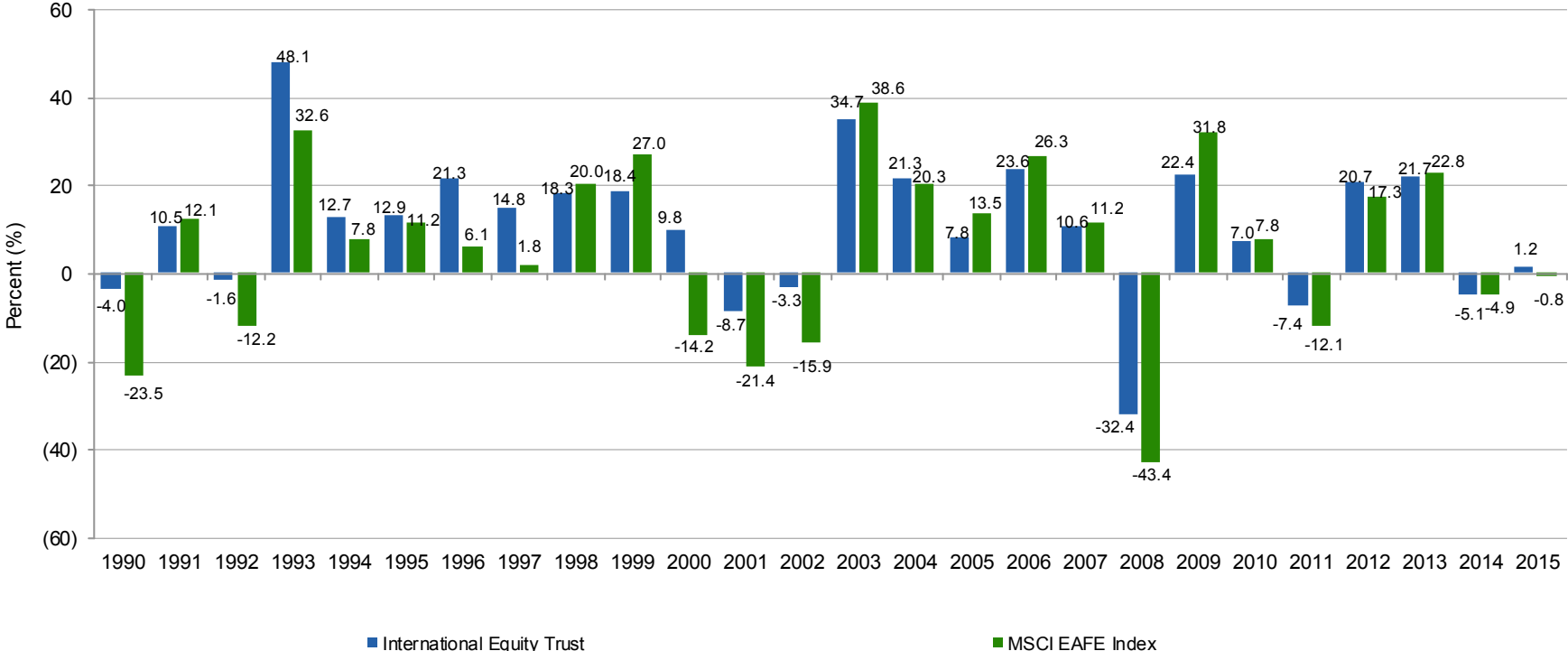
**Past performance should not be construed as a guarantee of future performance.** Performance returns reflect the average annual rates of return. The Morgan Stanley International Equity Trust investment returns are GROSS of custody as well as investment management fees, in USD terms, and assume the 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 USD 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 USD 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

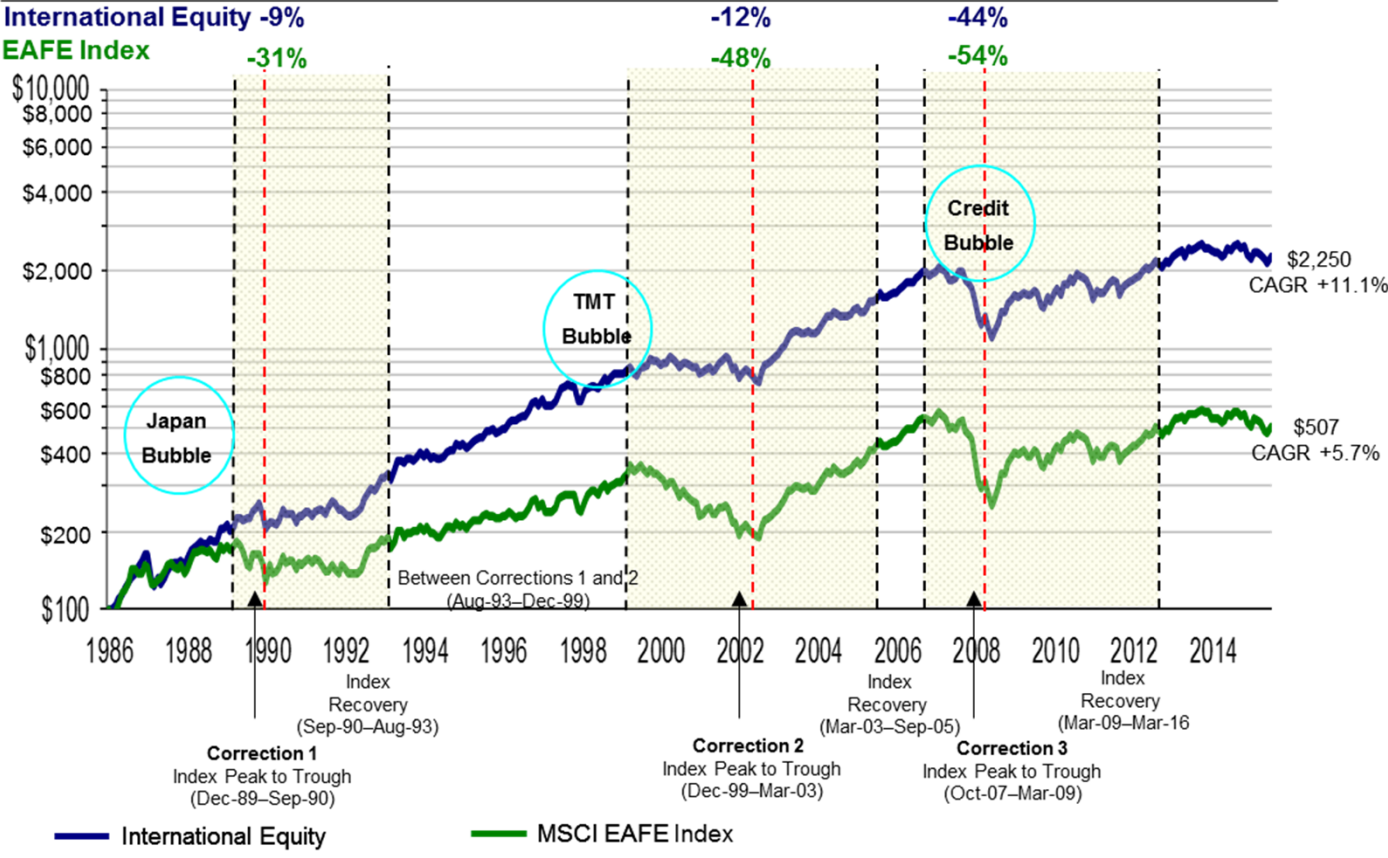
For the Exclusive Use of City of Fort Pierce Retirement and Benefit System and May Not be Redistributed

## The Power of Compounding

Morgan Stanley International Equity Trust – USD

Since Inception through March 31, 2016

- \$100 invested in the portfolio worth \$2,250 v \$507 invested in the index as of March 31, 2016
- Our value discipline has identified and helped avoid the 3 great asset bubbles of the last 26 years



Source: MSCI, Morgan Stanley Investment Management; Data as of March 31, 2016. **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 USD 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 annualized investment performance.

**Section 3**

Performance and Portfolio Positioning

## City of Fort Pierce Retirement and Benefit System

### Morgan Stanley International Equity Trust – USD

#### Annualized Returns

	Periods Ending March 31, 2016							
	YTD 4/30/2016 (%)	1Q (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	20 Years (%)	Since Inception (%)
International Equity Trust (Gross)	-0.19	-2.13	-5.90	2.56	4.32	3.72	8.24	9.76
International Equity Trust (Net)	-0.42	-2.30	-6.55	1.88	3.63	3.04	7.51	8.98
MSCI EAFE Index	-0.20	-3.01	-8.27	2.23	2.29	1.80	4.12	5.17
<b>Excess Gross Returns (bps)</b>	<b>1</b>	<b>88</b>	<b>237</b>	<b>33</b>	<b>203</b>	<b>192</b>	<b>412</b>	<b>459</b>

	Periods Ending December 31, 2015							
	4Q (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	20 Years (%)	Since Inception (%)	
International Equity Trust (Gross)	3.20	1.17	5.32	5.48	4.69	8.66	9.96	
International Equity Trust (Net)	3.02	0.48	4.62	4.78	4.01	7.93	9.18	
MSCI EAFE Index	4.71	-0.81	5.01	3.60	3.03	4.42	5.36	
<b>Excess Gross Returns (bps)</b>	<b>-151</b>	<b>198</b>	<b>31</b>	<b>188</b>	<b>166</b>	<b>424</b>	<b>460</b>	

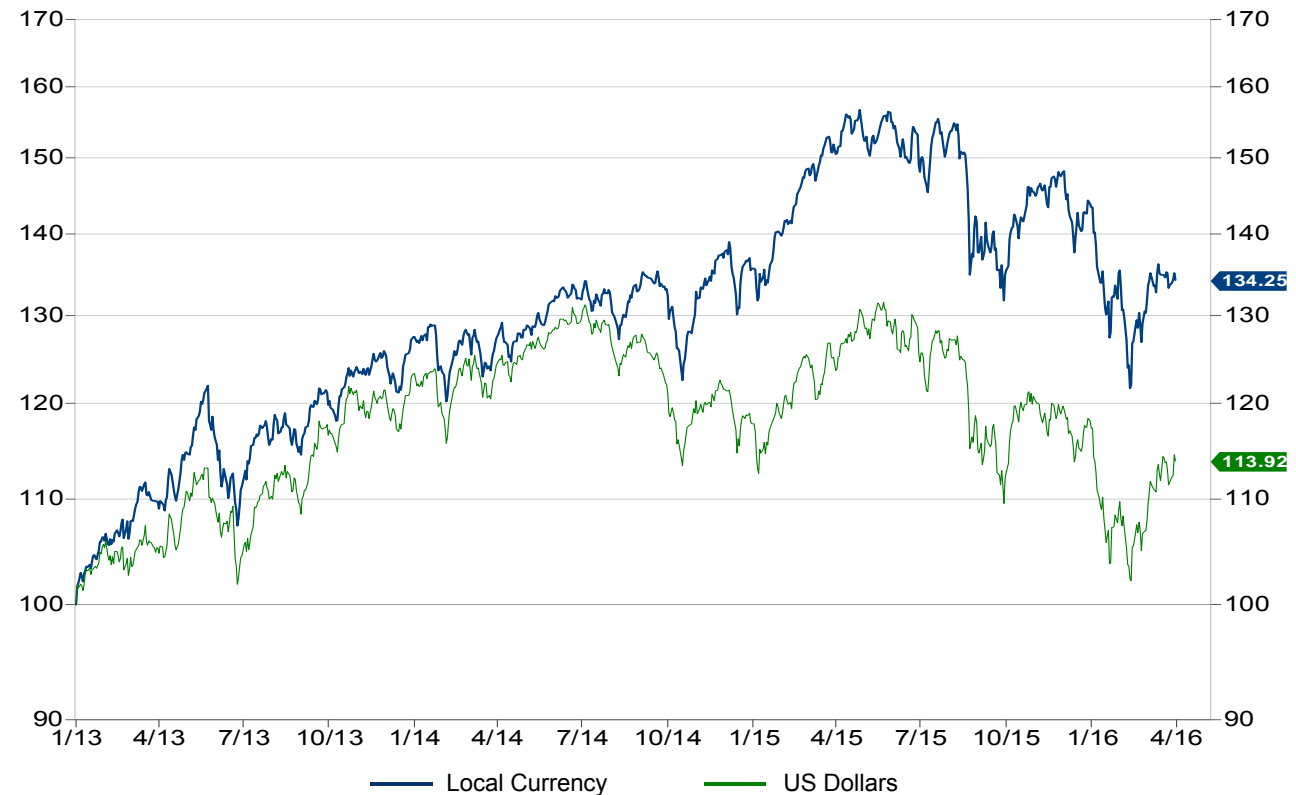
#### City of Fort Pierce Retirement and Benefit System

- Market Value as of March 31, 2016: \$11,559,297.53
- Inception Date: September 1, 1991

**Past performance should not be construed as a guarantee of future performance.** Performance returns reflect the average annual rates of return. Returns less than one year are not annualized. The Morgan Stanley International Equity Trust investment returns are shown gross and net of investment management fees, in USD 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.

# Index Performance Looks Healthy in Local Currency, Less So in Dollars

**MSCI EAFE Total Returns**  
Net Official Index - Daily

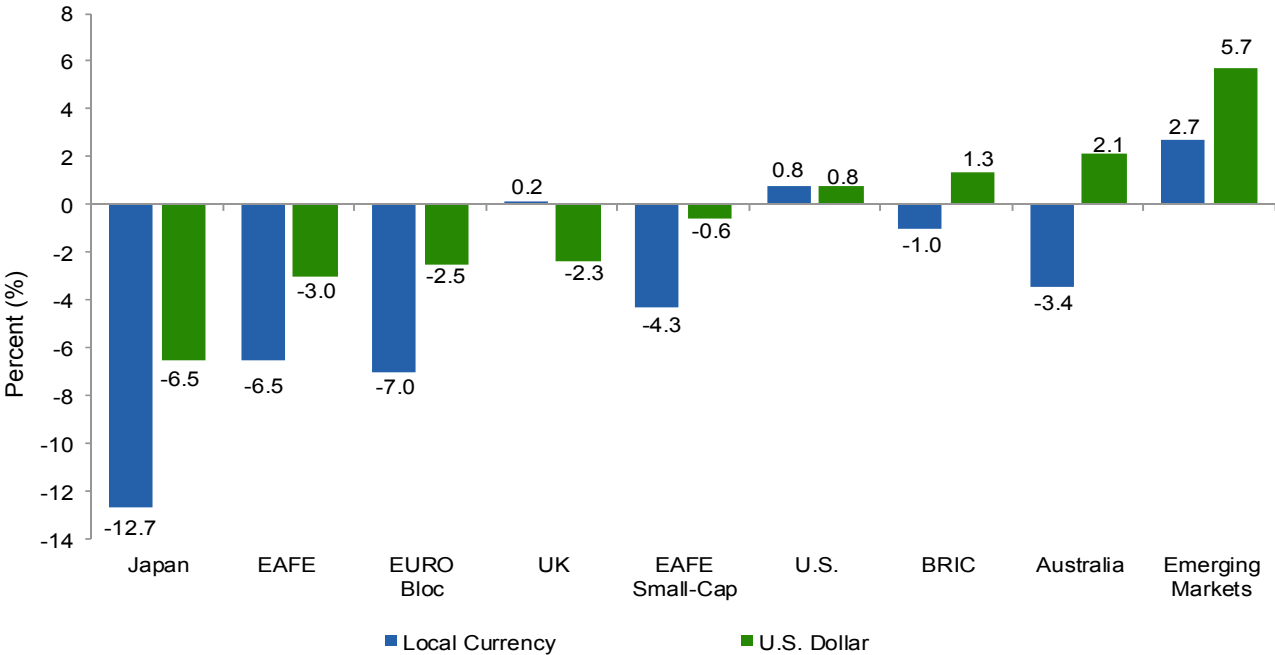


Source: MSCI

Data as of March 31, 2016. **Past performance should not be construed as a guarantee of future performance.** Provided for informational purposes only. MSCI EAFE is an unmanaged index and it is not possible to invest directly in an index.

# Index Regional Returns – 1Q 2016

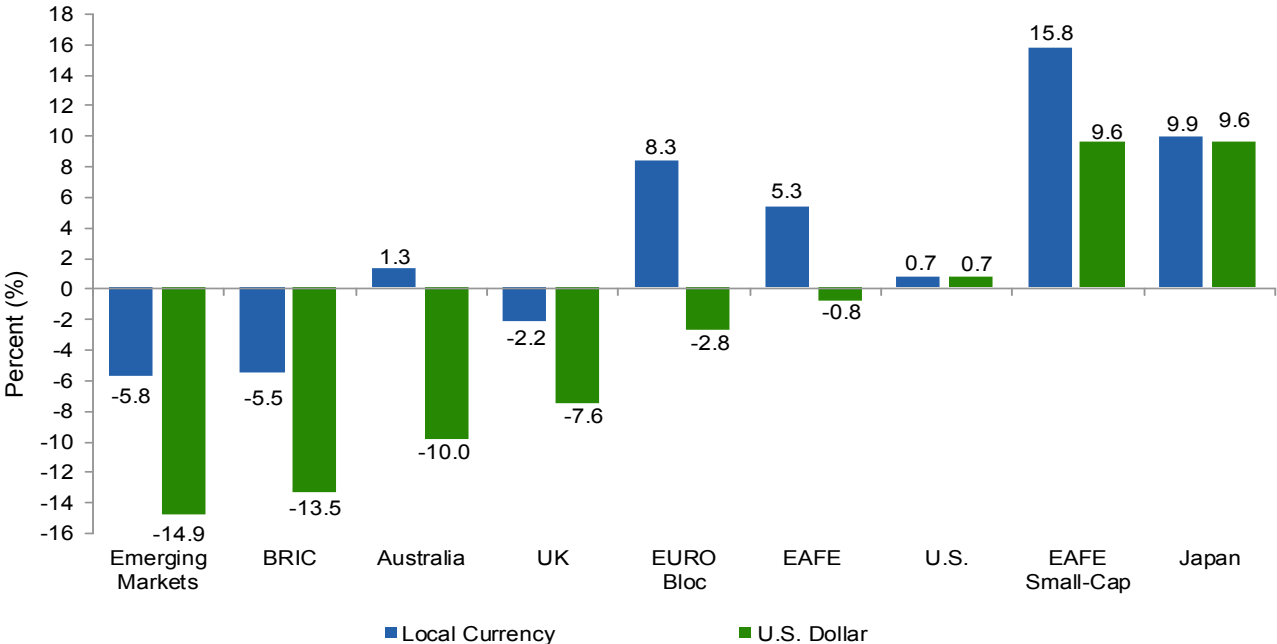
MSCI Official Indices



Source: FactSet  
Data as of March 31, 2016. **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 indices are unmanaged and it is not possible to invest directly in an index.

# Index Regional Returns - 2015

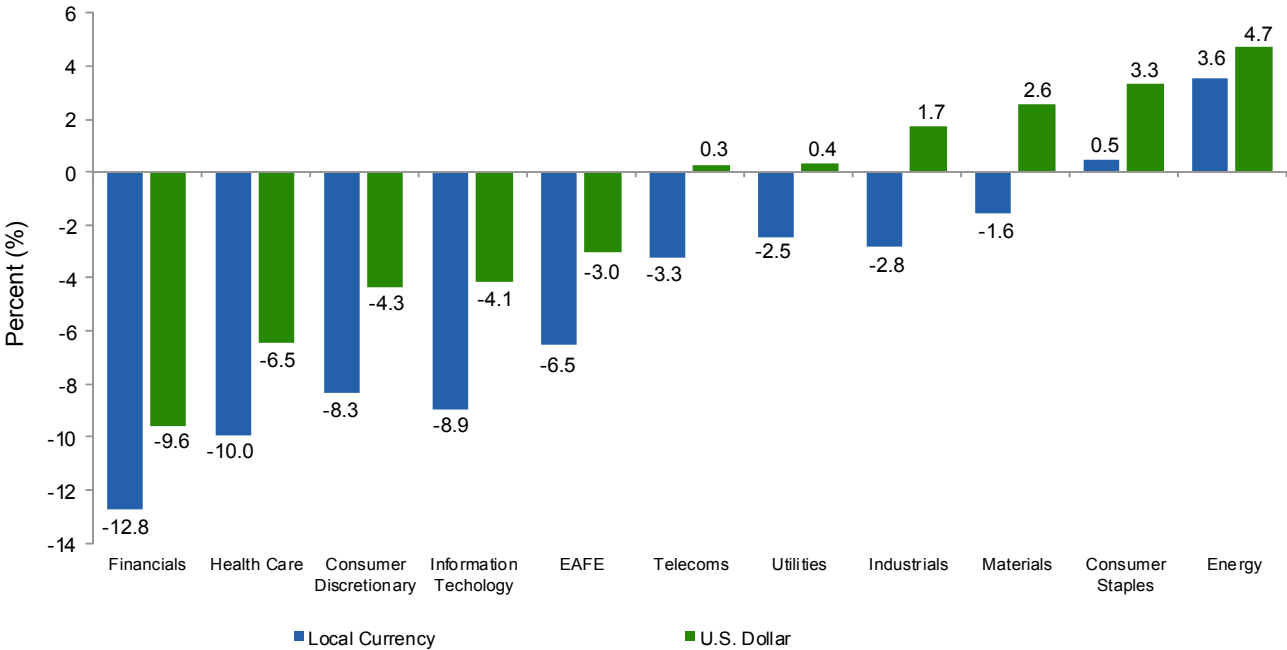
MSCI Official Indices



Source: FactSet  
 Data as of December 31, 2015. **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 indices are unmanaged and it is not possible to invest directly in an index.

# Index Sector Returns – 1Q 2016

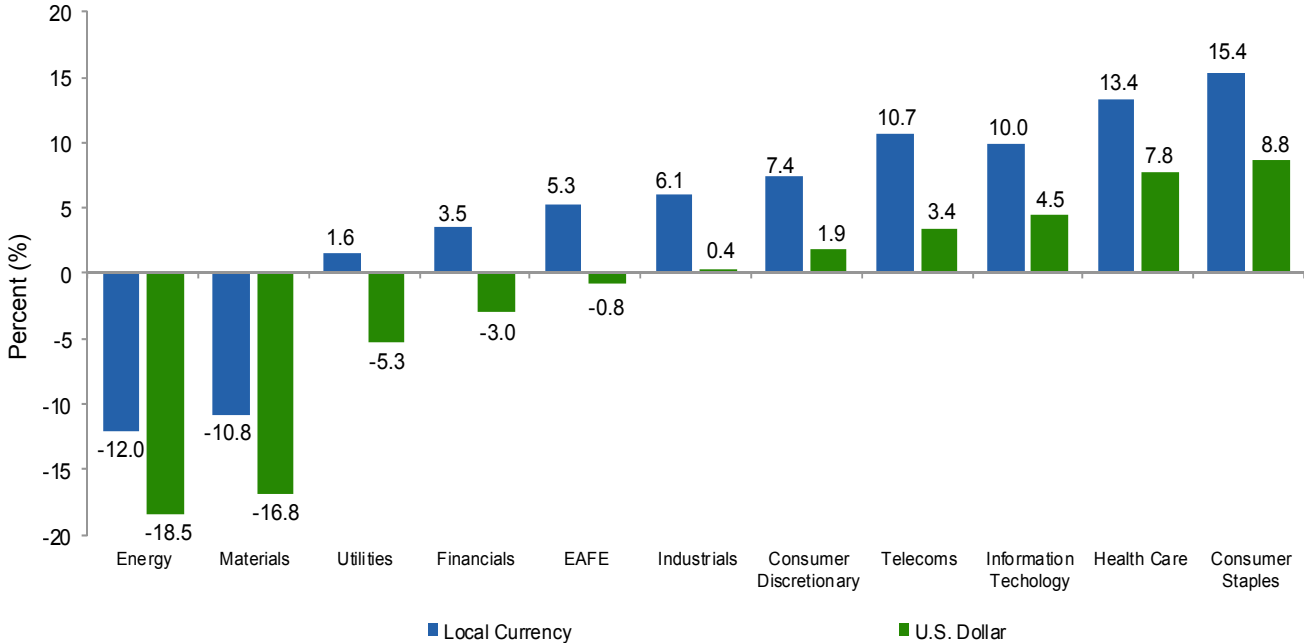
MSCI EAFE Net Official Index



Source: FactSet.  
 Data as of March 31, 2016. **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 sectors shown. MSCI EAFE is an unmanaged index and it is not possible to invest directly in an index.

# Index Sector Returns - 2015

MSCI EAFE Net Official Index



Source: FactSet.  
 Data as of December 31, 2015. **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 sectors shown. MSCI EAFE is an unmanaged index and it is not possible to invest directly in an index.

## Sector Attribution – 1Q 2016

Morgan Stanley International Equity Trust - USD

Data as of March 31, 2016<sup>1</sup>Top Five Relative Contributors<sup>3</sup>:

• Barrick Gold	+93bps
• British American Tobacco	+44bps
• Japan Tobacco	+42bps
• Reckitt Benckiser	+33bps
• Unilever	+30bps

Top Five Relative Detractors<sup>3</sup>:

• Credit Suisse Group	-57bps
• NGK Spark Plug	-45bps
• Prudential	-27bps
• Inpex	-22bps
• Sompo Japan Nipponkoa	-21bps

	Sector Performance		Average Sector Weightings		Performance Attribution		
	Portfolio %	Index %	Portfolio %	Index %	Selection %	Allocation %	Total %
Consumer Staples	4.86	3.31	30.46	12.53	0.51	1.15	1.66
Materials	13.83	2.57	6.58	6.41	0.67	0.03	0.69
Health Care	-5.58	-6.48	15.88	11.84	0.14	-0.17	-0.02
Industrials	4.16	1.70	7.67	12.95	0.21	-0.25	-0.05
Information Technology	-5.28	-4.13	5.36	5.22	-0.06	0.01	-0.05
Telecoms	-1.69	0.26	3.17	5.12	-0.05	-0.05	-0.10
Utilities	0.00	0.35	0.00	3.88	0.00	-0.13	-0.13
Financials	-13.93	-9.58	16.61	24.27	-0.83	0.56	-0.26
Consumer Discretionary	-7.43	-4.34	9.01	13.15	-0.33	0.04	-0.29
Energy	-4.89	4.73	2.86	4.64	-0.36	-0.13	-0.49
Cash <sup>2</sup>	0.05	0.00	2.49	0.00	0.00	0.10	0.10
Currency Forward	0.05	0.00	-0.09	0.00	0.00	-0.58	-0.58
<b>Total</b>	<b>-2.52</b>	<b>-3.01</b>	<b>100.00</b>	<b>100.00</b>	<b>-0.09</b>	<b>0.58</b>	<b>0.48</b>
Other <sup>2</sup>	0.39	0.00					0.39
<b>Total Returns</b>	<b>-2.13</b>	<b>-3.01</b>					<b>0.88</b>

Source: Morgan Stanley Investment Management and FactSet

1. Portfolio weight is an average for the period from January 1, 2016 through March 31, 2016. 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, returns would be lower and results 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 in the sectors shown. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients. To obtain the methodology of the return attribution analysis, a list showing every holding's contribution to the overall performance during the measurement periods, and/or if you have any questions, please contact your Morgan Stanley representative. Each portfolio is actively managed; therefore, holdings referenced may or may not be currently represented in each portfolio.

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.

3. Contribution is gross and relative to the index. We do not own companies listed in italics.

## Sector Attribution - 2015

Morgan Stanley International Equity Trust - USD

Data as of December 31, 2015<sup>1</sup>Top Five Relative Contributors<sup>3</sup>:

• Reckitt Benckiser	+67bps
• Japan Tobacco	+57bps
• Unilever	+52bps
• Sompo Japan Nipponkoa	+47bps
• <i>Banco Santander</i>	+33bps

Top Five Relative Detractors<sup>3</sup>:

• Weir Group	-46 bps
• Vallourec	-45 bps
• Meggitt	-41 bps
• Barrick Gold	-36 bps
• Santos	-33 bps

	Sector Performance		Average Sector Weightings		Performance Attribution		
	Portfolio %	Index %	Portfolio %	Index %	Selection %	Allocation %	Total %
Consumer Staples	11.63	8.75	26.12	11.37	0.61	1.46	2.07
Financials	4.11	-2.98	18.22	25.98	1.24	0.22	1.47
Materials	-5.26	-16.81	7.59	7.11	0.89	-0.03	0.87
Telecoms	19.78	3.31	3.00	5.08	0.27	-0.07	0.20
Consumer Discretionary	4.09	1.86	9.91	12.85	0.26	-0.05	0.20
Utilities	0.00	-5.27	0.00	3.69	0.00	0.18	0.18
Energy	-19.20	-18.49	4.38	5.13	-0.04	0.15	0.11
Information Technology	-3.64	4.95	5.23	4.89	-0.42	0.01	-0.41
Health Care	-0.74	7.61	14.42	11.41	-1.10	0.19	-0.91
Industrials	-17.58	-0.15	8.42	12.46	-1.57	0.00	-1.57
Cash <sup>2</sup>	0.03	0.00	2.73	0.00	0.00	-0.15	-0.15
Hedging	0.03	0.00	-0.02	0.00	0.00	-0.06	-0.06
<b>Total</b>	<b>1.13</b>	<b>-0.81</b>	<b>100.00</b>	<b>100.00</b>	<b>0.15</b>	<b>1.79</b>	<b>1.94</b>
Other <sup>2</sup>	0.04	0.00					0.04
<b>Total Returns</b>	<b>1.17</b>	<b>-0.81</b>					<b>1.98</b>

Source: Morgan Stanley Investment Management and FactSet

- Portfolio weight is an average for the period from January 1, 2015 through December 31, 2015. 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, returns would be lower and results 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 in the sectors shown. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients. To obtain the methodology of the return attribution analysis, a list showing every holding's contribution to the overall performance during the measurement periods, and/or if you have any questions, please contact your Morgan Stanley representative. Each portfolio is actively managed; therefore, holdings referenced may or may not be currently represented in each portfolio.
- "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 gross and relative to the index. We do not own companies listed in italics.

## Long-Term Sector Attribution

Morgan Stanley International Equity Trust – USD

Cumulative Returns for January 1, 1999 – December 31, 2015<sup>1</sup>

- Stock selection has accounted for 80% of the strategy's long-term performance

	Sector Performance		Average Sector Weightings		Performance Attribution		
	Portfolio (%)	Index (%)	Portfolio (%)	Index (%)	Selection (%)	Allocation (%)	Total (%)
Consumer Staples	538.9	213.8	20.4	9.1	30.0	13.3	43.3
Financials	69.2	29.7	16.5	25.4	15.0	3.7	18.8
Information Technology	232.7	8.5	5.8	6.1	17.7	0.7	18.4
Materials	292.8	163.1	8.4	7.8	8.5	6.0	14.5
Health Care	334.8	168.6	9.2	9.0	11.1	3.3	14.4
Consumer Discretionary	197.6	103.6	8.8	12.0	9.4	2.4	11.8
Industrials	167.1	138.7	8.4	11.1	7.5	1.7	9.1
Telecoms	103.8	41.3	7.3	7.0	5.6	0.1	5.7
Utilities	127.7	72.7	4.2	4.9	1.5	3.3	4.8
Energy	91.6	86.5	7.7	7.6	2.4	1.7	4.1
Cash <sup>2</sup>	22.7	0.0	3.4	0.0	0.0	-3.8	-3.8
Hedging	-2.5	0.0	-0.0	0.0	0.0	0.9	0.9
<b>Total</b>	<b>223.8</b>	<b>81.8</b>	<b>100.0</b>	<b>100.0</b>	<b>108.6</b>	<b>33.4</b>	<b>142.0</b>
Other <sup>2</sup>	-4.2	1.7					-5.9
<b>Total Returns</b>	<b>219.6</b>	<b>83.5</b>					<b>136.1</b>

Source: Morgan Stanley Investment Management and FactSet

1. Portfolio weight is an average for the period January 1, 1999 through December 31, 2015. Index MSCI EAFE Net Index. **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, returns would be lower and results 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 sectors shown above.
2. Other<sup>2</sup> 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.

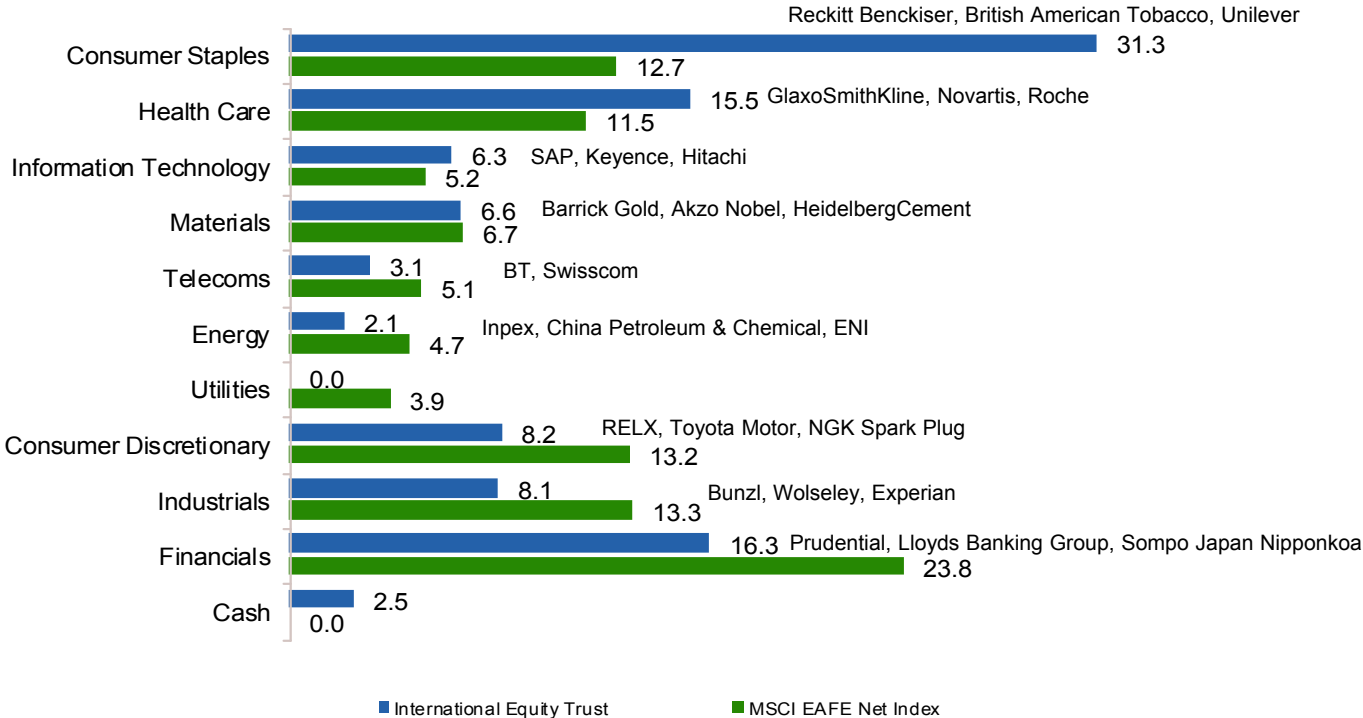
Current Portfolio

# 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 (52.4% versus 33.1%)
- Underweight cyclical sectors (47.6% versus 66.9%)



Source: Morgan Stanley Investment Management  
 Data as of March 31, 2016. Numbers may not add up to 100 due to rounding. Subject to change daily. 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	11.2	5.2
Capital Markets	1.7	1.4
Diversified	1.3	0.0
Insurance	5.6	8.6
Real Estate	<u>4.0</u>	<u>1.1</u>
Financials	23.8	16.3

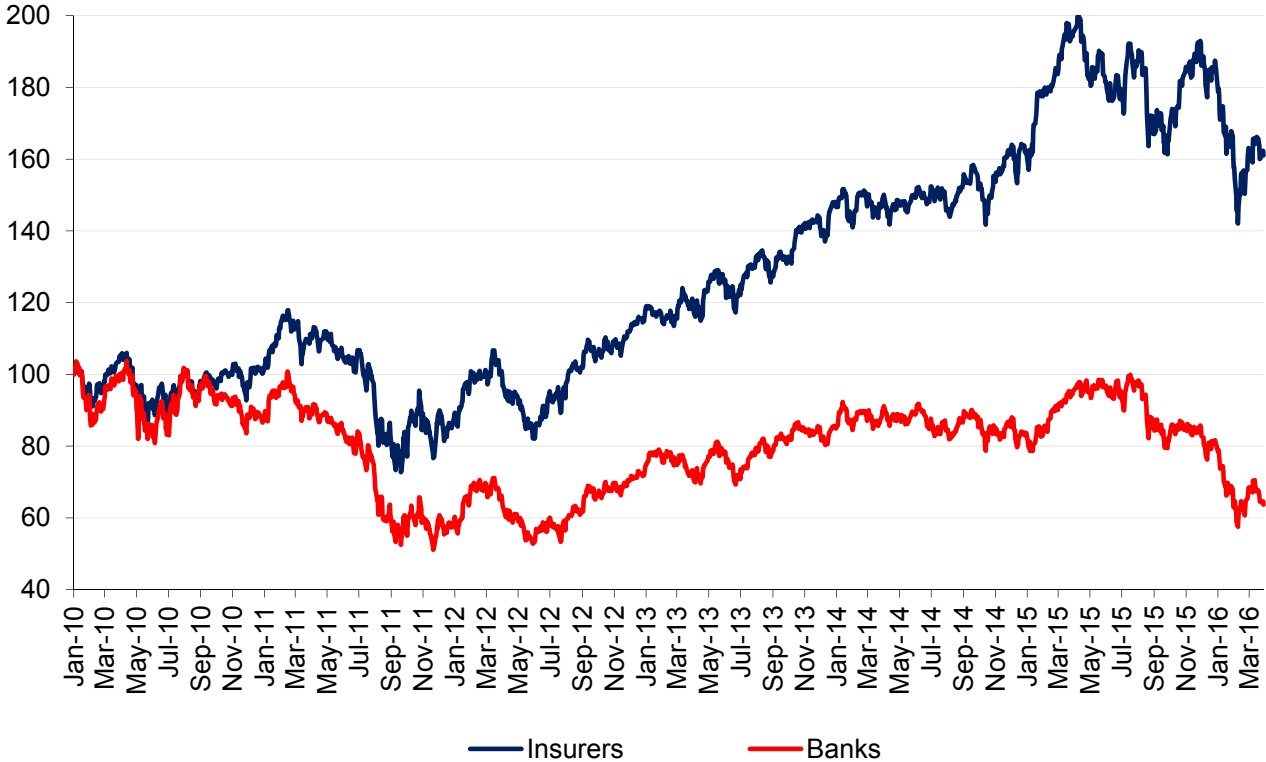
Banks Weighting	MSCI EAFE	Portfolio	Main Holdings
UK	2.1	2.0	Lloyds Banking Group
Japan	1.7	0.5	SMFG, Sumitomo Mitsui Trust Holdings
Australia	2.4	0.0	
Spain	1.2	0.0	
France	0.8	0.0	
Italy	0.5	0.0	
Other	<u>2.5</u>	<u>2.7</u>	Nordea (Sweden), ING (Netherlands), KBC (Belgium)
	11.2	5.2	

Insurance Weighting	MSCI EAFE	Portfolio	Main Holdings
UK	1.2	4.9	Prudential, Aviva, Admiral
Japan	0.6	2.3	Sompo Japan Nipponkoa (NKSJ), MS&AD Insurance
Switzerland	0.7	0.6	Zurich Insurance Group
France	0.5	0.8	AXA
Germany	1.0	0.0	
Australia	0.4	0.0	
Other	<u>1.2</u>	<u>0.0</u>	
	5.6	8.6	

The views and opinions are those of the portfolio management team as of the date of this presentation, are subject to change, and may not be representative of the firm as a whole.

Source: MSCI and FactSet  
Data as of March 31, 2016. 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 or securities in the countries or industries shown above.

# European Insurers versus Banks



Source: Bloomberg  
STOXX600 European Banks (SX7P)  
STOXX600 European Insurance (SXIP)  
Data of March 31, 2016. 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

- Wary of industrial metals given increasing supply and concerns over Chinese demand
- Remain overweight construction materials where earnings are at cyclical lows but offer high operational leverage to any economic recovery

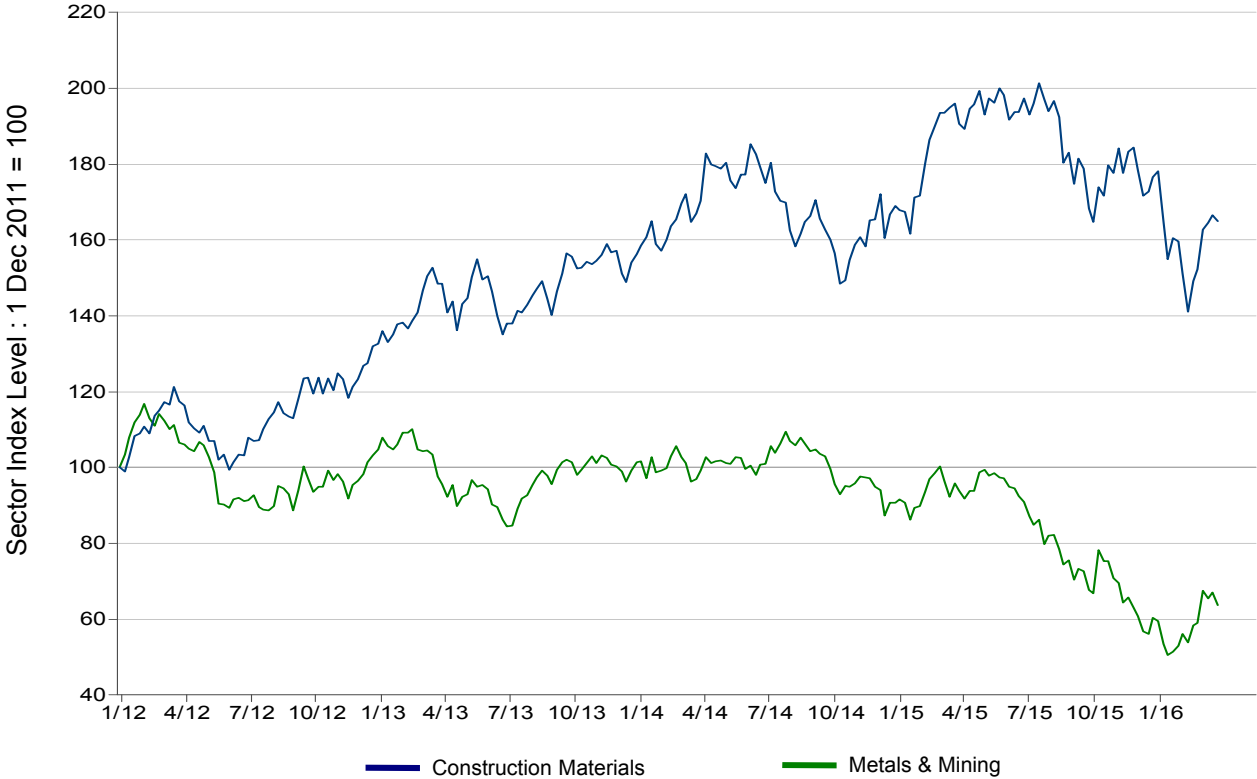
Industry Sub Group	MSCI EAFE (%)	Portfolio (%)	Holdings
Chemicals	3.6	2.5	Akzo Nobel, BASF, Nitto Denko
Construction Materials	0.6	2.2	HeidelbergCement, CRH
Metals and Mining	2.1	1.9	Barrick Gold, Turquoise Hill Resources
Paper and Forest Products	0.2	0.0	
Containers and Packaging	0.2	0.0	
	<b>6.7</b>	<b>6.6</b>	

Source: MSCI and FactSet  
 Data as of March 31, 2016. Subject to change daily. Up to five 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

### MSCI Industry Time Series Performance (Indexed)

EAFE: Net Official Index (Local) - Weekly



Source: MSCI, FactSet  
Data of March 31, 2016. **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.

## Industrials Dissected

Morgan Stanley International Equity Trust

- Underweight heavy capital goods with preference for distributors

Industry Sub Group	MSCI EAFE (%)	Portfolio (%)	Holdings
Capital Goods	9.2	6.6	Bunzl, Wolseley, Meggitt, Smiths Group, Travis Perkins, Weir Group
Commercial and Professional Services	1.3	1.5	Experian, Aggreko
Transportation	2.8	0.0	
	<b>13.3</b>	<b>8.1</b>	

Source: MSCI and FactSet  
 Data as of March 31, 2016. 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.

## Energy Dissected

Morgan Stanley International Equity Trust

Industry Sub Group	MSCI EAFE (%)	Portfolio (%)	Holdings
Diversified "Super-Majors" <sup>1</sup>	3.2	0.0	
Other Oil, Gas and Consumable Fuels <sup>2</sup>	1.3	2.1	Inpex, China Petroleum & Chemical, ENI
Energy Equipment and Services	0.2	0.0	
	<b>4.7</b>	<b>2.1</b>	

Source: MSCI and FactSet

Data as of March 31, 2016. Subject to change daily. Up to five 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.

1. Defined as Royal Dutch Shell, Total, BP within EAFE Index

2. Oil, Gas and Consumable Fuels ex-Super-Majors.

## Country Weightings

### Morgan Stanley International Equity Trust

Data as of March 31, 2016

Region	International Equity Trust (%)	MSCI EAFE Net Index (%)	Currency Hedge <sup>1</sup> (%)
<b>Europe Non-Euro</b>	<b>50.0</b>	<b>33.9</b>	
United Kingdom	34.9	19.3	
Switzerland	14.2	9.1	
Sweden	1.0	2.9	
Denmark	0.0	2.0	
Norway	0.0	0.6	
<b>Europe Euro</b>	<b>29.2</b>	<b>30.9</b>	
France	10.3	10.0	
Netherlands	8.6	3.1	
Germany	8.0	9.2	
Ireland	1.1	0.5	
Belgium	0.8	1.4	
Italy	0.4	2.2	
Spain	0.0	3.1	
Finland	0.0	1.0	
Austria	0.0	0.2	
Portugal	0.0	0.2	
<b>Far East</b>	<b>16.4</b>	<b>27.2</b>	
Japan	15.0	22.5	-4.9
China	1.4	0.0	
Hong Kong	0.0	3.3	
Singapore	0.0	1.4	
<b>Australasia/Oceania</b>	<b>0.0</b>	<b>7.3</b>	
Australia	0.0	7.2	
New Zealand	0.0	0.2	
<b>Middle East</b>	<b>0.0</b>	<b>0.7</b>	
Israel	0.0	0.7	
<b>North America</b>	<b>1.9</b>	<b>0.0</b>	
Canada	1.9	0.0	
United States	0.0	0.0	+4.8
<b>Cash</b>	<b>2.5</b>	<b>0.0</b>	

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

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 mentioned or securities in the regions shown above.

# Regional Breakdown

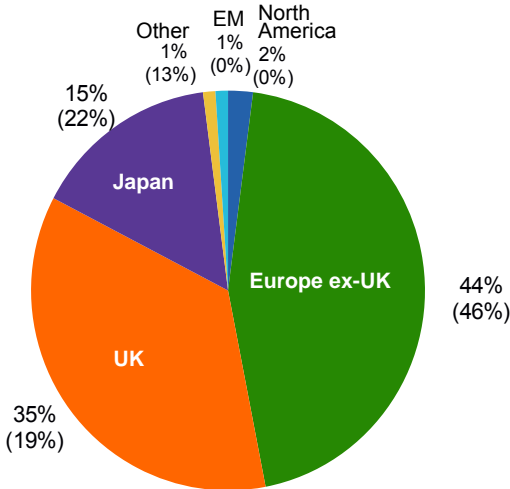
Indirect Exposure to Emerging Markets<sup>1,2,3</sup>

### Selected Company EM Exposure

• Sinopec	100%
• British American Tobacco	59%
• Unilever	57%
• Prudential	45%
• Nestlé	40%

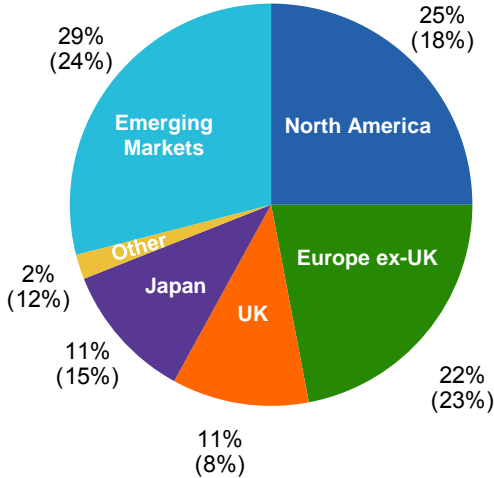
### Listed Exposures

International Equity Trust  
(Index weight)



### Sales Exposure

International Equity Trust  
(Index weight)



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

Source: MSCI, FactSet and Company Reports  
 Data as of March 31, 2016. Updated quarterly. The portfolio is actively managed, therefore holdings may not be current. 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.  
 1. Weighed Regional Exposure – Percentage of Company Sales.  
 2. Index data shown is the MSCI EAFE Net Index  
 3. Data as of March 31, 2016. Securities shown are for illustrative purposes only and percentages represent the weighted average based on revenues from emerging market sales 40% or above. Holdings identified do not represent all securities purchased, sold, or recommended to our advisory clients. You should not assume that investments in the securities identified were or will be profitable.

## Top Ten Holdings

### Morgan Stanley International Equity Trust

Data as of March 31, 2016

Security	Industry	Country	(%)
Reckitt Benckiser	Household Products	United Kingdom	4.8
British American Tobacco	Tobacco	United Kingdom	4.7
Unilever	Personal Products	Netherlands	4.7
Nestlé	Food Products	Switzerland	4.5
L'Oréal	Personal Products	France	3.6
GlaxoSmithKline	Pharmaceuticals	United Kingdom	3.6
Novartis	Pharmaceuticals	Switzerland	3.5
Japan Tobacco	Tobacco	Japan	3.4
Imperial Brands	Tobacco	United Kingdom	3.1
Roche	Pharmaceuticals	Switzerland	3.1
<b>Total</b>			<b>38.9</b>

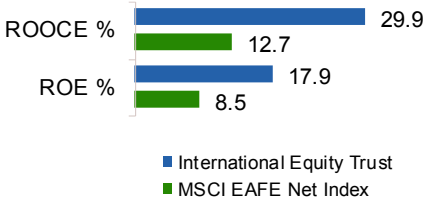
Source: Morgan Stanley Investment Management.  
Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the industries and countries shown above.

# Portfolio Characteristics

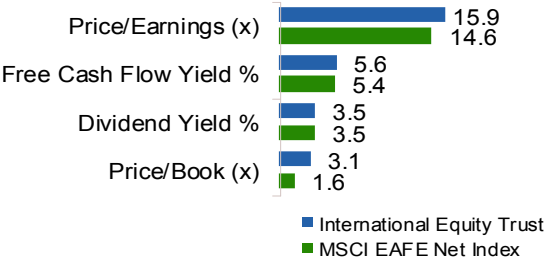
## Morgan Stanley International Equity Trust

Data as of March 31, 2016

### Quality Ratios<sup>1,2</sup>



### Valuation Ratios<sup>1,2</sup>



### Market Cap Weights

	International Equity Trust %	MSCI EAFE Net Index %
Mega Cap > \$100bn	24	10
Large Cap \$50-100bn	31	20
Mid Cap \$10-50 bn	36	43
Small/Mid Cap \$1-10bn	9	26
Weighted Average Market Cap (\$bn)	71	44

Source: Morgan Stanley Investment Management, FactSet/Worldscope, MSCI  
 1. ROOCE (Return on Operating Capital Employed) = EBITDA (Earnings Before Interest, Taxes and Amortization) / PPE (Property, Plant, Equipment) +trade working capital ex Financials (excludes goodwill). ROOCE, 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 for the underlying companies in the International Equity Portfolio as of March 31, 2016. Forecasted yields are not representative of the fund's yield. There is no guarantee that any International Equity portfolio will necessarily yield similar results over the next year.  
 2. 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.

**Section 4**

Outlook and Strategy

## Outlook

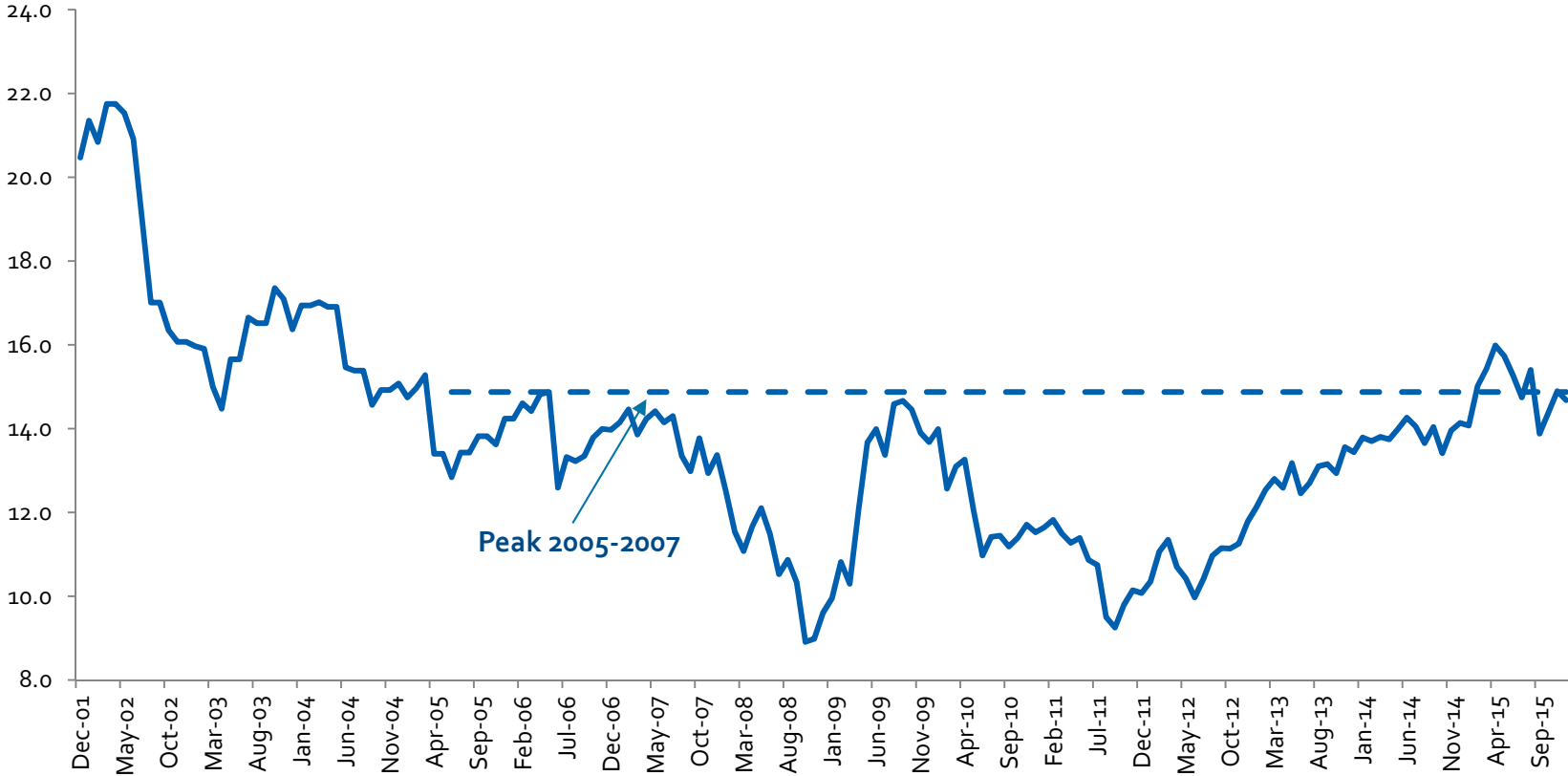
- Valuations remain high after recent market bounce
- The world has continued to lever up
- Global growth continues to disappoint
- Falling commodity prices and Emerging Market weakness exporting deflation to Developed Markets. “Normalization” of interest rates may well continue to be delayed
- Stand-off between markets and Central banks emerging in the Yen and the Euro
- Political and policy risk remains high globally, particularly in the UK and Europe

As of March 31, 2016. The information reflects the views of the Portfolio Management Team at the time of this writing. These views may change in response to changing economic and market conditions.

# PE ratios are back up to 2005-2007 bubble highs

## MSCI EAFE Index

12M forward PE



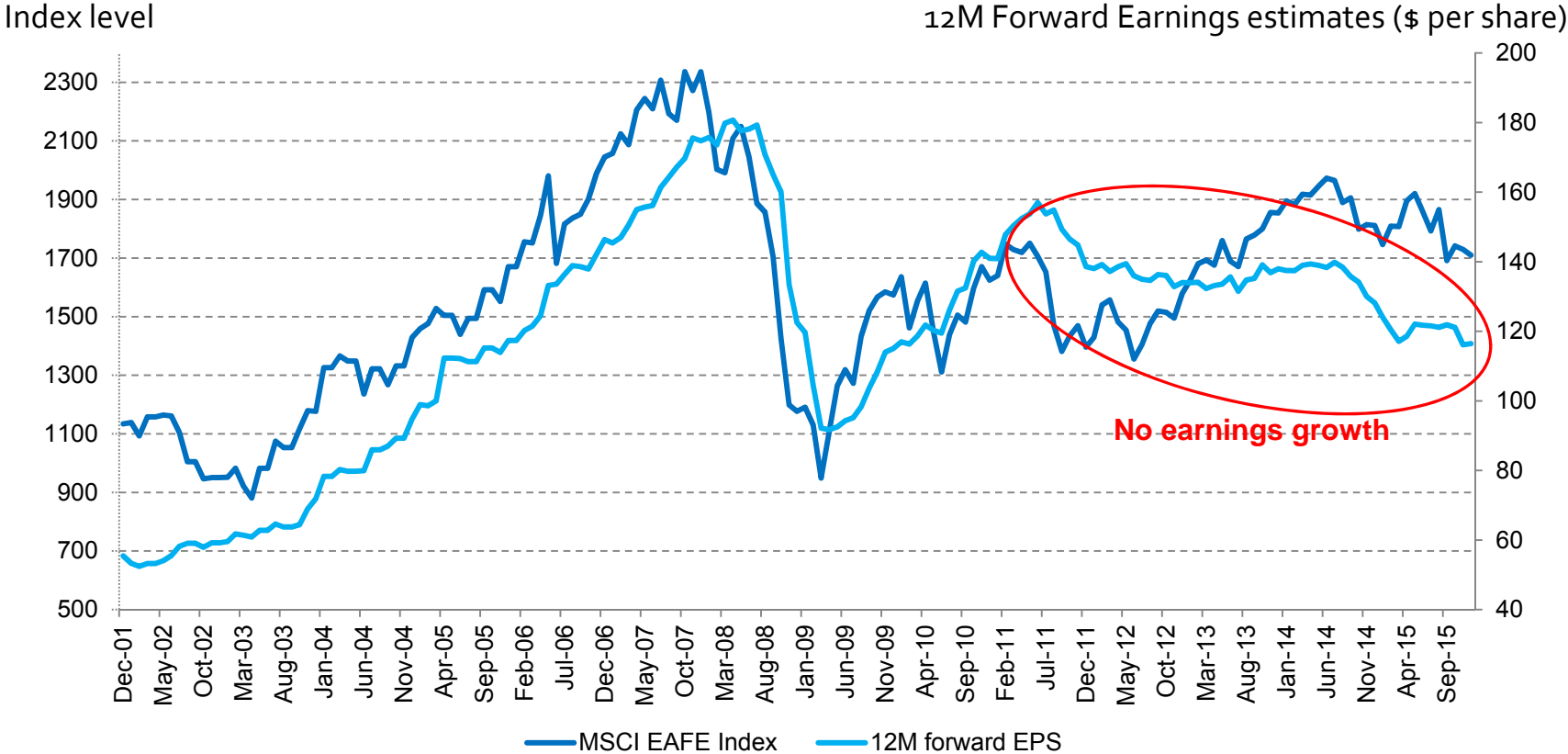
Source: MSCI, IBES Datastream, Gerard Minack Associates. Data as of December 31, 2015.  
**Past performance is no guarantee of future results.**

# Morgan Stanley

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

## This has been a two stage journey - earnings recovery 2009-2011 and re-rating from 2011 to now

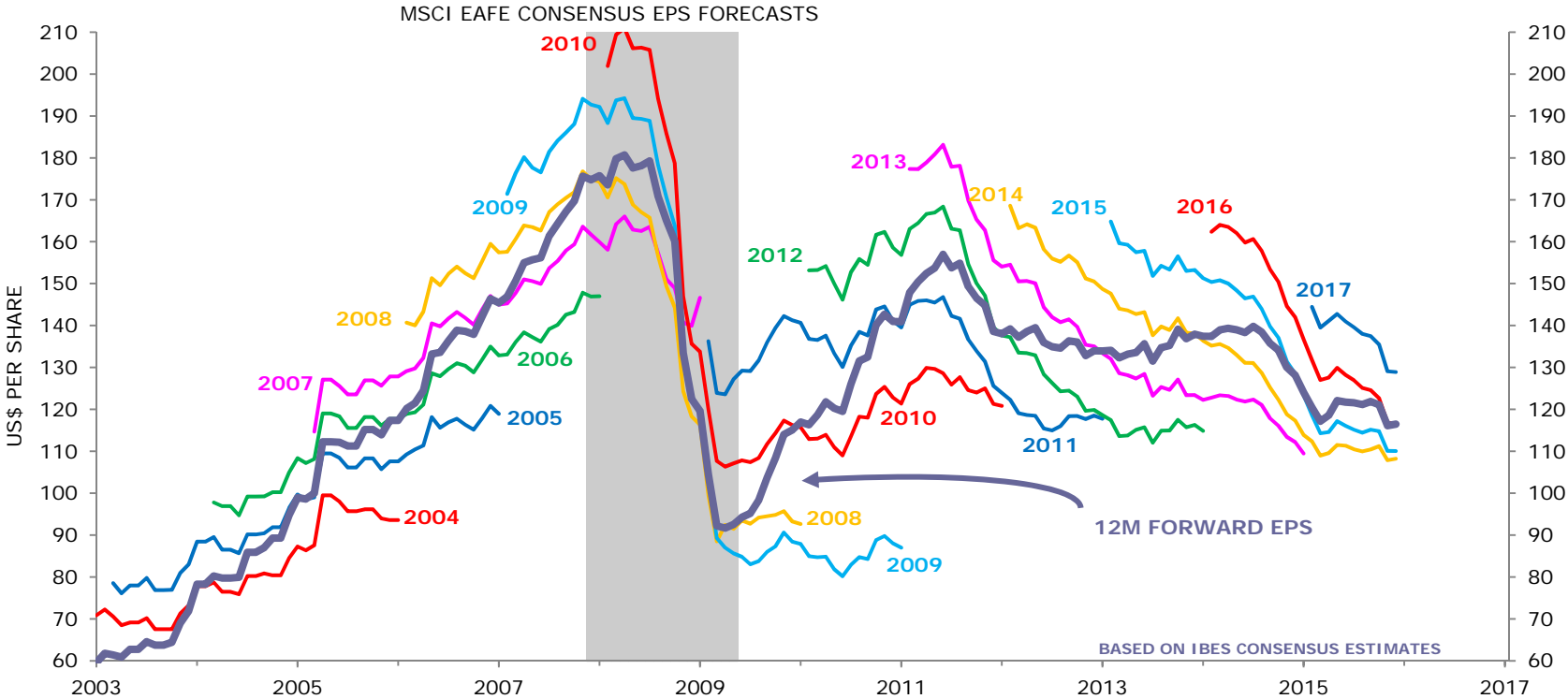
### MSCI EAFE Index



Source: MSCI, IBES datastream, Gerard Minack Associates. Data as of December 31, 2015.  
**Past performance is not indicative of future results.** EPS = Earnings Per Share.  
Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass

# How much longer can the re-rating continue when forward earnings have disappointed for the last five years?

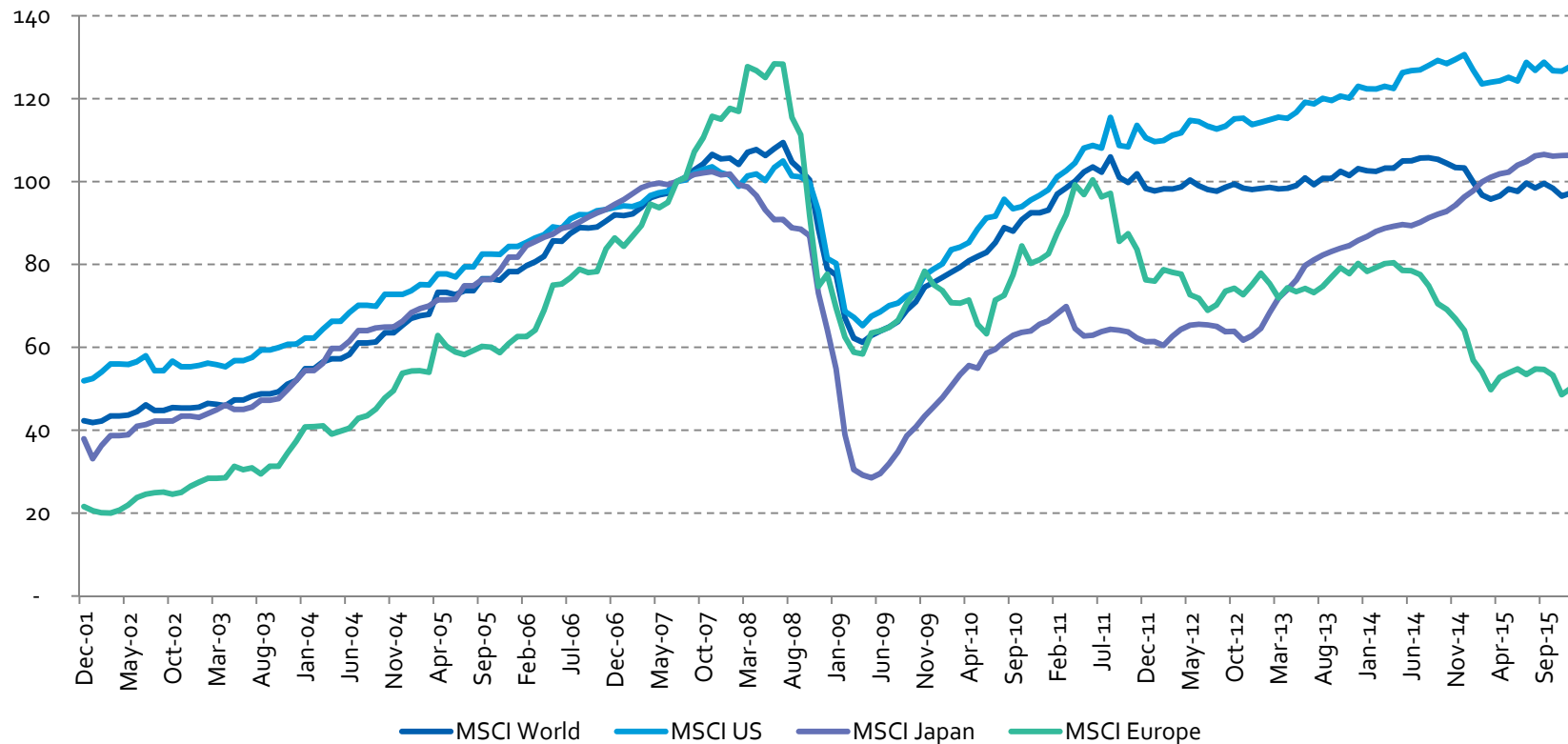
MSCI EAFE Index forward earnings by calendar year and 12M forward



Source: MSCI, IBES Datastream, Gerard Minack Associates. Data as of December 31, 2015.  
**Past performance is no guarantee of future results.** The lines represent consensus estimates over time. The end point of each line is effectively the reported earnings level. So the falls in the lines reflect estimates being reduced i.e. disappointing sell-side expectations. Each of the thinner lines are the consensus estimates for the calendar year, and the thicker line is the blended 12M forward EPS  
 Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass

# Since 2011 only US and Japan have seen positive EPS trends in local currency

MSCI World, MSCI US, MSCI Japan, MSCI Europe  
 12M forward EPS in LCU, indexed to 100 = July 2007



Source: MSCI, IBES Datastream, Gerard Minack Associates. Data as of December 31, 2015.

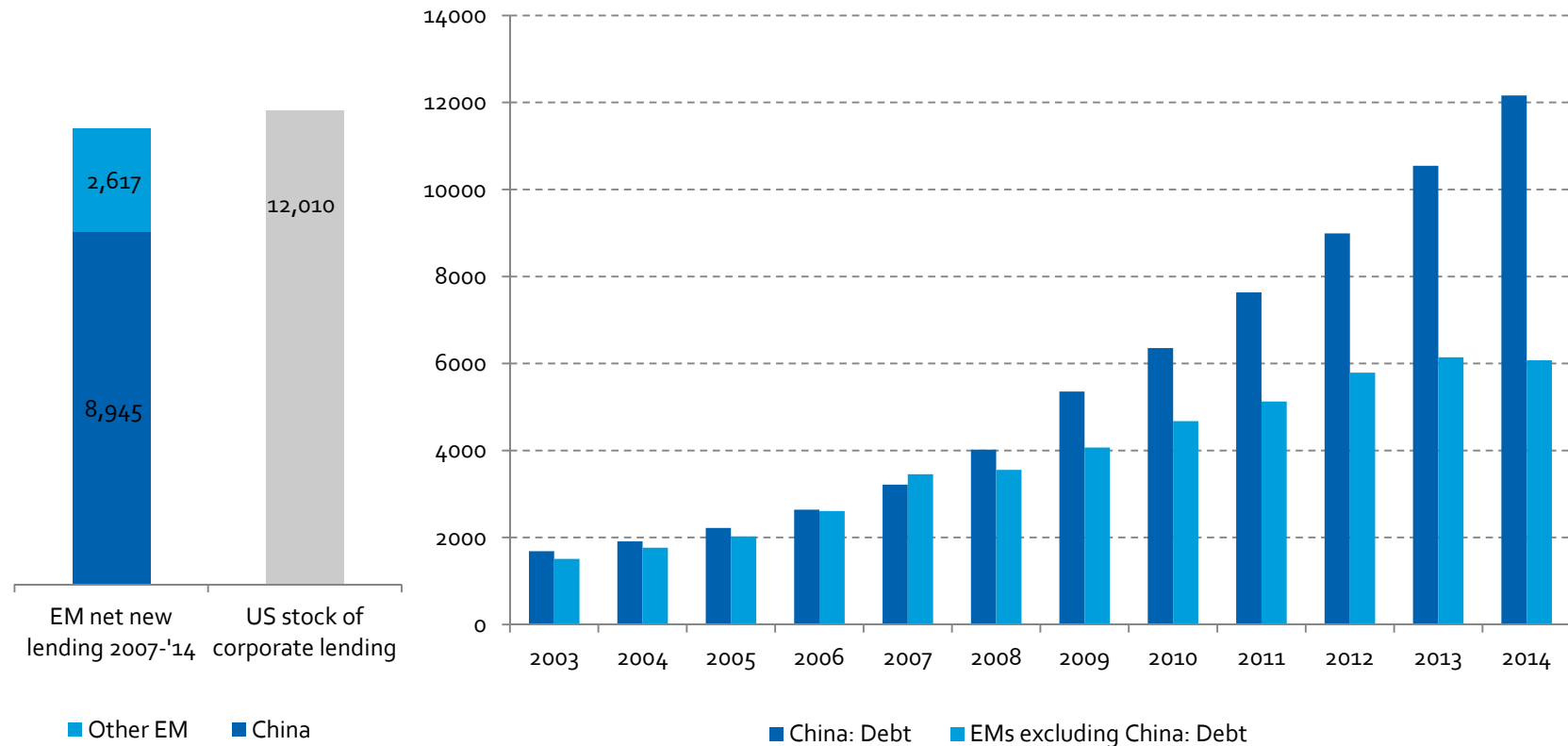
MSCI Europe is translated into EUR from USD

**Past performance is no guarantee of future results.**

Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass

# China and other EMs have created as much net new corporate borrowing in 7 years as the US has overall

Corporate debt (loans and Debt Securities)  
In USD bn



Source: IMF Global Financial Stability Report October 2015, data as of year end 2014  
 Note: EM = emerging market economy; figure depicts major EMs. Debt includes bank credit and bond financing. Credit by nonbanks is excluded, possibly leading to a significant underestimation of corporate debt in countries with large nonbanking sectors such as China. At the same time, in China, the bulk of fiscal borrowing occurs off budget through local government financing vehicles and is recorded as private credit, although most of it is fiscal (see Arslanalp and others).

## 2016 Strategy

- Both earnings growth expectations and valuations still look uncomfortably high
- Some value has re-emerged in Pharma. Very limited opportunities in Financials and Japan, despite sharp price declines
- Case for commodities still weak: many hard commodities still well above cost, and both supply and demand problematic
- Pricing power crucial in deflationary world... and under threat in several areas, notably Industrials
- We believe, global, high quality, steady compounders with rock solid balance sheets and sustainable dividends still offer the best potential risk/reward trade-off

As of March 31, 2016. The information reflects the views of the Portfolio Management Team at the time of this writing. These views may change in response to changing economic and market conditions.

## Why “Quality” Now?

### (1) A Happy Medium in Difficult Times

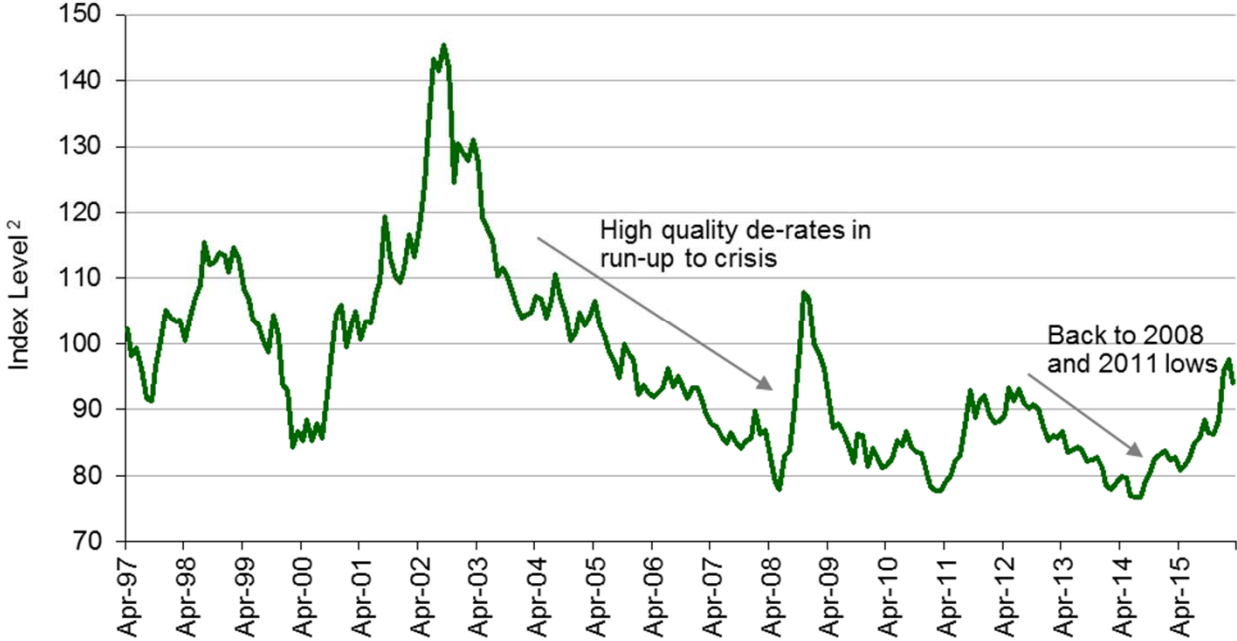
- **We believe high quality equities look far more attractive than high quality bonds**
  - High quality equities can offer higher yields
  - **Equities offer potential for growth and a measure of protection against inflation**
- **Far less clear that there has been a major flight to quality WITHIN equities**
  - “High Quality” versus “Low Quality” within historic ranges
- **High quality equities can arguably be a sanctuary in uncertain times**
  - Fixed income offers nominal (not real) certainty but at a price
  - High equity market multiples risk a large drawdown
  - Ability to pay and grow dividends may become appreciated in a tough environment

Source: Morgan Stanley Investment Management as of January 1, 2016. The views and opinions expressed herein are those of the portfolio management team as of the date herein.

# “Quality” – What Re-rating? (2) Quality Approaching 2008 and 2011 relative lows

- 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 high quality versus low quality is back to 2000 and 2008 lows

S&P 500 High versus Low Quality Indices<sup>1</sup>

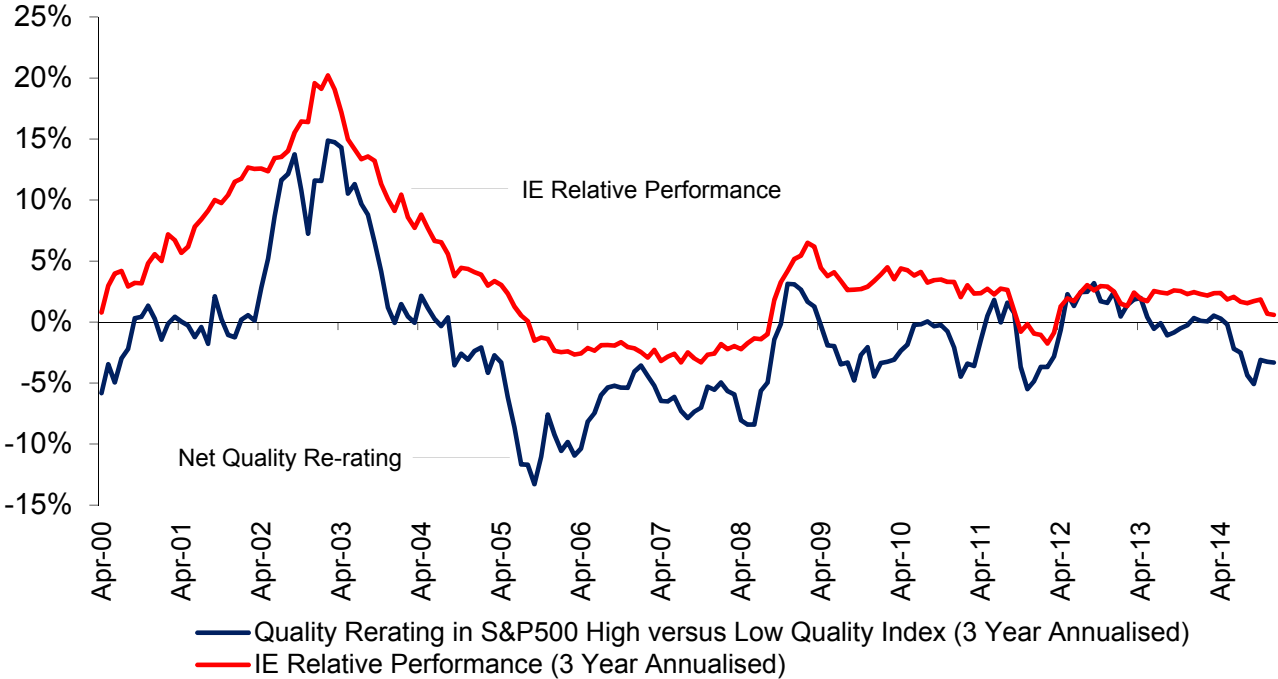


Data as of March 31, 2016. The Standard & Poor’s 500® Index (S&P 500®) measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. It is not possible 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

# Why "Quality" Now? (3) Re-rating of Quality Positive in the Past

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

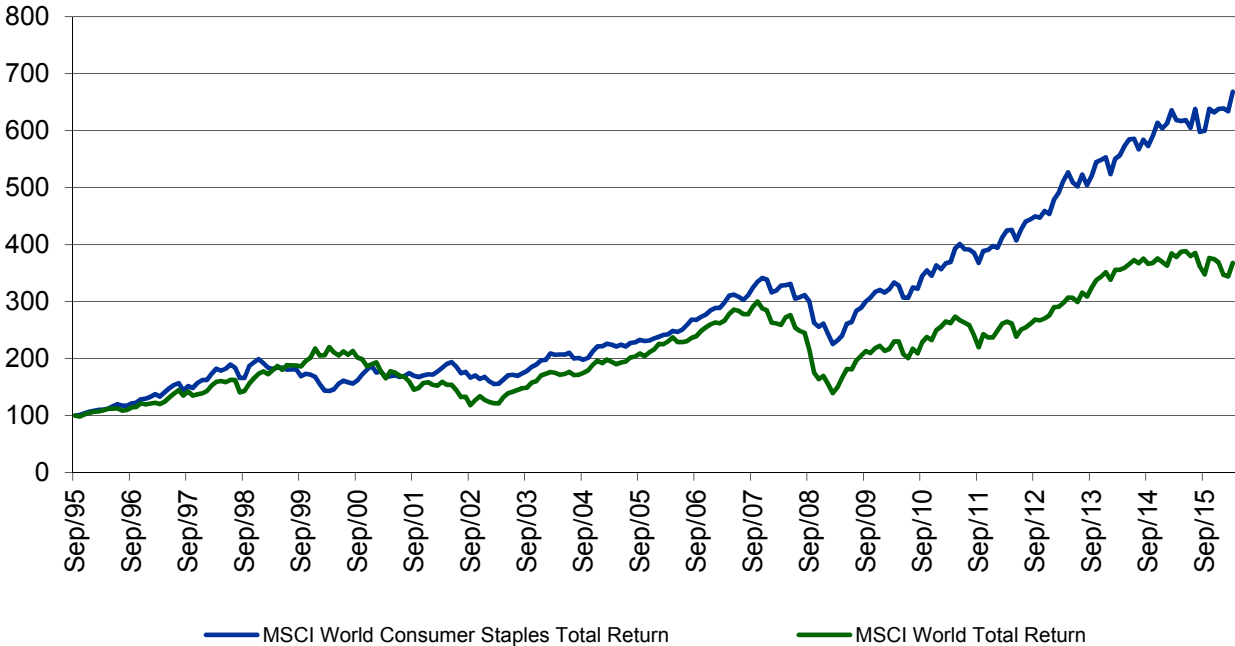
IE Relative Performance versus Quality Re-rating (3 Year Annualised)



Data as of March 31, 2016  
 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.  
 Information provided for illustrative purposes only. The IE relative performance represents the Morgan Stanley International Equity Trust versus MSCI EAFE. Performance figures are presented GROSS of custody as well as investment management fees. 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.**

# Consumer Staples Have Outperformed The Market Over The Last Two Decades

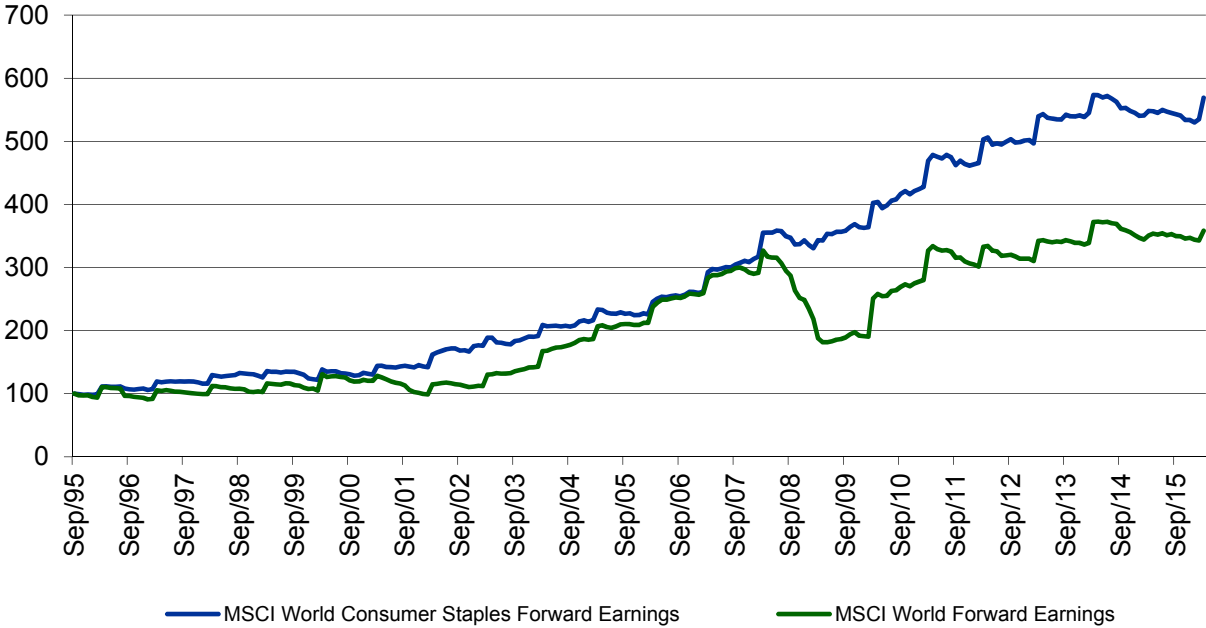
Total Return: Staples versus MSCI World



Source: Factset, MSIM analysis. Data as at March 31, 2016. Dividends reinvested for both series. **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 any security. It is not possible to invest directly in an index. The MSCI World Consumer Staples Index was launched on Sep 15, 1999. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

# ...Due to Far Better Earnings Growth...

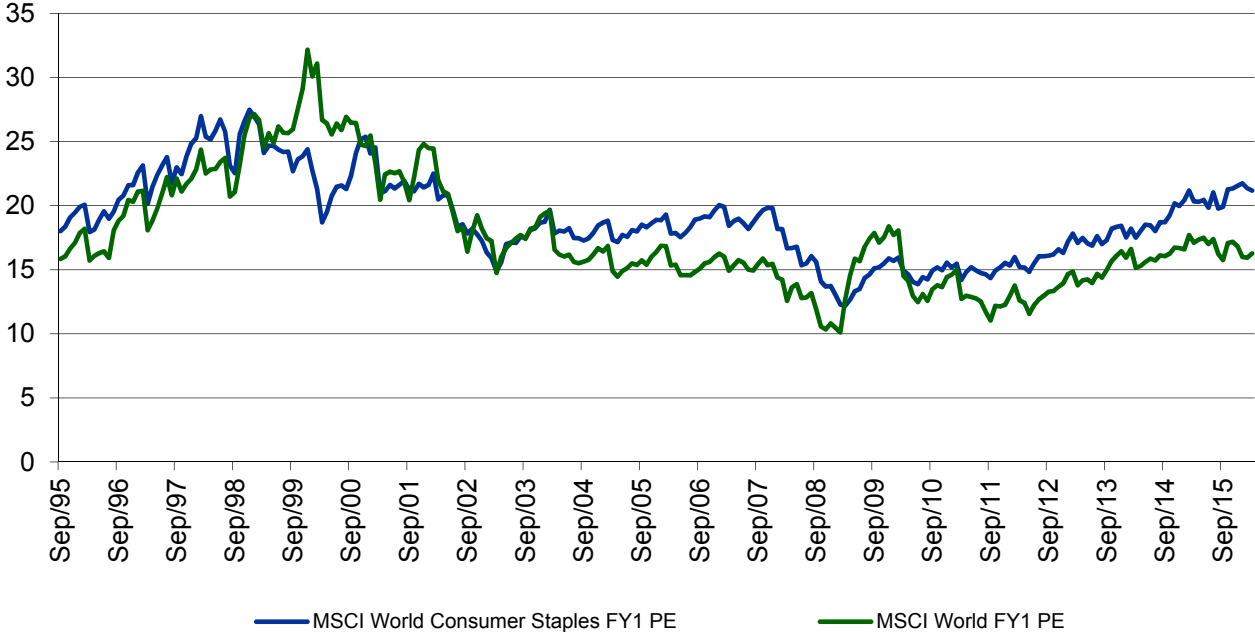
Earnings Growth: Staples versus MSCI World



Source: Factset, MSIM analysis. Data as at March 31, 2016. Dividends reinvested for both series. **Past performance is not guarantee of future results.** Provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security. Forecasts/estimates are subject to change and may not necessarily come to pass due to changing markets and economic conditions. It is not possible to invest directly in an index. The MSCI World Consumer Staples Index was launched on Sep 15, 1999. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

# ...Rather Than Any Major Relative PE Shift

FY1 Forward PEs: Staples versus MSCI World



Data as of March 31, 2016.  
 Source: Factset, MSIM analysis. For illustrative purposes only. **Past performance is not indicative of future results.** Forecasts/estimates are subject to change and may not necessarily come to pass due to changing markets and economic conditions. It is not possible to invest directly in an index. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security. The MSCI World Consumer Staples Index was launched on Sep 15, 1999. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

## 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.

Any views and opinions herein are those of the team only as of March 31, 2016 are not necessarily those of Morgan Stanley, and are subject to change at any time due to market or economic conditions. All information provided is for informational purposes only. Any forecasts or estimates herein are not necessarily those of Morgan Stanley, and may not actually come to pass.

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.

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**Section 5**

**Appendix**

# 12 Month Rolling Turnover

Morgan Stanley International Equity Trust



Source: Morgan Stanley Investment Management  
Data from January 1, 1999 to March 31, 2016. **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.

# Significant Movements in the Portfolio – 1Q 2016

Morgan Stanley International Equity Trust

## Major Transactions: January 1, 2016 to March 31, 2016<sup>1</sup>

**Portfolio Turnover**

January 1, 2016 to March 31, 2016:  
6.91%

Initial Purchases	Additions	Reductions	Final Sales
ING Groep	L'Oréal	Toyota	Lawson
AAC Technologies	Keyence	KBC	NTT DoCoMo
ARM Holdings	Bayer	Barrick Gold	Hoya
	Novartis	British American Tobacco	WorleyParsons
	Prudential	Zurich Life	Vallourec
	Lloyds Banking Group	Sanofi	
	Sanofi	Publicis	
		Reckitt Benckiser	
		Nestlé	

Source: Morgan Stanley Investment Management  
 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. Significant movement is based on at least 25 basis point weight changes for the period shown.

## Significant Movements in the Portfolio - 2015

Morgan Stanley International Equity Trust

### Major Transactions: January 1, 2015 to December 31, 2015<sup>1</sup>

Portfolio Turnover  
Year 2015: 26.49%

Initial Purchases	Additions	Reductions	Final Sales
BT Group	<b>Imperial Tobacco Group</b>	<b>Continental</b>	<b>Diageo</b>
<b>L'Oréal</b>	GlaxoSmithKline	<b>NTT DoCoMo</b>	HSBC
KBC	<b>RELX<sup>2</sup></b>	CRH	BNP Paribas
	Japan Tobacco	BG Group	BHP Billiton
	<b>Bunzl</b>	<b>Weir Group</b>	Santos
	Pernod Ricard	<b>Sumitomo Mitsui Financial Group</b>	LVMH
	HSBC	Sekisui House	AIA
	<b>Credit Suisse</b>	Vallourec	Svenska Handelsbanken
	<b>Aviva (Friends Life)</b>	Sompo Japan Nipponkoa	Glencore
	Prudential	Prudential	Kering
	<b>Sompo Japan Nipponkoa</b>	Zurich Insurance Group	Rio Tinto
	Lloyds Banking Group	AXA	Indivior (Reckitt Benckiser Spin-off)
	CRH	Imperial Tobacco Group	Hermes (LVMH Spin-off)
	Bayer	<b>HeidelbergCement</b>	
	Swisscom	<b>Hoya</b>	
	NGK Spark Plug	ENI	
	Continental	MS&AD Insurance	
	British American Tobacco	SAP	
	Travis Perkins	Aggreko	
	BASF	Sumitomo Trust	
	Akzo Nobel	Nordea	
	AXA		
	Weir Group		
	Hitachi		

Source: Morgan Stanley Investment Management

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. Significant movement is based on at least 25 basis point weight changes for the period shown.

**Companies listed in bold font represent activities that have taken place from October 1, 2015 through to December 31, 2015**

2. RELX is the renamed Reed Elsevier and positions are held in both the Netherlands and UK listings

## Country Attribution – 1Q 2016

Morgan Stanley International Equity Trust (%)

Data as of March 31, 2016<sup>1</sup>

	Country Performance		Country Weightings		Attribution		
	Portfolio	Index	Portfolio	Index	Selection	Allocation	Total
United Kingdom	1.47	-2.34	34.38	19.40	1.31	0.17	1.48
Canada	58.03	0.00	2.10	0.00	0.00	0.96	0.96
Netherlands	2.97	3.35	7.81	2.99	-0.04	0.32	0.28
Italy	1.10	-11.66	0.39	2.22	0.05	0.18	0.23
China	7.80	0.00	1.08	0.00	0.00	0.15	0.15
Israel	0.00	-10.16	0.00	0.75	0.00	0.06	0.06
Ireland	-0.64	-4.15	1.02	0.47	0.04	-0.01	0.03
Spain	0.00	-4.09	0.00	3.15	0.00	0.03	0.03
Finland	0.00	-5.19	0.00	1.01	0.00	0.03	0.03
Austria	0.00	-0.52	0.00	0.18	0.00	-0.01	-0.01
Portugal	0.00	3.24	0.00	0.16	0.00	-0.01	-0.01
Germany	-2.61	-2.50	7.52	8.95	-0.02	0.00	-0.01
New Zealand	0.00	11.60	0.00	0.16	0.00	-0.03	-0.03
Norway	0.00	1.72	0.00	0.56	0.00	-0.03	-0.03
Denmark	0.00	-0.96	0.00	1.95	0.00	-0.05	-0.05
Hong Kong	0.00	-0.55	0.00	3.12	0.00	-0.08	-0.08
Singapore	0.00	5.05	0.00	1.28	0.00	-0.11	-0.11
Sweden	-6.85	-0.22	1.08	2.89	-0.08	-0.06	-0.14
Japan	-8.85	-6.52	16.44	23.20	-0.44	0.29	-0.15
Belgium	-17.54	-2.43	1.30	1.45	-0.21	-0.01	-0.23
France	-2.69	0.12	9.69	9.87	-0.31	0.00	-0.31
Australia	-9.29	2.10	0.01	6.88	0.00	-0.39	-0.39
Switzerland	-9.22	-5.51	14.76	9.35	-0.61	-0.13	-0.74
Cash <sup>2</sup>	0.05	0.00	2.41	0.00	0.00	-0.48	-0.48
<b>Total</b>	<b>-2.52</b>	<b>-3.01</b>	<b>100.00</b>	<b>100.00</b>	<b>-0.31</b>	<b>0.79</b>	<b>0.48</b>
Other <sup>2</sup>	0.39	0.00					0.39
<b>Total Returns</b>	<b>-2.13</b>	<b>-3.01</b>					<b>0.88</b>

Source: Morgan Stanley Investment Management, FactSet

1. Portfolio weight is an average for the period from January 1, 2016 through March 31, 2016. 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, returns would be lower and results 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.
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.

## Country Attribution - 2015

Morgan Stanley International Equity Trust (%)

Data as of December 31, 2015<sup>1</sup>

	Country Performance		Country Weightings		Attribution		
	Portfolio	Index	Portfolio	Index	Selection	Allocation	Total
United Kingdom	0.18	-7.58	33.44	20.24	2.55	-0.79	1.76
Netherlands	10.48	2.03	6.12	2.76	0.55	0.08	0.64
Germany	5.74	-1.91	7.60	9.07	0.57	0.00	0.58
Spain	0.00	-16.16	0.00	3.42	0.00	0.56	0.56
Singapore	0.00	-17.71	0.00	1.38	0.00	0.26	0.26
Ireland	23.44	16.49	1.22	0.37	0.06	0.17	0.24
Sweden	-4.15	-5.02	1.39	2.97	0.04	0.06	0.10
Norway	0.00	-14.88	0.00	0.62	0.00	0.08	0.08
Hong Kong	19.05	-1.59	0.37	3.04	0.05	0.02	0.07
Australia	-62.66	-9.58	0.79	6.84	-0.41	0.45	0.04
New Zealand	0.00	-6.26	0.00	0.14	0.00	0.01	0.01
United States	0.00	-2.53	0.00	0.00	0.00	0.00	0.00
Portugal	0.00	0.87	0.00	0.15	0.00	0.00	0.00
Austria	0.00	3.46	0.00	0.19	0.00	-0.01	-0.01
Finland	0.00	2.02	0.00	0.86	0.00	-0.03	-0.03
Switzerland	-0.89	0.44	15.27	9.38	-0.18	0.12	-0.06
Israel	0.00	11.35	0.00	0.61	0.00	-0.06	-0.06
Belgium	2.42	12.10	0.94	1.33	-0.08	0.00	-0.08
Italy	-9.26	2.32	0.52	2.39	-0.05	-0.06	-0.11
China	-21.82	0.00	0.88	0.00	0.00	-0.20	-0.20
Japan	10.02	9.59	18.70	22.44	0.05	-0.32	-0.27
Denmark	0.00	23.43	0.00	1.69	0.00	-0.35	-0.35
Canada	-27.02	0.00	1.63	0.00	0.00	-0.49	-0.49
France	-6.74	-0.13	8.42	9.84	-0.48	-0.06	-0.54
Cash <sup>2</sup>	0.03	0.00	2.71	0.00	0.00	-0.21	-0.21
<b>Total</b>	<b>1.13</b>	<b>-0.81</b>	<b>100.00</b>	<b>100.00</b>	<b>2.68</b>	<b>-0.74</b>	<b>1.94</b>
Other <sup>2</sup>	0.04	0.00					0.04
<b>Total Returns</b>	<b>1.17</b>	<b>-0.81</b>					<b>1.98</b>

Source: Morgan Stanley Investment Management, FactSet

1. Portfolio weight is an average for the period from January 1, 2015 through December 31, 2015. 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, returns would be lower and results 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.
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# Portfolio Management Team

**William Lock**

Managing Director

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William is a portfolio manager and head of the London-based International Equity team. He joined Morgan Stanley in 1994 and has 24 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.

**Christian Derold**

Managing Director

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Christian is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2006 and has 24 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.

**Bruno Paulson**

Managing Director

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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 1<sup>st</sup> Class Honors from Keble College, Oxford.

Team members may change from time to time.

## Portfolio Management Team

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### Vladimir Demine, CFA

Executive Director

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Vladimir is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2009 and has 14 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.

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### Dirk Hoffmann-Becking

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Dirk is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2013 and has 18 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.

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### Nic Sochovsky

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Nic is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2015 and has 18 years of industry experience. Prior to joining the team, Nic worked for Credit Suisse within a top industry ranked consumer staples team covering Food manufacturing, HPC, beverages and tobacco. Before that he headed the consumer research team at Unicredit and was a senior analyst at Merrill Lynch and Lehman Brothers covering pan-European Food manufacturing and HPC. Nic received a B.A. in Economics from Sheffield University

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### Max Warburton

Executive Director

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Max is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in February 2016 and has 19 years of industry experience. Prior to joining the team, Max was a Senior Research Analyst at Sanford Bernstein covering the European and Asian Automotive Sectors from 2008. Before Bernstein, Max was Head of Global Automotive Research for UBS and a European Auto sector analyst for Goldman Sachs. Max holds a BA Hons in Geography with Economics from the University of Exeter and an M.Phil in Manufacturing Management from the University of Bath.

Team members may change from time to time.

# Portfolio Management Team

**Marcus Watson**

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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**

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Alex is a member of the London-based International Equity team and joined Morgan Stanley in 2012. He has 7 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.

**Richard Perrott, CFA**

Vice President

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Richard is a research analyst for the London-based International Equity team. He joined Morgan Stanley in 2015 and has 11 years of industry experience. Prior to joining the team, Richard was an equity research analyst at Autonomous Research covering specialty financials. Before that Richard covered financials at Berenberg Bank and financials and healthcare at Sanford Bernstein. Richard received an M.A in Mathematics and Philosophy from St Edmund Hall, Oxford.

Team members may change from time to time.

# Portfolio Specialist Team

**Catherine M. Colecchi**

Managing Director

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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 19 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

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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 33 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.

**Jill Ytuarte**

Executive Director

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Jill is a portfolio specialist for the London-based International Equity team and works with North America based clients. She joined Morgan Stanley Investment Management in 2004 and has 18 years of investment industry experience. Prior to joining the firm, Jill served as a management consultant at Kasina and before that was an assistant vice president of Institutional Marketing at AllianceBernstein. Jill received a B.A., magna cum laude, from Adelphi University Honors College, studied English Literature at St. Anne's College, Oxford University, and earned an M.B.A. from Columbia Business School.

**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 12 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. from the College of the Holy Cross.

Team members may change from time to time.