

Morgan Stanley

INVESTMENT MANAGEMENT

**International Equity Trust**

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

**May 18, 2017**



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INVESTMENT MANAGEMENT

SECTION 1

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# International Equity Investment Summary

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

## International Equity Trust

Data as of March 31, 2017

Original Investment (September 1, 1991)	\$2,767,286.72
+ Contributions	3,295,000.00
-Withdrawals	(15,131,563.00)
- Investment Management Fees	(2,311,839.94)
+ Interest Income	266,155.09
+ Dividend Income	6,782,283.87
+ Realized Gain/(Loss)	12,895,309.89
- Other Expenses	(12,670.51)
+/- Market Appreciation/(Depreciation)	4,956,489.81
Market Value	\$12,337,218.20 <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.

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INVESTMENT MANAGEMENT

SECTION 2

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## **Overview, Philosophy and Process**

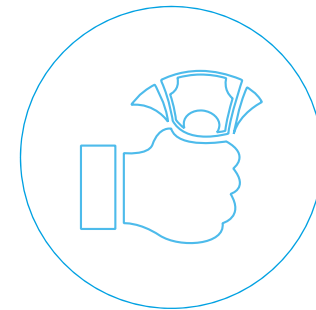
The information presented represents how the portfolio management team generally applies their investment processes under normal market conditions.

## International Equity Strategy

We seek to generate long-term outperformance by investing in a combination of high quality compounders and value opportunities, the mix of which adjusts over time based on price and prospects



Hold High Quality Compounders



Exploit Value Opportunities

Key is to avoid fading returns

# International Equity Strategy

## PHILOSOPHY:

**We look to generate superior long-term performance through bottom-up stock picking in two ways:**

- Hold high quality companies – “High Quality Compounders”
- Invest in companies with improving fundamentals, cyclical, or where stable fundamentals are not reflected in the price – “Value Opportunities”

**Price and prospects are critical:**

- Determine the appropriate margin of safety on a company by company basis
- Price and prospects drive the overall mix of High Quality Compounders and Value Opportunities over time

**We are genuine long-term investors – years not months**

**We are benchmark aware but not benchmark driven**

## OUR GOAL<sup>(1)</sup>:

**To outperform the MSCI EAFE Index over a full market cycle while providing:**

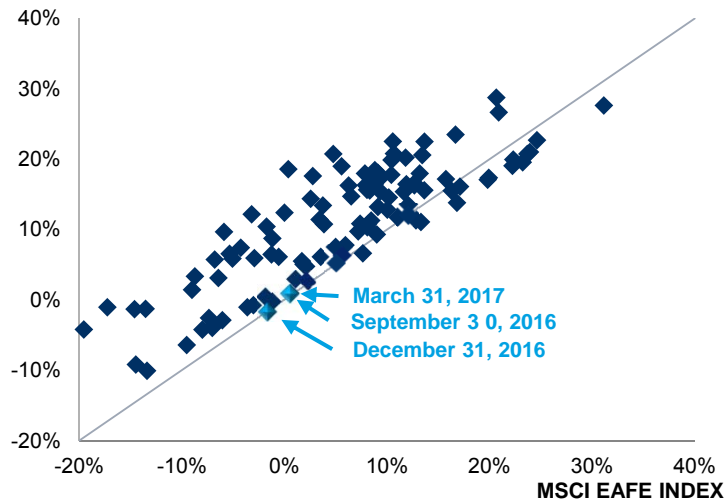
- Attractive absolute returns in rising markets
- A measure of downside protection in challenging markets
- Lower volatility of returns than the MSCI EAFE Index

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.

# International Equity Strategy

## The Overall Return Pattern of the Portfolio Reflects How We Invest

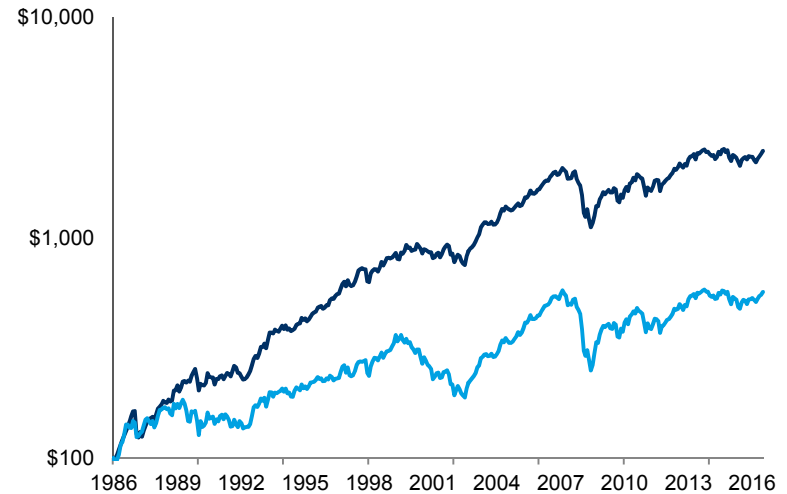
### An Asymmetric Profile - USD



- A measure of capital preservation in down markets
- Reasonable participation in strong up markets

### ... Underpins Long-Term Compounding

2x the compound rate has delivered 4x the value<sup>(1)</sup>



	Compound Rate <sup>(1)</sup>	Value Today of \$100 <sup>(1)</sup>
• Portfolio	11.1%	• Portfolio \$2,477
• EAFE	5.8%	• EAFE \$566

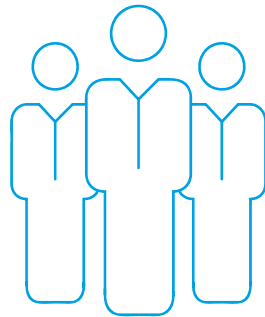
1. Data since inception date of September 30, 1986 through March 31, 2017

**Past performance should not be construed as a guarantee of future performance.** For each portfolio may differ due to specific investment restrictions and guidelines. Individual results will vary. Performance returns reflect the average annual rates of return. The Morgan Stanley International Equity Account 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.

## How We Are Different From Our Competitors

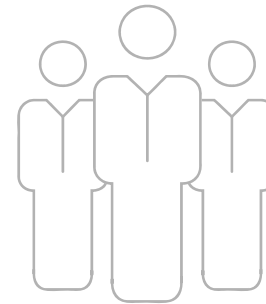
### International Equity

- ✓ Long-Term
- ✓ Absolute Risk
- ✓ Cash Based
- ✓ Returns Focused



### Peers

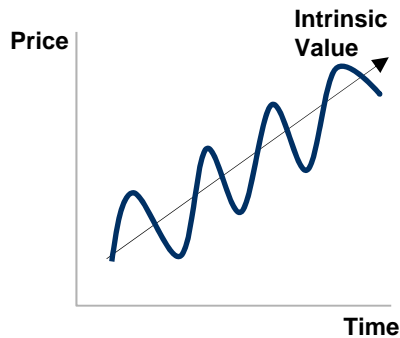
- ✓ Short-Term
- ✓ Relative Risk
- ✓ Earnings Based
- ✓ Growth Fixated



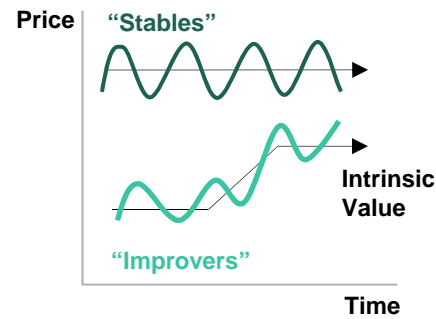
**Our genuine long-term view and focus on price & prospects give us the flexibility to exploit both high quality and value opportunities in a time proven process**

# How We Categorize Businesses

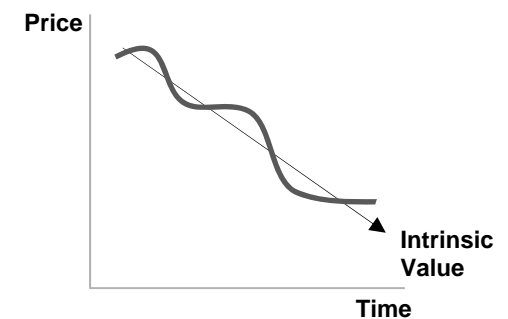
## High Quality Compounders



## Value Opportunities



## Value Traps



**QUALITY**

- Sustainable high returns on capital due to intangible assets
- Low volatility and cyclicality
- Management dedicated to preserving returns on capital

- Reasonable to improving returns on capital due to management actions or cyclical tailwinds
- Low probability of failure
- Management looking to improve returns on capital (if poor) and preserve returns on capital (if good)

- Deteriorating returns on capital
- Management unable / unwilling to improve returns on capital
- Company fails minimum quality threshold
  - High risk of failure / binary bets
  - No prospect of acceptable returns

**PRICE**

- Fair value or better

- Enough of a discount to intrinsic value to compensate for absolute risk

- Avoid at any price

**OUR OPPORTUNITY**

- Longer time horizon than the market

- Disagreement with the market on shape of cycle or size of restructuring opportunity
- Longer time horizon than market

- Not owning can be as important as owning

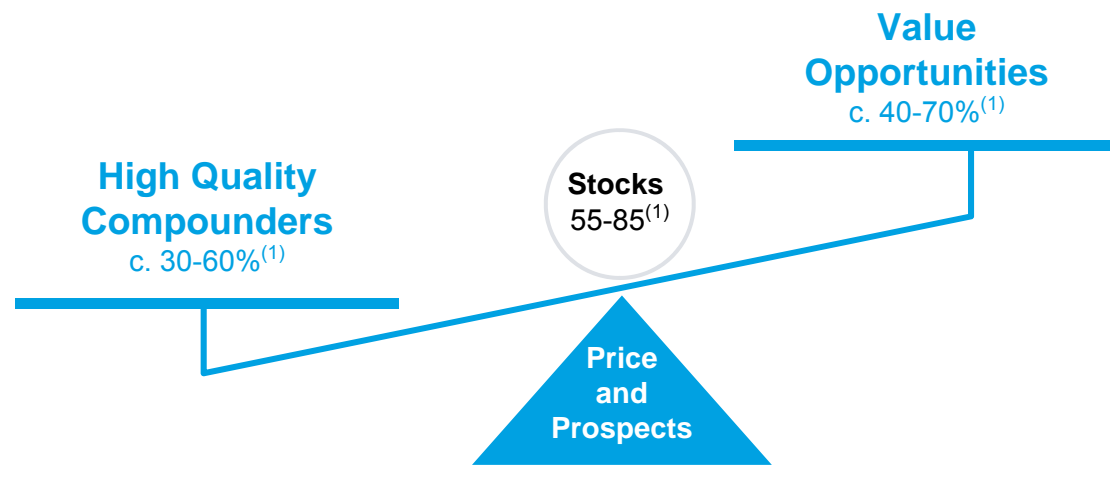
Source: MSIM.

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

## Portfolio Composition

### Price and Prospects Determine the Balance Between the Two Over Time

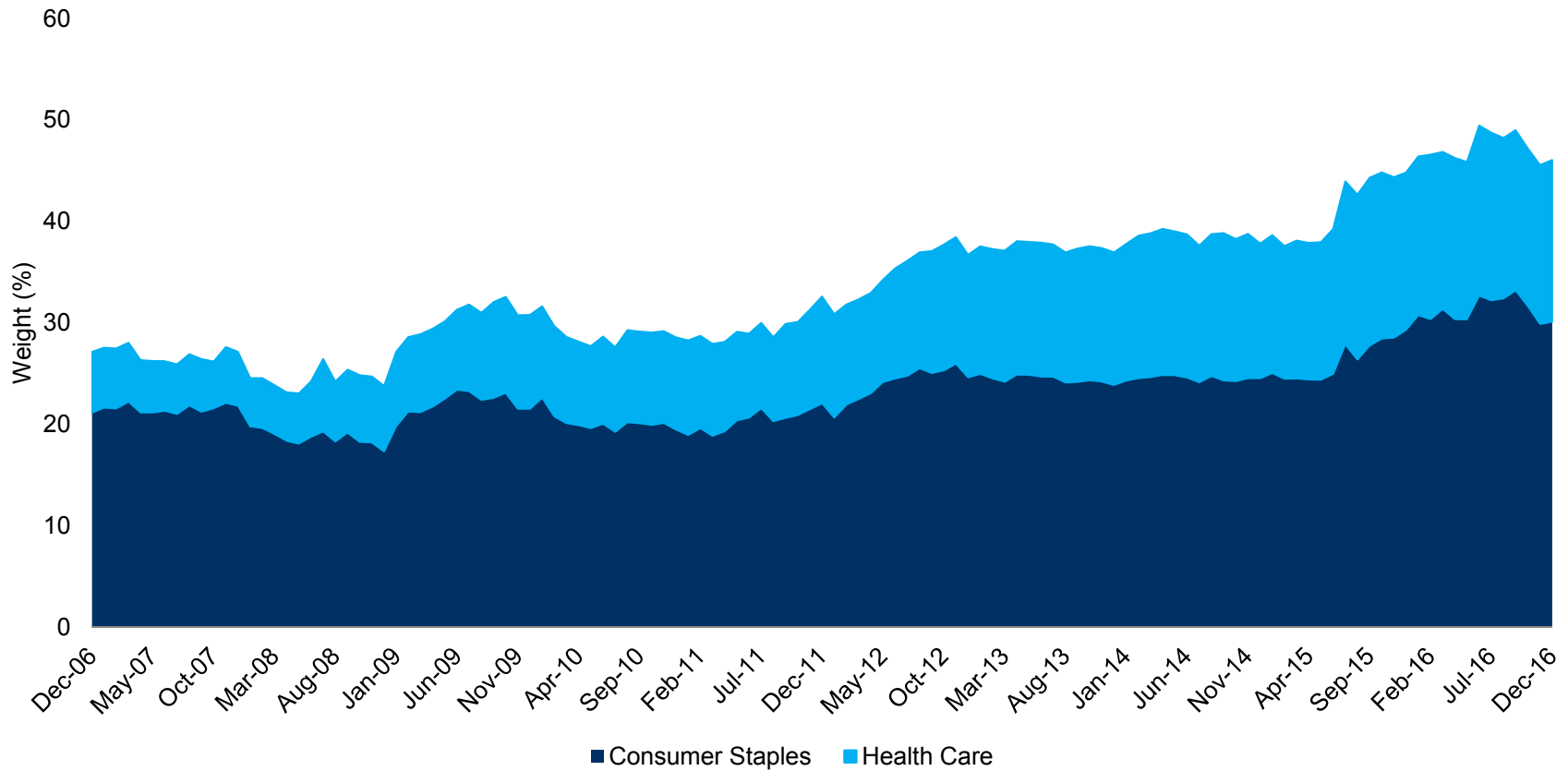
- Overall bias towards High Quality Compounders, providing price is reasonable
  - Typically asymmetric returns
  - Superior underlying long-term compounding
- Mix between High Quality Compounders and Value Opportunities is not a top-down allocation and will vary across the market cycle, but the portfolio will typically maintain an overweight to quality
- Currently at top end of High Quality Compounder weighting as Value Opportunities do not provide the greater margin of safety required given their prices and prospects



- Valuation of High Quality Compounders vs Value Opportunities
- Earnings prospects for more cyclical / lower quality industries

1. Typical ranges  
For illustrative purposes only.

# The Portfolio is Currently Particularly Defensively Positioned



Source: MSIM  
Data as of December 31, 2016

## As a Result, the Portfolio has a Substantial Quality Bias

- Quality bias mainly comes through holdings of High Quality Compounds but Value Opportunities are also higher quality than Index.
- Current heavy skew towards High Quality Compounds versus history:
  - Absolute valuation of High Quality Compounds reasonable at roughly intrinsic value
  - Low margin of safety a worry given valuations in lower quality areas for Value Opportunities
  - Given macro, tough to find improving businesses in lower quality sectors

	High Quality Compounds	Value Opportunities <sup>(1)</sup>	Total Portfolio <sup>(1)</sup>	MSCI EAFE Index <sup>(1)</sup>
<b>Portfolio Weight %</b>	58% (62%*)	26% (35%*) <sup>(2)</sup>	--	--
<b>ROOCE<sup>(3)</sup> %</b>	42%	16%	25%	13%
<b>Gross Margin %</b>	57%	24%	39%	26%
<b>Capex / Sales %</b>	5%	6%	6%	6%
<b>Net Debt / EBITDA</b>	1.38	1.11	1.26	2.09

Data as of March 31, 2017

1. Excluding Financials; the Portfolio Weight of Financials Value Opportunities is 9%.

2. Value Opportunities 26% excluding Financials; 35% including Financials (\*Some financials can appear in both High Quality Compounds and Value Opportunities (AIA, Prudential)

3. ROOCE is Earnings Before Interest and Taxes (EBIT)/ Property Plant and Equipment (PPE) + trade working capital ex Financials (excludes goodwill)

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

# Investment Process

## Bottom-up Stock Selection Based On Fundamental Research

### 1 SCREENING UNIVERSE ( ~ 1000 stocks)

#### Assessment of Starting Point and Liquidity (Free Float >\$2bn)

##### High Quality Compounders

- Have high returns been sustained?
- Is valuation fair value or better?

##### Value Opportunities

- Do price or price movements look interesting?
- Do returns look reasonable or unusually depressed?

### 2 KICKING THE TYRES ( ~ 300 - 400 stocks)

#### Assess Potential Stock Candidate – High Quality Compounder, Value Opportunity or Value Trap

- Will Returns on Operating Capital Employed (ROOCE)<sup>(1)</sup> improve, hold or fade?
- Are there attractive market shares and distinct competitive advantages?
- Is business subject to higher degree of cyclicality or capital intensity?
- Assess industry dynamics and company-level developments
- Assess financial strength
- How does management allocate capital?

#### Determine Intrinsic Value

- Focus on free cash flow (FCF)<sup>(2)</sup>, not accounting numbers
- Use FCF yield and other measures such as P/E, ROE, P/B and DCF, where relevant

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

1. ROOCE is Earnings Before Interest and Taxes (EBIT)/ Property Plant and Equipment (PPE) + trade working capital ex Financials (excludes goodwill)

2. Free cash flow = operating cash flow minus capital spending, working capital growth, interest and tax.

## Investment Process

### Continuous Re-evaluation and Maintenance Research

#### 3 PORTFOLIO CONSTRUCTION ( ~ 55-85 stocks)

##### Security Selection

- Does new idea offer better risk / reward trade-off?
- Stock weighting influenced by absolute level of risk and team's level of conviction
- No country or sector limits
- 5% max in any one security – Lower absolute risk means compounders tend to have higher position sizes

##### Sell Discipline

- No sale is automatic
- A stock is typically reduced or liquidated if it meets one or more of the following criteria:
  - Fair value target has been reached (Value Opportunities) or exceeded (High Quality Compounders)
  - Regulatory environment / industry deteriorate
  - Investment case has changed materially for the worse or been proven wrong
  - Another stock idea is more compelling

**Meet weekly to review portfolio and stock ideas**

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

# Risk Management

## Seek to Minimize Risk of Permanent Destruction of Capital

- We worry about absolute risk – permanent loss of capital – not relative risk
- We believe that cap-weighted benchmarks are inherently risky

### Risks We Worry About

#### Overpayment

#### Business risk

- What can go wrong?
- Have we got the competitive landscape right?
- Have we assessed capital intensity correctly?
- Are we right on the cycle?

#### Changing regulatory environment / industry dynamics / government threats

#### Financial risk

#### Management actions and motivations

#### Overall portfolio diversification

### Risks We Don't

#### Tracking error

#### Missing out on latest investment trend

#### Short term “noise”

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

# Currency Management

## Primarily Defensive, Using Short-Term Forward Contracts

- Bottom-up stock selection creates country weightings and currency exposure
- May hedge exposure to overvalued currencies to help protect value of portfolio, particularly where overweight currency relative to the benchmark
- Consider natural hedges as they apply to individual securities
- Valuation of currencies based on purchasing power parity, real interest rates, current account trends, etc.
- Maximum hedge and cross hedge is 25% of portfolio
- We currently have a 5% hedge of yen into the dollar<sup>(1)</sup>

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1. As of March 31, 2017. The information provided is for informational purposes only, and subject to change daily.

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INVESTMENT MANAGEMENT

SECTION 3

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**Team**

# International Equity Team

- Boutique within Morgan Stanley Investment Management
- Incentives aligned with those of our clients
- Access to and long-term relationships with company managements

## ASSETS UNDER MANAGEMENT<sup>(5)</sup>:

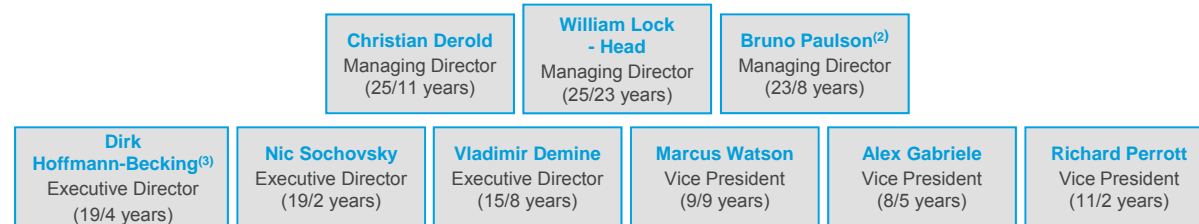
**International Equity**  
\$14.2 billion

**Global Franchise**  
\$14.8 billion

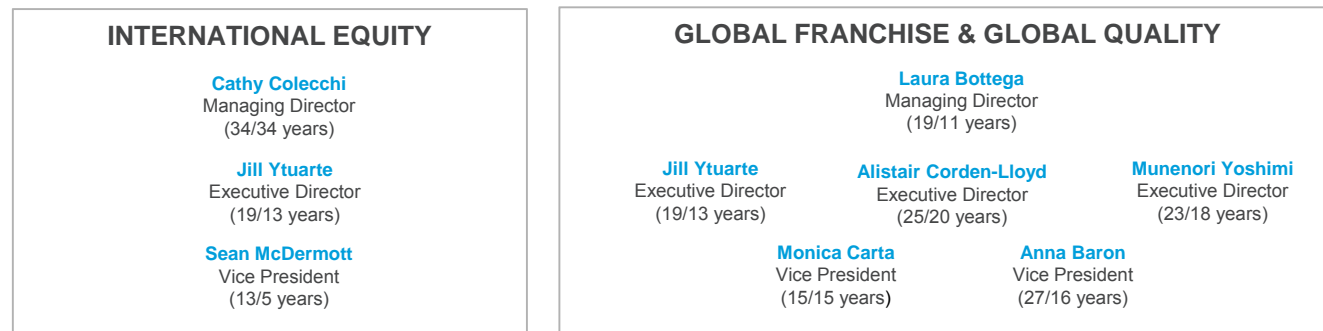
**Global Quality**  
\$7.6 billion

**Total: \$36.6 billion**

## PORTFOLIO MANAGEMENT TEAM<sup>(1)</sup>



## PORTFOLIO SPECIALIST TEAM<sup>(4)</sup>



1. Data as of March 31, 2017. Years of investment experience / years on International Equity Team.  
 2. Years of investment experience (7 years as a consultant, 16 years in financial services)/years on International Equity Team.  
 3. Years of investment experience (5 years as a consultant, 14 years in financial services)/years on International Equity Team.  
 4. As of March 31, 2017. Years of industry experience / years with the Firm.  
 5. AUM as March 31, 2017. Figures quoted in USD. 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

William Lock	Christian Derold	Bruno Paulson	Vladimir Demine	Dirk Hoffmann-Becking	Nic Sochovsky	Marcus Watson	Alex Gabriele	Richard Perrott
Consumer Staples	Industrials / Materials	Financials	Consumer Staples	Financials	Consumer Staples	Health Care	Media and Telecoms	Specialty Financials
Media and Telecoms	Autos	Technology	Retailing & Luxury	Building Materials	Energy	Other Discretionary	Technology	Technology
		Health Care		Travel & Leisure			Other Discretionary	Industrials

### External Resources

Valuation Screens  
 Sell-Side Analysts  
 Industry Consultants

### Internal Resources

Trading  
 Global Fixed Income  
 Morgan Stanley Offices

- Generalist stock pickers with sector responsibilities
- High degree of cross coverage and overlapping responsibility

The primary research responsibilities may change from time to time, without prior notice.

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INVESTMENT MANAGEMENT

SECTION 4

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# Performance

## City of Fort Pierce Retirement and Benefit System

### Annualized Returns – USD

#### FOR PERIODS ENDING MARCH 31, 2017

	YTD 4/30/2017 (%)	1Q (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEARS (%)	20 YEARS (%)	SINCE INCEPTION (%)
International Equity Trust (Gross)	11.86	8.63	10.09	0.97	6.23	2.79	7.77	9.77
International Equity Trust (Net)	11.61	8.45	9.32	0.28	5.52	2.11	7.05	8.99
MSCI EAFE Index	9.97	7.25	11.67	0.50	5.83	1.05	4.62	5.42
<b>Excess Gross Returns (bps)</b>	<b>189</b>	<b>138</b>	<b>-158</b>	<b>47</b>	<b>40</b>	<b>174</b>	<b>315</b>	<b>435</b>

#### FOR PERIODS ENDING DECEMBER 31, 2016

	4Q (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEARS (%)	20 YEARS (%)	SINCE INCEPTION (%)
International Equity Trust (Gross)	-2.11	-0.82	-1.63	6.94	2.41	7.57	9.51
International Equity Trust (Net)	-2.28	-1.51	-2.30	6.22	1.73	6.85	8.73
MSCI EAFE Index	-0.71	1.00	-1.60	6.53	0.75	4.17	5.18
<b>Excess Gross Returns (bps)</b>	<b>-140</b>	<b>-182</b>	<b>-3</b>	<b>41</b>	<b>166</b>	<b>340</b>	<b>433</b>

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

- Market Value as of March 31, 2017: \$12,337,218.20
- Inception Date: September 1, 1991

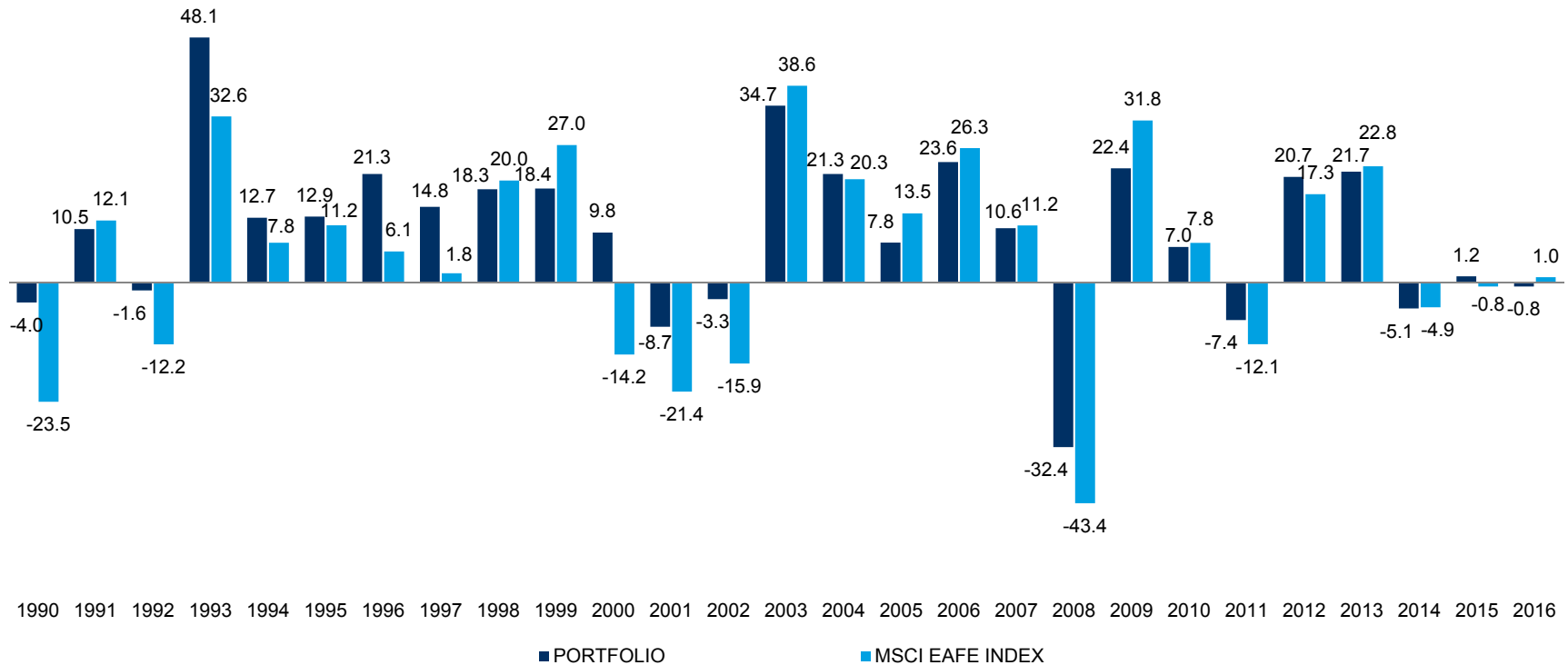
Source: Morgan Stanley Investment Management

**Past performance should not be construed as a guarantee of future performance.** Performance returns reflect the average annual rates of return. Returns less than one year are not annualized. The 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 Net 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.

# Calendar Year Performance Returns

The Inception Date of the International Equity Trust is September 30, 1986

Percent (%)



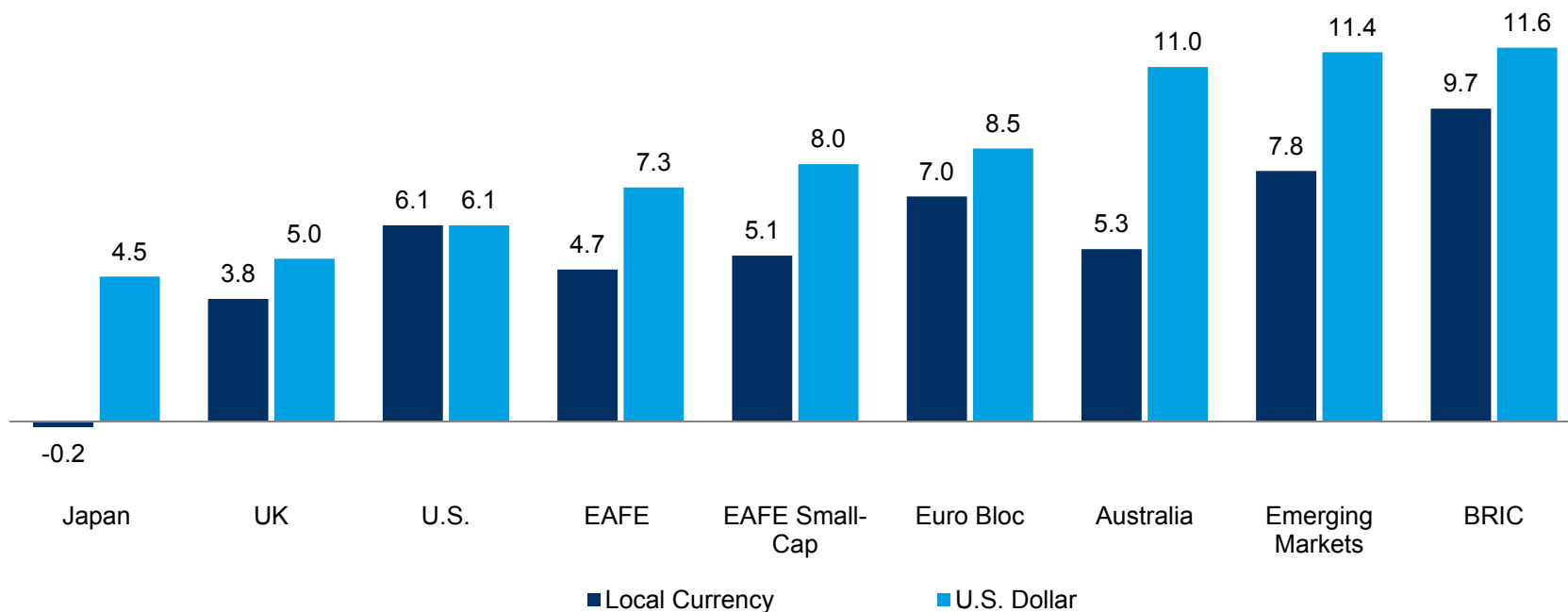
Source: Morgan Stanley Investment Management

**Past performance should not be construed as a guarantee of future performance.** Performance returns reflect the average annual rates of return. The 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.

# Index Regional Returns – 1Q 2017

## MSCI Official Indices

Percent (%)



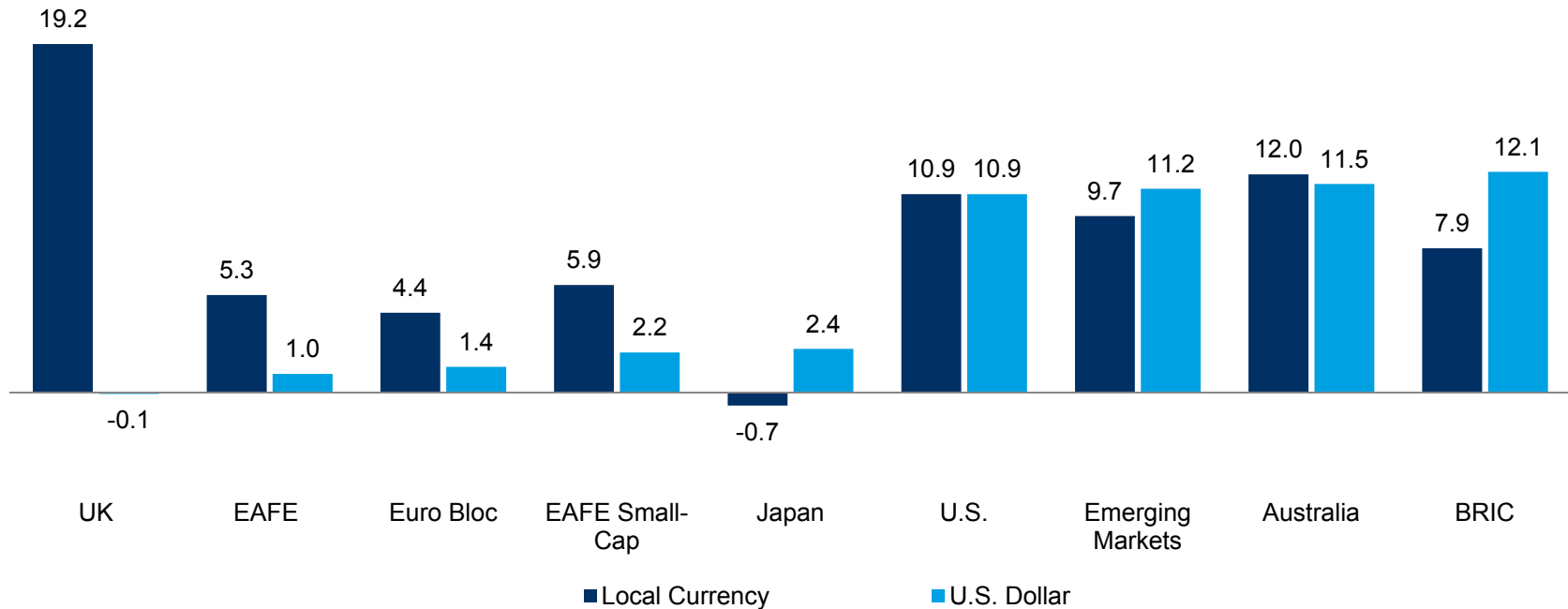
Source: FactSet

Data as of March 31, 2017. **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 – 2016

## MSCI Official Indices

Percent (%)



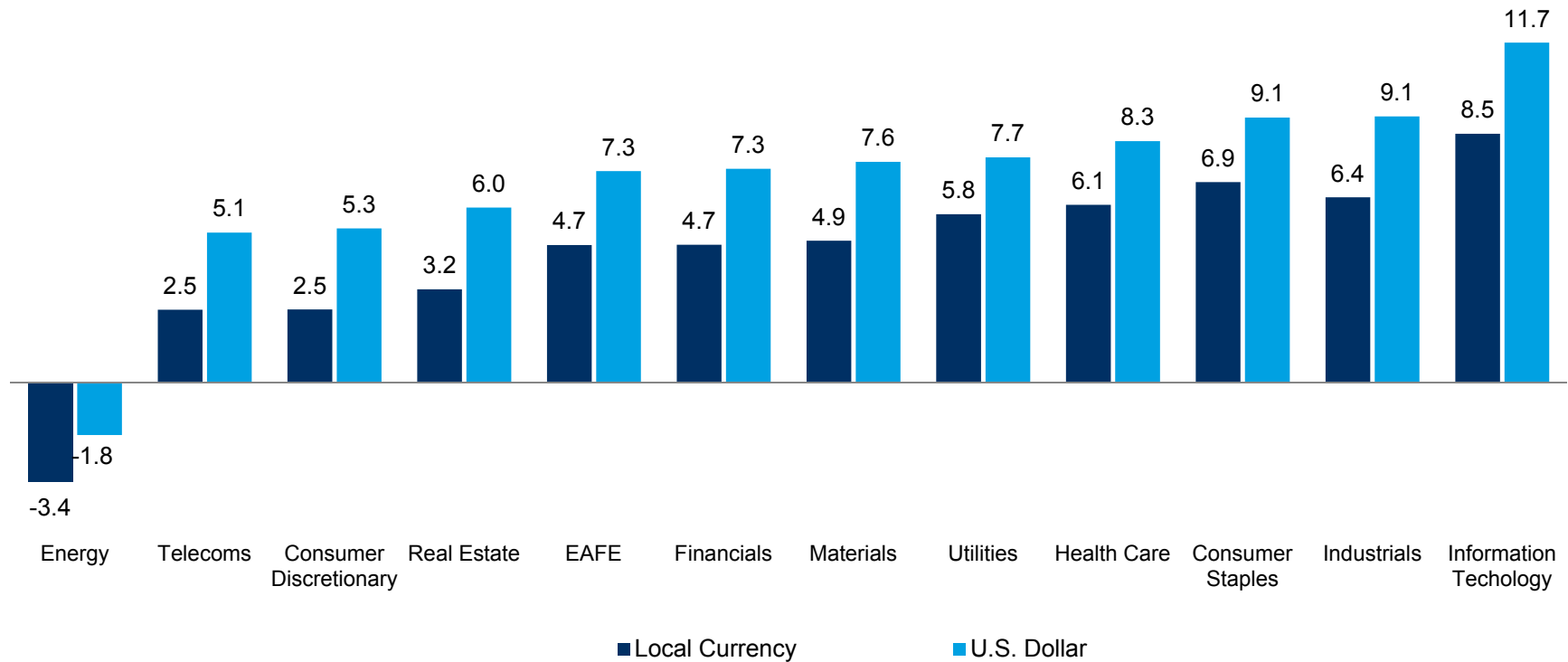
Source: FactSet

Data as of December 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 Sector Returns – 1Q 2017

## MSCI EAFE Official Index

Percent (%)



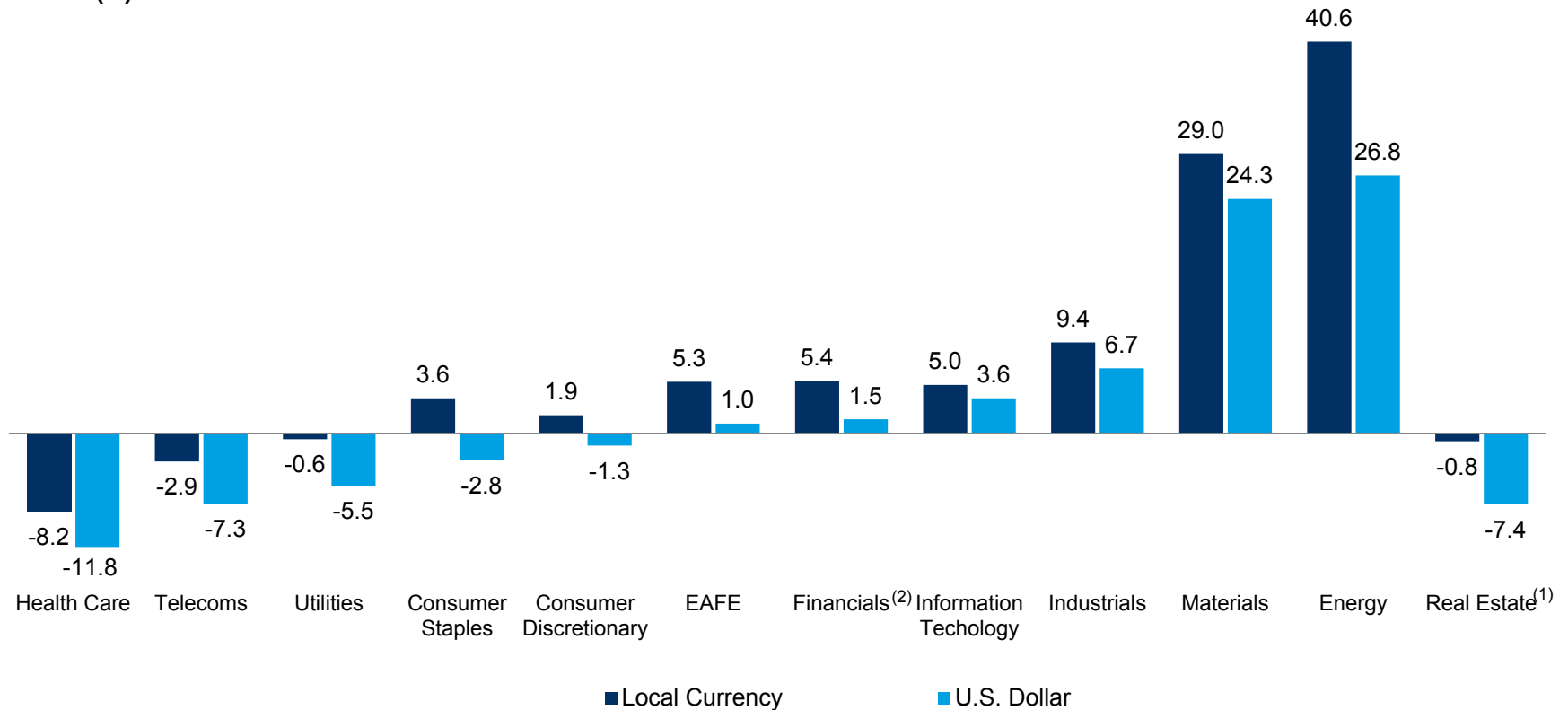
Source: MSCI

Data as of March 31, 2017. **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 Net Index is an unmanaged index and it is not possible to invest directly in an index.

# Index Sector Returns – 2016

## MSCI EAFE Official Index

Percent (%)



Source: Factset

1. MSCI moved Real Estate out of the MSCI Financials sector effective September 1, 2016 and promoted it to a standalone sector. Therefore, returns shown for Real Estate are for the period September 1, 2016 through December 31, 2016 only.

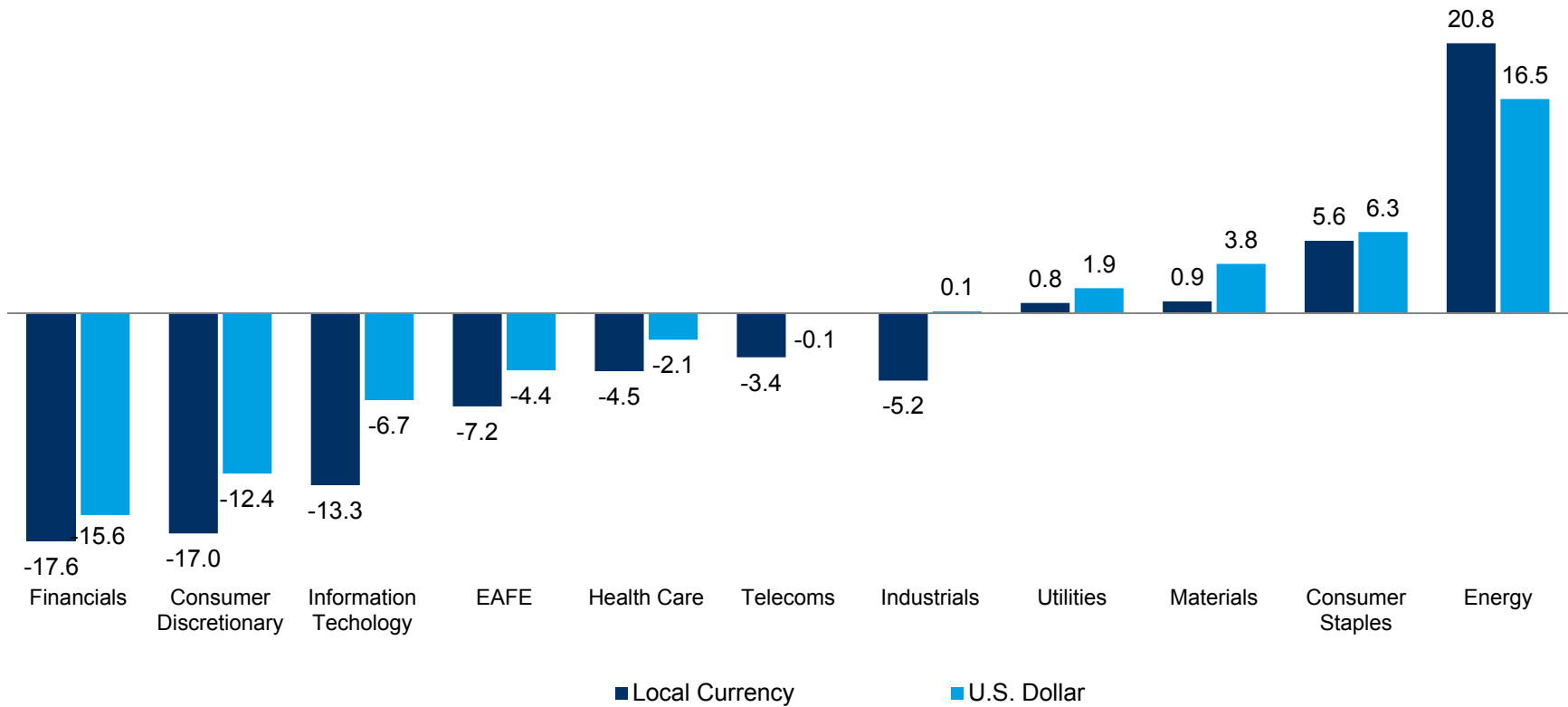
2. Returns shown for the Financials sector includes Real Estate from January 1, 2016 through August 31, 2016

Data as of December 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 Net Index is an unmanaged index and it is not possible to invest directly in an index.

# Index Sector Returns – 1H 2016<sup>(1)</sup>

## MSCI EAFE Official Index

Percent (%)



Source: Factset

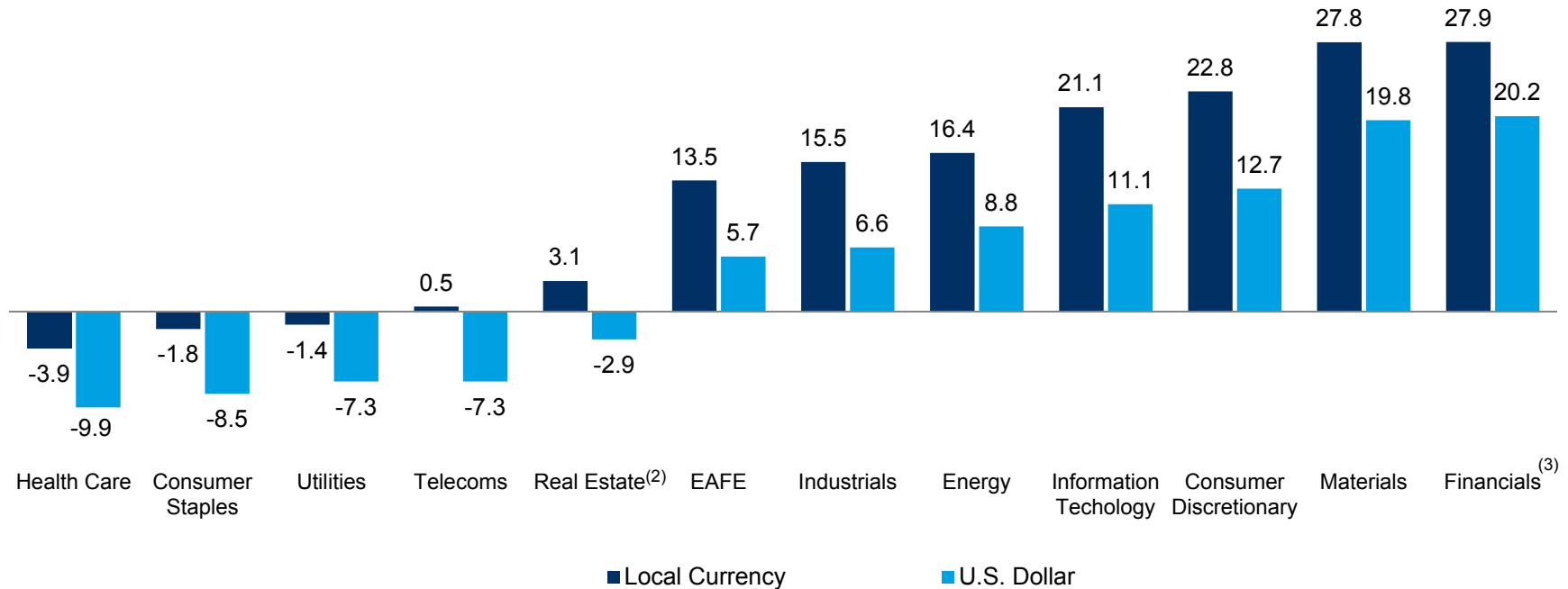
1. Data from January 1, 2016 to June 30, 2016

**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 Net Index is an unmanaged index and it is not possible to invest directly in an index.

# Index Sector Returns – 2H 2016<sup>(1)</sup>

## MSCI EAFE Official Index

Percent (%)



Source: Factset

1. Data from June 30, 2016 to December 31, 2016.

2. MSCI moved Real Estate out of the MSCI Financials sector effective September 1, 2016 and promoted it to a standalone sector. Therefore, returns shown for Real Estate are for the period September 1, 2016 though December 31, 2016 only.

3. Returns shown for the Financials sector includes Real Estate from January 1, 2016 through August 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 Net Index is an unmanaged index and it is not possible to invest directly in an index.

## Sector Attribution – 1Q 2017

### Top Five Relative Contributors<sup>(3)</sup>

Unilever	+57 bps
British American Tobacco	+41 bps
Barrick Gold	+24 bps
FANUC	+22 bps
Akzo Nobel	+22 bps

### Top Five Relative Detractors<sup>(3)</sup>

BT Group	-23 bps
Sumitomo Mitsui Financial	-10 bps
L'Oréal	-8 bps
Wolseley	-8 bps
Mitsubishi Estate	-7 bps

### Data as of March 31, 2017<sup>(1)</sup> - USD

	SECTOR PERFORMANCE		AVERAGE SECTOR WEIGHTING		PERFORMANCE ATTRIBUTION		
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	TOTAL (%)
Consumer Staples	10.81	9.09	30.63	11.19	0.52	0.33	0.85
Energy	4.47	-1.80	2.39	5.13	0.15	0.26	0.42
Health Care	10.09	8.28	16.01	10.67	0.28	0.05	0.33
Materials	11.41	7.57	7.39	8.07	0.29	0.00	0.29
Information Technology	13.84	11.66	7.65	5.59	0.17	0.09	0.26
Utilities	0.00	7.70	0.00	3.31	0.00	0.00	0.00
Consumer Discretionary	2.25	5.28	5.11	12.33	-0.15	0.14	0.00
Real Estate <sup>(4)</sup>	-8.31	6.00	0.61	3.73	-0.08	0.04	-0.04
Industrials	8.73	9.13	12.94	14.17	-0.07	-0.02	-0.09
Financials	6.44	7.33	12.48	21.34	-0.11	-0.02	-0.13
Telecoms	-6.55	5.14	2.12	4.47	-0.29	0.05	-0.24
Cash <sup>(2)</sup>	0.12	0.00	2.72	0.00	0.00	-0.20	-0.20
Hedging	0.12	0.00	-0.05	0.00	0.00	-0.22	-0.22
<b>Total</b>	<b>8.48</b>	<b>7.25</b>	<b>100.00</b>	<b>100.00</b>	<b>0.71</b>	<b>0.52</b>	<b>1.24</b>
Other <sup>(2)</sup>	0.15	0.00					0.15
<b>Total Returns</b>	<b>8.63</b>	<b>7.25</b>					<b>1.38</b>

Source: Morgan Stanley Investment Management and FactSet

- Portfolio and index weights are an average for the period from January 1, 2017 thru March 31, 2017. Index MSCI EAFE. Attribution total return may differ from reported total return due to differing methodologies. Total returns are calculated Gross of fees. 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. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services. Past performance is no guarantee of future results.
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- MSCI moved Real Estate out of the MSCI Financials sector effective September 1, 2016 and promoted to a standalone sector.

## Sector Attribution – 1H 2016

### Top Five Relative Contributors<sup>(3)</sup>

Barrick Gold	+170 bps
British American Tobacco	+88 bps
Reckitt Benckiser	+61 bps
Unilever	+54 bps
L'Oréal	+49 bps

### Top Five Relative Detractors<sup>(3)</sup>

Credit Suisse	-74 bps
NGK Spark Plug	-71 bps
Prudential	-45 bps
<i>Royal Dutch Shell</i>	-44 bps
Lloyds Banking Group	-35 bps

### Data as of June 30, 2016<sup>(1)</sup> - USD

	SECTOR PERFORMANCE		AVERAGE SECTOR WEIGHTING		PERFORMANCE ATTRIBUTION		
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	TOTAL (%)
Consumer Staples	9.25	6.25	30.66	12.62	0.96	1.93	2.89
Materials	30.82	3.80	6.59	6.63	1.46	0.02	1.48
Information Technology	-1.00	-6.72	6.05	5.23	0.41	-0.02	0.40
Consumer Discretionary	-13.28	-12.39	8.49	12.92	-0.17	0.37	0.20
Health Care	-1.35	-2.06	15.87	11.82	0.12	0.07	0.19
Industrials	2.97	0.13	7.78	13.13	0.28	-0.25	0.03
Utilities	0.00	1.92	0.00	3.86	0.00	-0.26	-0.26
Telecoms	-12.08	-0.09	3.12	5.12	-0.36	-0.09	-0.45
Financials	-23.67	-15.59	16.37	23.93	-1.52	0.97	-0.55
Energy	1.47	16.52	2.51	4.73	-0.48	-0.47	-0.95
Cash <sup>(2)</sup>	0.81	0.00	2.63	0.00	0.00	0.18	0.18
Hedging	-7.86	0.00	-0.07	0.00	0.00	-1.03	-1.03
<b>Total</b>	<b>-2.29</b>	<b>-4.42</b>	<b>100.00</b>	<b>100.00</b>	<b>0.71</b>	<b>1.42</b>	<b>2.13</b>
Other <sup>(2)</sup>	0.92	0.00					0.92
<b>Total Returns</b>	<b>-1.37</b>	<b>-4.42</b>					<b>3.05</b>

Source: Morgan Stanley Investment Management, MSCI and FactSet

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## Sector Attribution –2H 2016

### Top Five Relative Contributors<sup>(3)</sup>

ARM Holdings	+61 bps
NGK Spark Plug	+43 bps
Sompo Holdings	+36 bps
Prudential	+32 bps
<i>Novo Nordisk</i>	+30 bps

### Top Five Relative Detractors<sup>(3)</sup>

Reckitt Benckiser	-86 bps
Unilever	-66 bps
British American Tobacco	-63 bps
Imperial Brands	-62 bps
Barrick Gold	-61 bps

### Data as of December 31, 2016<sup>(1)</sup> - USD

	SECTOR PERFORMANCE		AVERAGE SECTOR WEIGHTING		PERFORMANCE ATTRIBUTION		
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	TOTAL (%)
Information Technology	23.64	11.08	7.11	5.51	0.78	0.06	0.84
Utilities	0.00	-7.27	0.00	3.62	0.00	0.47	0.47
Real Estate <sup>(4)</sup>	6.13	-7.10	0.41	2.54	0.08	0.23	0.31
Telecoms	-12.46	-7.25	2.57	4.77	-0.16	0.29	0.13
Energy	14.50	8.80	2.31	5.01	0.09	-0.09	0.01
Health Care	-6.93	-9.94	16.05	11.36	0.51	-0.74	-0.23
Consumer Discretionary	13.07	12.69	5.68	12.40	0.02	-0.36	-0.34
Industrials	2.58	6.59	12.47	13.96	-0.44	-0.03	-0.47
Materials	3.99	19.77	7.87	7.49	-1.15	0.10	-1.04
Financials <sup>(5)</sup>	20.25	20.07	10.81	21.12	0.02	-1.42	-1.40
Consumer Staples	-9.65	-8.53	31.79	12.22	-0.41	-2.89	-3.30
Cash <sup>(2)</sup>	-3.20	0.00	2.88	0.00	0.00	-0.21	-0.21
Hedging	6.45	0.00	0.04	0.00	0.00	0.77	0.77
<b>Total</b>	<b>1.23</b>	<b>5.67</b>	<b>100.00</b>	<b>100.00</b>	<b>-0.65</b>	<b>-3.80</b>	<b>-4.45</b>
Other <sup>(2)</sup>	-0.67	0.00					-0.67
<b>Total Returns</b>	<b>0.56</b>	<b>5.67</b>					<b>-5.11</b>

Source: Morgan Stanley Investment Management, MSCI and FactSet

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- Performance shown for the Financials sector includes Real Estate from January 1, 2016 through August 31, 2016.

## Sector Attribution – 2016

### Top Five Relative Contributors<sup>(3)</sup>

Barrick Gold	+111 bps
ARM Holdings	+68 bps
<i>Novo Nordisk</i>	+33 bps
CRH	+30 bps
Keyence	+27 bps

### Top Five Relative Detractors<sup>(3)</sup>

Credit Suisse	-80 bps
BT Group	-54 bps
<i>Royal Dutch Shell</i>	-47 bps
Lloyds Banking Group	-46 bps
Imperial Brands	-38 bps

### Data as of December 31, 2016<sup>(1)</sup> - USD

	SECTOR PERFORMANCE		AVERAGE SECTOR WEIGHTING		PERFORMANCE ATTRIBUTION		
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	TOTAL (%)
Information Technology	22.41	3.62	6.58	5.37	1.21	0.05	1.27
Materials	36.04	24.32	7.23	7.06	0.34	0.14	0.48
Real Estate <sup>(4)</sup>	6.13	-7.10	0.21	1.28	0.08	0.23	0.31
Utilities	0.00	-5.49	0.00	3.74	0.00	0.22	0.22
Health Care	-8.18	-11.80	15.96	11.59	0.65	-0.66	-0.01
Consumer Discretionary	-1.94	-1.27	7.08	12.66	-0.14	0.02	-0.12
Telecoms	-23.04	-7.33	2.84	4.95	-0.52	0.20	-0.31
Consumer Staples	-1.29	-2.81	31.23	12.42	0.57	-0.93	-0.36
Industrials	5.63	6.73	10.14	13.54	-0.15	-0.28	-0.42
Energy	16.18	26.78	2.41	4.87	-0.38	-0.55	-0.93
Financials <sup>(5)</sup>	-8.22	1.36	13.58	22.52	-1.51	-0.43	-1.94
Cash <sup>(2)</sup>	0.27	0.00	2.75	0.00	0.00	-0.01	-0.01
Hedging	0.27	0.00	-0.01	0.00	0.00	-0.26	-0.26
<b>Total</b>	<b>-1.10</b>	<b>1.00</b>	<b>100.00</b>	<b>100.00</b>	<b>0.15</b>	<b>-2.25</b>	<b>-2.10</b>
Other <sup>(2)</sup>	0.28	0.00					0.28
<b>Total Returns</b>	<b>-0.82</b>	<b>1.00</b>					<b>-1.82</b>

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- Performance shown for the Financials sector includes Real Estate from January 1, 2016 through August 31, 2016.

## Long-Term Sector Attribution

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

### Cumulative Returns for January 1, 1999 – December 31, 2016<sup>(1)</sup>

	SECTOR PERFORMANCE		AVERAGE SECTOR WEIGHTINGS		PERFORMANCE ATTRIBUTION		
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	TOTAL (%)
Consumer Staples	530.6	205.0	21.0	9.3	30.2	12.1	42.2
Information Technology	307.3	12.5	5.8	6.1	18.6	0.6	19.2
Financials <sup>(4)</sup>	55.1	28.3	16.3	25.4	13.5	3.2	16.7
Materials	435.3	227.0	8.3	7.8	8.6	6.0	14.6
Health Care	299.2	136.9	9.6	9.1	11.5	2.5	14.0
Consumer Discretionary	182.0	100.3	8.8	12.1	8.8	2.4	11.2
Industrials	183.6	155.4	8.4	11.2	7.3	1.2	8.5
Telecoms	56.6	31.0	7.1	6.9	4.9	0.2	5.1
Utilities	127.7	63.2	4.0	4.8	1.4	3.4	4.8
Energy	125.6	138.1	7.5	7.4	1.9	1.0	2.9
Real Estate <sup>(3)</sup>	0.0	-5.2	0.0	0.0	0.0	0.7	0.7
Cash <sup>(2)</sup>	19.7	0.0	3.3	0.0	0.0	-3.9	-3.9
Hedging	-4.3	0.0	-0.0	0.0	0.0	0.5	0.5
<b>Total</b>	<b>220.3</b>	<b>83.7</b>	<b>100.0</b>	<b>100.0</b>	<b>106.6</b>	<b>30.0</b>	<b>136.6</b>
Other <sup>(2)</sup>	-3.3	1.7					-5.0
<b>Total Returns</b>	<b>217.0</b>	<b>85.4</b>					<b>131.6</b>

Source: Morgan Stanley Investment Management and FactSet

- Portfolio weight is an average for the period January 1, 1999 through December 31, 2016. Index MSCI EAFE 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.
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Morgan Stanley

INVESTMENT MANAGEMENT

SECTION 5

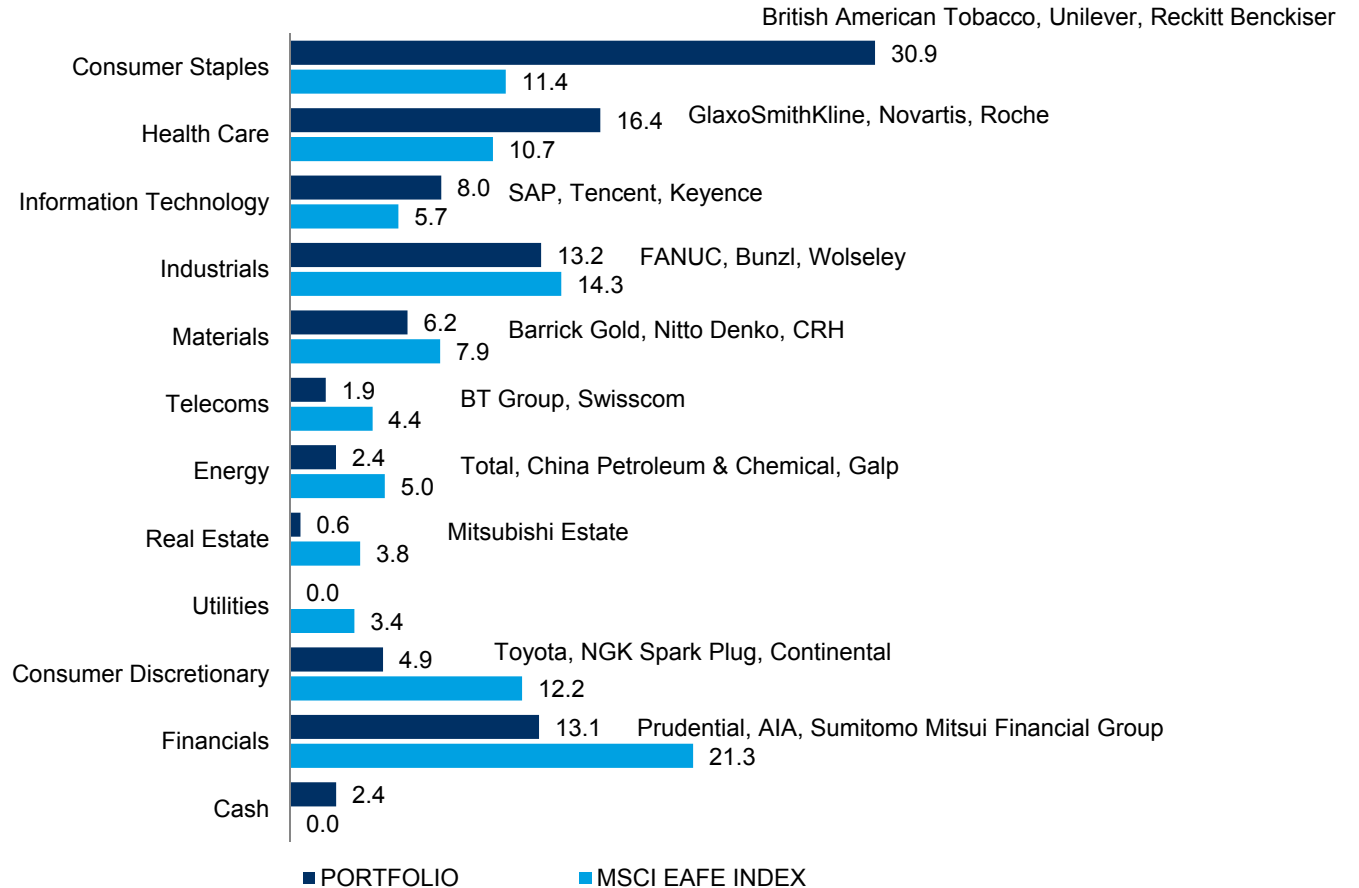
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## **Current Portfolio**

# Sector Weightings

- Sector weights result from bottom-up stock selection process
- Overweight defensive sectors (51.6% vs. 29.8%)
- Underweight cyclical sectors (48.4% vs. 70.2%)

Data as of March 31, 2017



Source: Morgan Stanley Investment Management

Data as of March 31, 2017. 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 and Real Estate Underweight Dissected

- Remain heavily underweight 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 INDEX	PORTFOLIO
Banks	12.6	3.2
Capital Markets	2.4	0.8
Diversified	0.8	0.0
Insurance	5.5	9.1
Financials	21.3	13.1

REAL ESTATE WEIGHTING	MSCI EAFE INDEX	PORTFOLIO
Real Estate	3.8	0.6

BANKS WEIGHTING	MSCI EAFE INDEX	PORTFOLIO	MAIN HOLDINGS
Japan	1.9	1.5	SMFG, Sumitomo Mitsui Trust Holdings
Australia	2.7	0.0	
U.K.	2.3	0.0	
Spain	1.4	0.0	
France	1.0	0.0	
Italy	0.5	0.0	
Other	2.8	1.7	Nordea (Sweden), Bank of Ireland (Ireland)

INSURANCE WEIGHTING	MSCI EAFE INDEX	PORTFOLIO	MAIN HOLDINGS
U.K.	1.1	4.3	Prudential, Aviva Admiral
Japan	0.7	1.6	Sompo Holdings, MS&AD Insurance
France	0.5	1.1	AXA
Switzerland	0.7	0.6	Zurich Insurance
Germany	1.0	0.0	
Australia	0.3	0.0	
Other	1.2	1.5	AIA (Hong Kong)

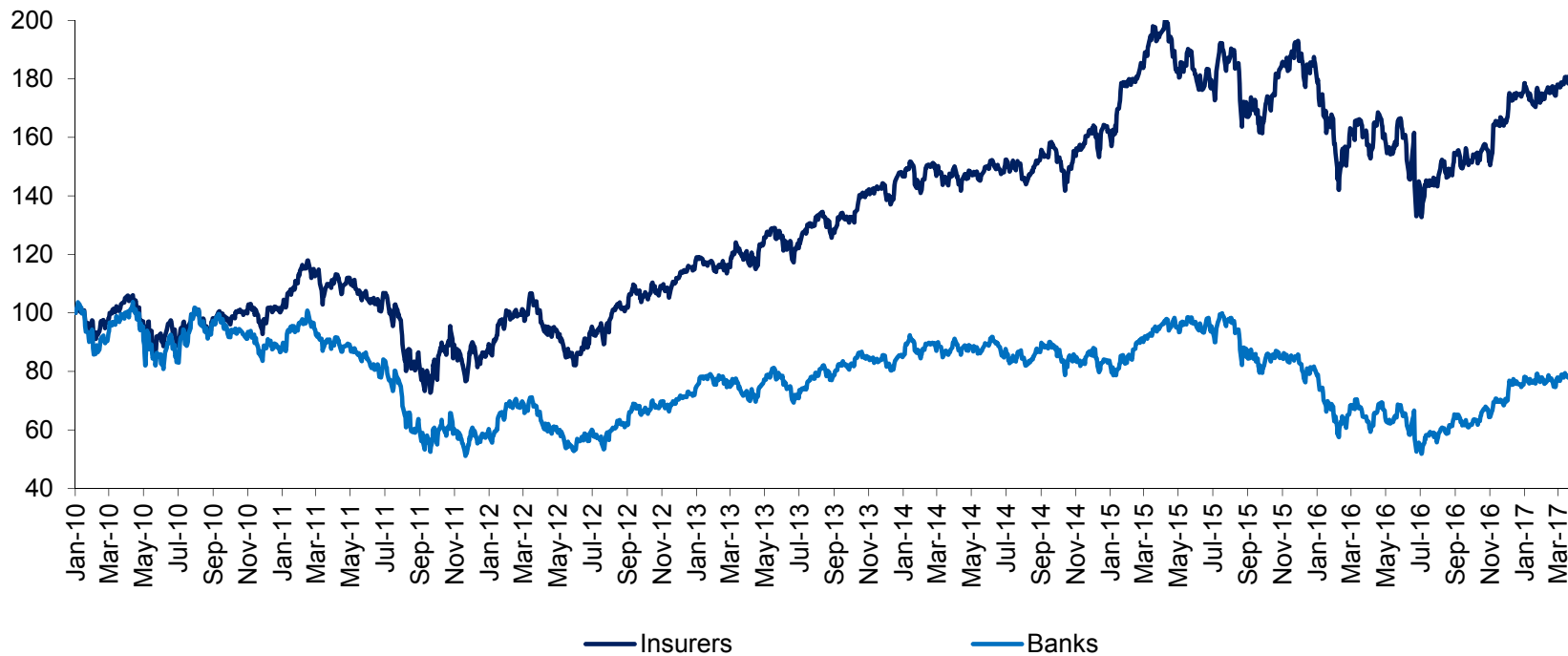
REAL ESTATE WEIGHTING	MSCI EAFE INDEX	PORTFOLIO	MAIN HOLDINGS
Japan	1.0	0.6	Mitsubishi Estate
Hong Kong	1.0	0.0	
Australia	0.7	0.0	
France	0.3	0.0	
U.K.	0.2	0.0	
Other	0.5	0.0	

Source: MSCI and FactSet

Data as of March 31, 2017. 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. 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.

# European Insurers vs. Banks

Percent (%)



Source: Bloomberg  
 STOXX600 European Banks (SX7P)  
 STOXX600 European Insurance (SXIP)  
 Data of March 31, 2017. 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

- Wary of industrial metals due to 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 INDEX (%)	PORTFOLIO (%)	HOLDINGS
Chemicals	4.0	2.0	Nitto Denko, BASF
Construction Materials	0.7	1.4	CRH, LafargeHolcim
Metals and Mining	2.9	2.8	Barrick Gold, Turquoise Hill Resources
Paper and Forest Products	0.2	0.0	
Containers and Packaging	0.1	0.0	
	<b>7.9</b>	<b>6.2</b>	

Source: MSCI and FactSet

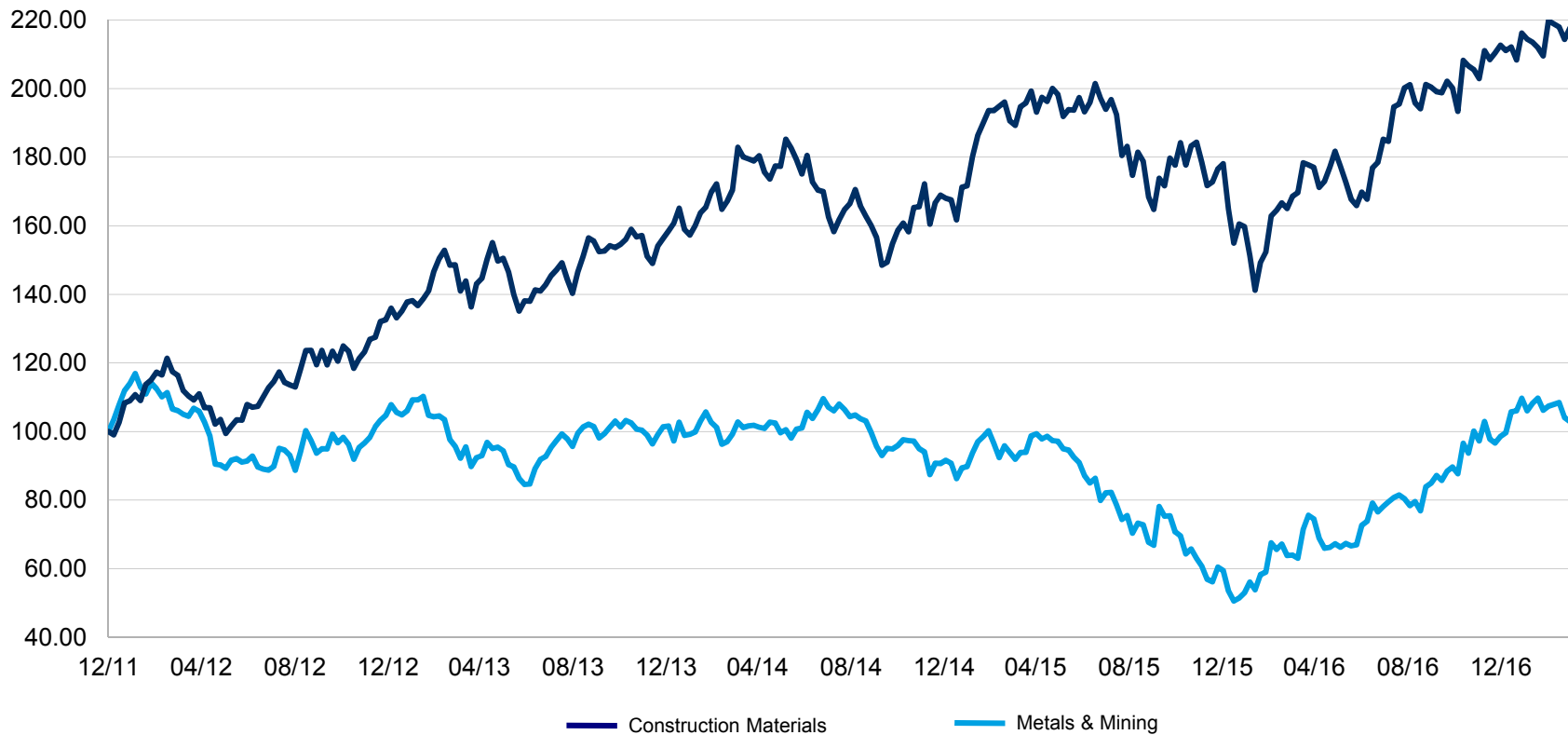
Data as of March 31, 2017. Subject to change daily. Up to three largest holdings, when available, are stated for each sector.

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# Metals and Mining vs. Building Materials

## MSCI Industry Time Series Performance (Indexed)

EAFE: Net Official Index (Local) – Weekly



Source: MSCI, FactSet  
 Data as of March 31, 2017. **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

- Underweight heavy capital goods with preference for distributors

INDUSTRY SUB GROUP	MSCI EAFE INDEX (%)	PORTFOLIO (%)	HOLDINGS
Capital Goods	10.1	8.7	FANUC, Bunzl, Wolseley, Safran, Meggitt, Komatsu, Travis Perkins
Commercial and Professional Services	1.6	4.6	RELX <sup>(1)</sup> , Experian
Transportation	2.6	0.0	
	<b>14.3</b>	<b>13.3</b>	

Source: MSCI and FactSet

Data as of March 31, 2017. Subject to change daily. Up to six 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. This holding is split between U.K. (1.52%) and Netherlands (1.66%) listings.

## Energy Dissected

INDUSTRY SUB GROUP	MSCI EAFE INDEX (%)	PORTFOLIO (%)	HOLDINGS
Diversified "Super-Majors" <sup>(1)</sup>	3.4	1.1	Total
Other Oil, Gas and Consumable Fuels <sup>(2)</sup>	1.5	1.3	China Petroleum & Chemical, Galp
Energy Equipment and Services	0.1	0.0	
	<b>5.0</b>	<b>2.4</b>	

Source: MSCI and FactSet

Data as of March 31, 2017. 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.

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

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

## Consumer Discretionary Dissected

INDUSTRY SUB GROUP	MSCI EAFE INDEX (%)	PORTFOLIO (%)	HOLDINGS
Automobiles and Components	4.9	3.5	Toyota, NGK Spark Plug, Continental
Media	1.3	0.9	Publicis
Consumer Durables and Apparel	3.2	0.0	
Retailing	1.4	0.5	USS
Consumer Services	1.4	0.0	
	<b>12.2</b>	<b>4.9</b>	

Source: MSCI and FactSet

Data as of March 31, 2017. 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.

## Country Weightings

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

REGION	PORTFOLIO (%)	MSCI EAFE INDEX (%)	CURRENCY HEDGE <sup>(1)</sup> (%)
<b>EUROPE NON-EURO</b>	<b>40.8</b>	<b>31.7</b>	
United Kingdom	28.5	17.9	
Switzerland	11.2	8.7	
Sweden	1.1	2.9	
Denmark	0.0	1.6	
Norway	0.0	0.6	
<b>EUROPE EURO</b>	<b>31.9</b>	<b>31.6</b>	
France	14.1	10.2	
Netherlands	8.5	3.5	
Germany	7.3	9.5	
Ireland	1.3	0.5	
Portugal	0.6	0.2	
Spain	0.0	3.4	
Italy	0.0	2.2	
Belgium	0.0	1.2	
Finland	0.0	1.0	
Austria	0.0	0.2	
<b>FAR EAST</b>	<b>22.1</b>	<b>28.2</b>	
Japan	15.7	23.4	-5.0
China	3.1	0.0	
South Korea	1.7	0.0	
Hong Kong	1.5	3.5	
Singapore	0.0	1.3	
<b>NORTH AMERICA</b>	<b>2.8</b>	<b>0.0</b>	
Canada	2.8	0.0	
United States	0.0	0.0	5.1
<b>AUSTRALASIA / OCEANIA</b>	<b>0.0</b>	<b>7.8</b>	
Australia	0.0	7.6	
New Zealand	0.0	0.2	
<b>MIDDLE EAST</b>	<b>0.0</b>	<b>0.7</b>	
Israel	0.0	0.7	
<b>CASH</b>	<b>2.4</b>	<b>0.0</b>	

Source: Morgan Stanley Investment Management, MSCI and FactSet. Subject to change daily.

Data as of March 31, 2017. 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.

1. Yen hedged to USD.

# Indirect Exposure to the Right Kind of Emerging Market Growth<sup>(1)</sup>

## Focus on Revenue Exposure not Listed Exposure

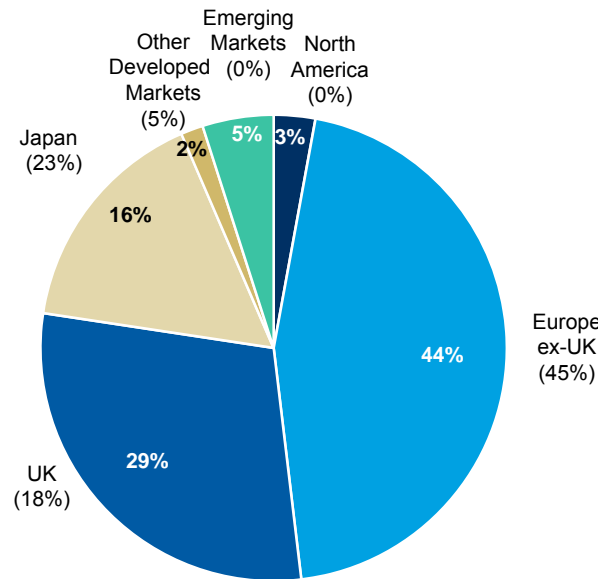
- Where a company does business is more important than where it is listed
- Country weights are a residual of our bottom up stock selection

### Selected Company EM Exposure<sup>(3)</sup>

Turquoise Hill	97%
Tencent	94%
LG Household	94%
China Petroleum	84%
NCSOFT Corporation	77%

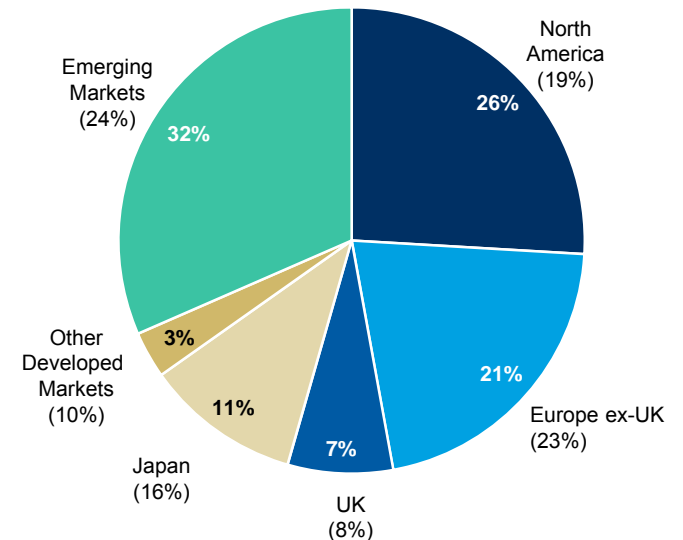
### Regional Breakdown: Listed Exposure

International Equity Trust  
(Index weight)<sup>(4)</sup>



### Revenue Exposure<sup>(2)</sup>

International Equity Trust  
(Index weight)<sup>(4)</sup>



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

1. Data as of March 31, 2017. Updated quarterly. This 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 are weightings are subject to change. Each portfolio may differ due to specific investment restrictions and guidelines.
2. Weighted Regional Exposure - Percentage of Company Sales. Excludes cash and re balanced to 100%.
3. Data as of March 31, 2017. Securities shown are for illustrative purposes only and the percentages represent the weighted average based on revenues from emerging market sales over 40%. 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.
4. Data shown is the MSCI EAFE Index.

## Top Ten Holdings

SECURITY	INDUSTRY	COUNTRY	(%)
British American Tobacco	Tobacco	United Kingdom	5.0
Unilever	Personal Products	Netherlands	4.8
Reckitt Benckiser	Household Products	United Kingdom	4.6
L'Oréal	Personal Products	France	4.1
GlaxoSmithKline	Pharmaceuticals	United Kingdom	4.1
Novartis	Pharmaceuticals	Switzerland	3.7
Pernod Ricard	Beverages	France	3.3
RELX <sup>(1)</sup>	Commercial & Professional Services	UK and Netherlands	3.2
Roche	Pharmaceuticals	Switzerland	3.1
Bayer	Pharmaceuticals	Germany	2.9
<b>Total</b>			<b>38.8</b>

Source: Morgan Stanley Investment Management.

Data as of March 31, 2017. 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.

1. This holding is split between U.K. (1.52%) and Netherlands (1.66%) listings.

## Significant Movements in the Portfolio – 1Q 2017

### Portfolio Turnover

1Q 2017: 9.09%

### Major Transactions: January 1, 2017 – March 31, 2017<sup>(1)</sup>

INITIAL PURCHASES	ADDITIONS	REDUCTIONS	FINAL SALES
Heineken	Tencent	Imperial Brands	Akzo Nobel
MAN Group	Shiseido	Unilever <sup>(2)</sup>	Inpex
NCSOFT	Total	Hitachi	Sumco
	Novartis	Nestlé	
	Unilever <sup>(2)</sup>	AAC Technologies	
	Pernod Ricard	Keyence	
	Sumitomo Mitsui Financial Group	NGK Spark Plug	
	Komatsu	Safran	
	AXA	BASF	
	Galp	Swisscom	

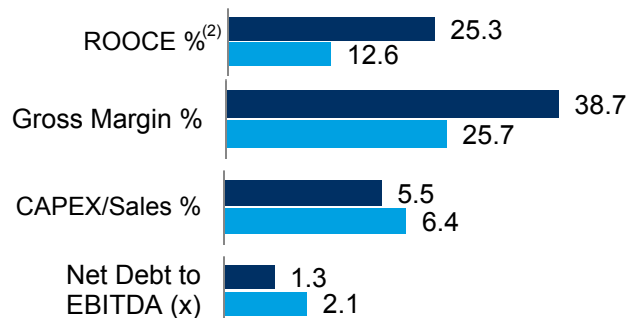
Source: Morgan Stanley Investment Management

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.
2. Reduction in February forced given position size over 5% post Kraft Heinz bid. Addition was in January

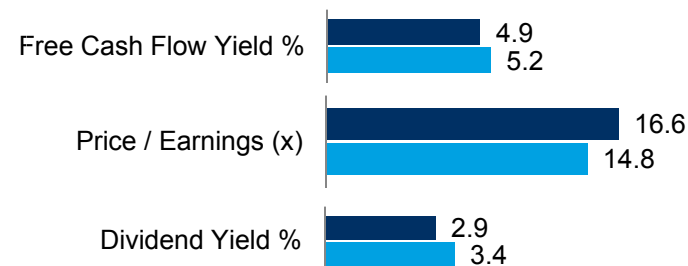
## Portfolio Characteristics<sup>(1)</sup>

- Portfolio's premium on Forward Earnings vs market is likely to be lower than shown, as market's forward earnings estimates are unreliable, often overstated.
- Market has higher gap between reported (GAAP/IFRS) and adjusted or "greed" earnings than the portfolio.
- High quality companies are better at converting earnings to cash. Free Cash Flow is a better indicator of valuation.

### Quality Ratios – Historical <sup>(3) (4)</sup>



### Valuation Ratios – Next Twelve Months <sup>(3)(4)</sup>



■ PORTFOLIO ■ MSCI EAFE INDEX

### Market Cap Weights

	PORTFOLIO %	MSCI EAFE INDEX %
Mega Cap > \$100Bn	33	16
Large Cap \$50 – 100Bn	21	17
Mid Cap \$10 – 50 Bn	38	45
Small / Mid Cap \$1 – 10Bn	8	23
Weighted Average Market Cap (\$Bn)	77	48

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

1. The International Equity Trust data as of March 31, 2017. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the sectors shown above.
2. ROOCE (Return on Operating Capital Employed) = EBITA (Earnings Before Interest, Taxes and Amortization) / PPE (Property, Plant, Equipment) + Trade working capital (excludes goodwill). Ex-Financials. Data as of March 31, 2017.
3. ROOCE, Gross Margin, Capex/Sales, Net Debt to EBITDA, are last reported and ex-Financials. 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 Trust as of March 31, 2017. There is no guarantee that any replicated portfolio will necessarily yield similar results over the next year.
4. Ratio methodology: MSCI EAFE Net Index sum (shares in index \* numerator per share)/sum(shares in index \* denominator per share). The International Equity Trust sum (shares in portfolio \* numerator per share)/sum(shares in portfolio \* denominator per share).

**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. Provided for informational purposes only and is subject to change on a daily basis. MSCI EAFE Index shown for comparative purposes only.

## Outlook

- Valuations ever higher after recent market bounce, even on basis of market's optimistic view of earnings
- Trump's election opens up potential for fiscal expansion in the US, but extent and impact uncertain
- Hopes for reflation outside the US look premature
- Demographics and debt remain two significant global headwinds
- US margins at risk from rising wage growth
- Yen at risk given aggressive Japanese monetary policy
- Political and policy risk remains extraordinarily high, and not just from Trump

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.

## 2017 Strategy

- Both earnings growth expectations and valuations still look uncomfortably high
- Sector rotation has left both Consumer Staples and Health Care looking more attractive, particularly in relative terms
- Case for commodities still weak: many hard commodities still well above cost, and both supply and demand problematic
- Pricing power remains crucial... 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.

## 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, 2017 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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Morgan Stanley

INVESTMENT MANAGEMENT

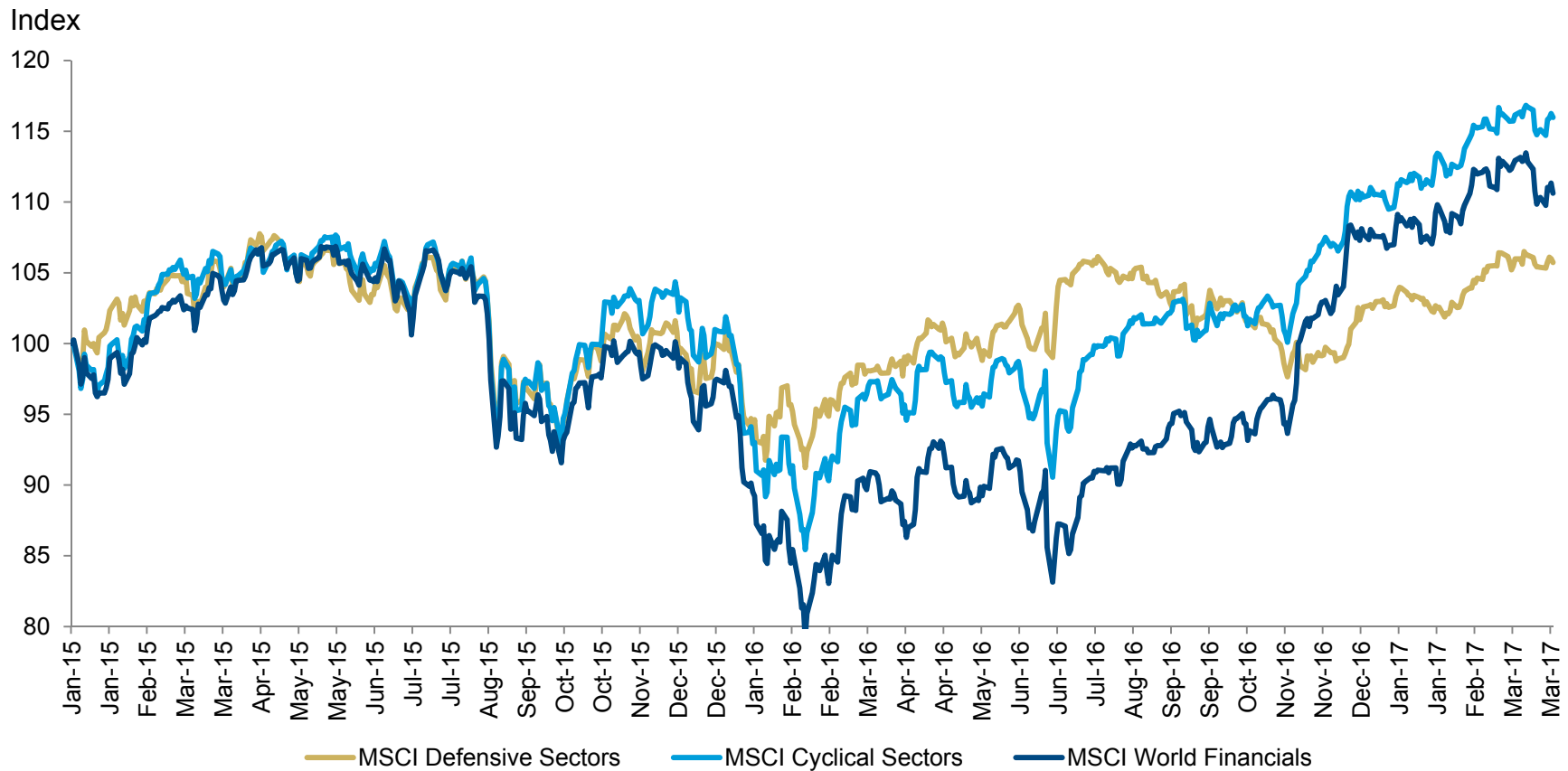
SECTION 6

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# Appendix A

# The “Normalisation Trade” Has Been a Big Move Out of “Bond Proxies” Into “Cyclicals”

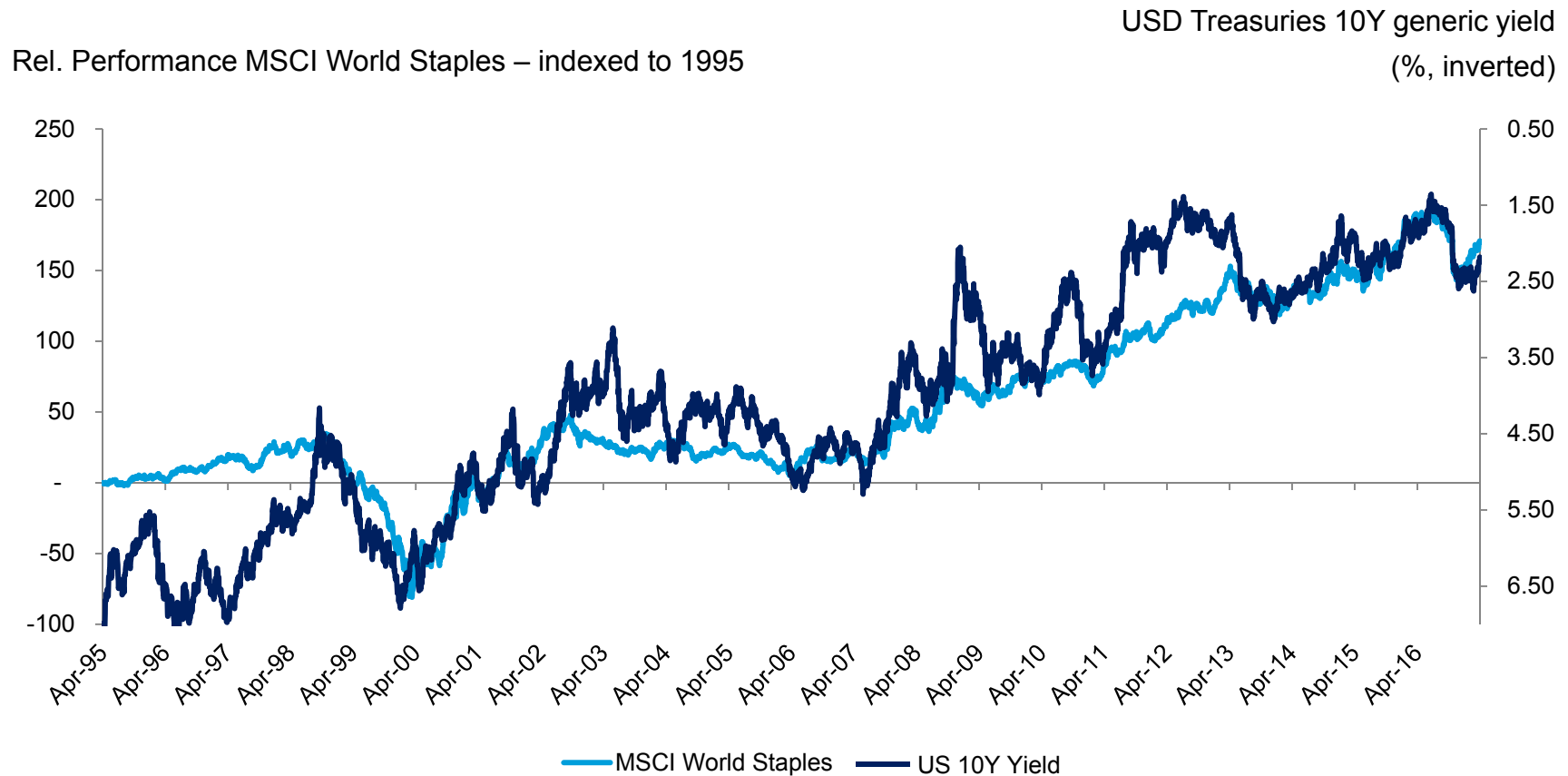
## MSCI World Cyclicals and Financials vs. Defensives



Source: FactSet.  
Data as of March 31, 2017

# Since 1998 Staples Out-Performance Seems to be Correlated With Changes in Bond Yields

## MSCI World Staples vs. USD 10Y Yield

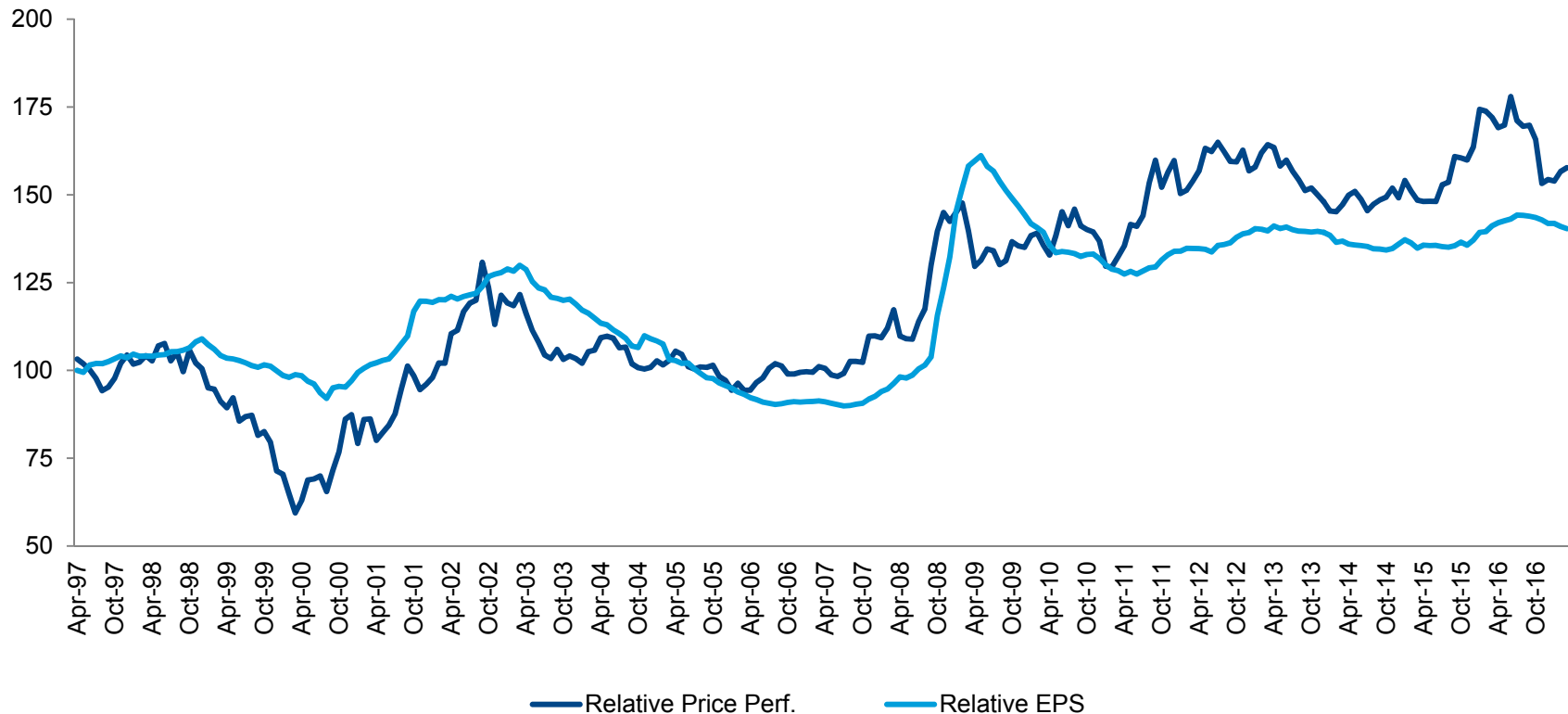


Source: Bloomberg. MSCI World Consumer Staples, excluding Agricultural Products and Food & Staples Retailing. Data as of April 18, 2017.

# But The Actual Driver of Staples Relative Price Performance Has Been Staples Earnings Outperformance Relative to The Market...

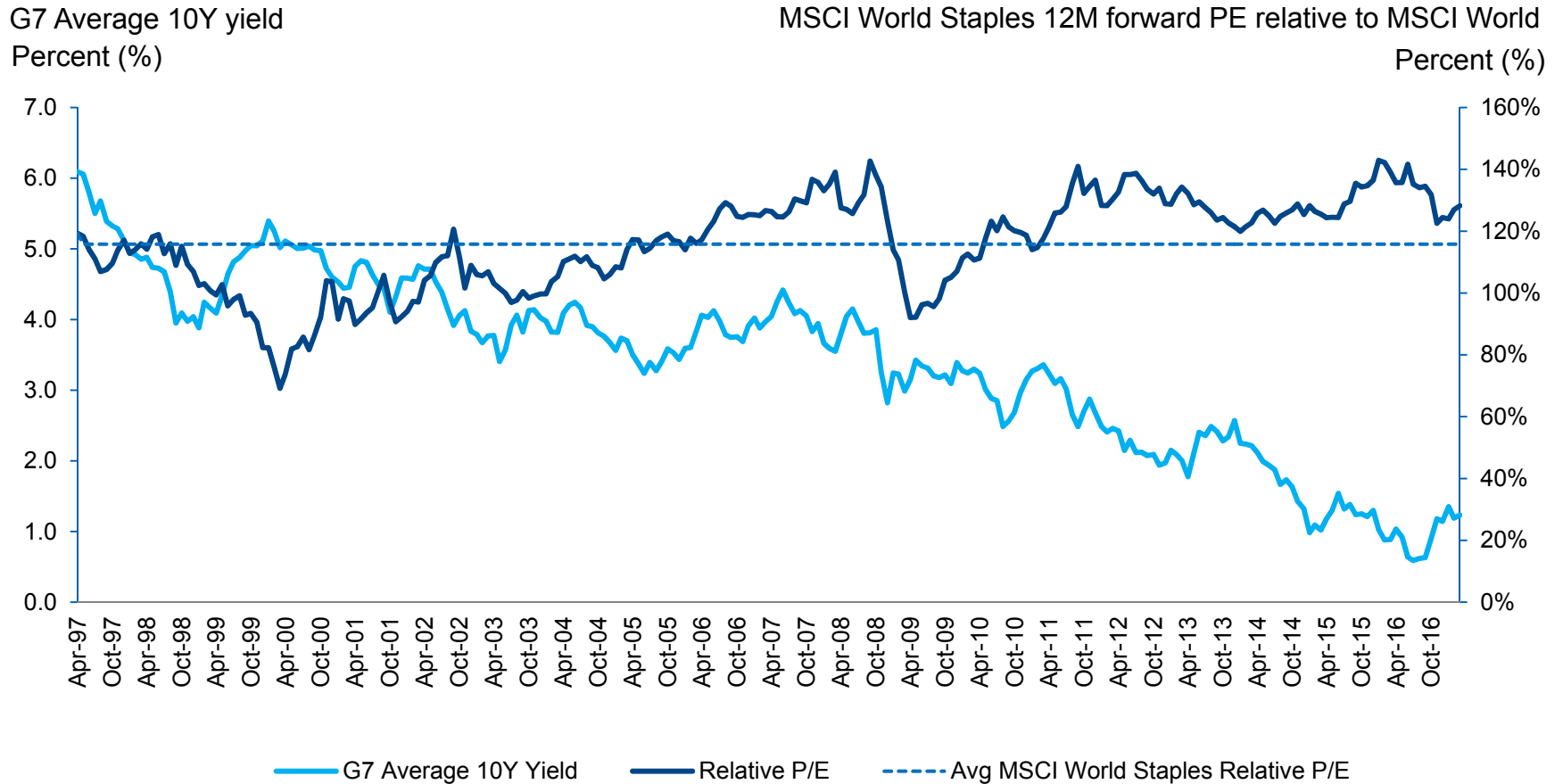
## MSCI World Staples vs. MSCI World

Rel. Price and EPS Performance MSCI World Staples – indexed to 1997



Source: FactSet. MSCI World Consumer Staples, excluding Agricultural Products, Food & Staples Retailing, Altria and Uniq. Previous iterations included Altria and Uniq. Data as of March 31, 2017.

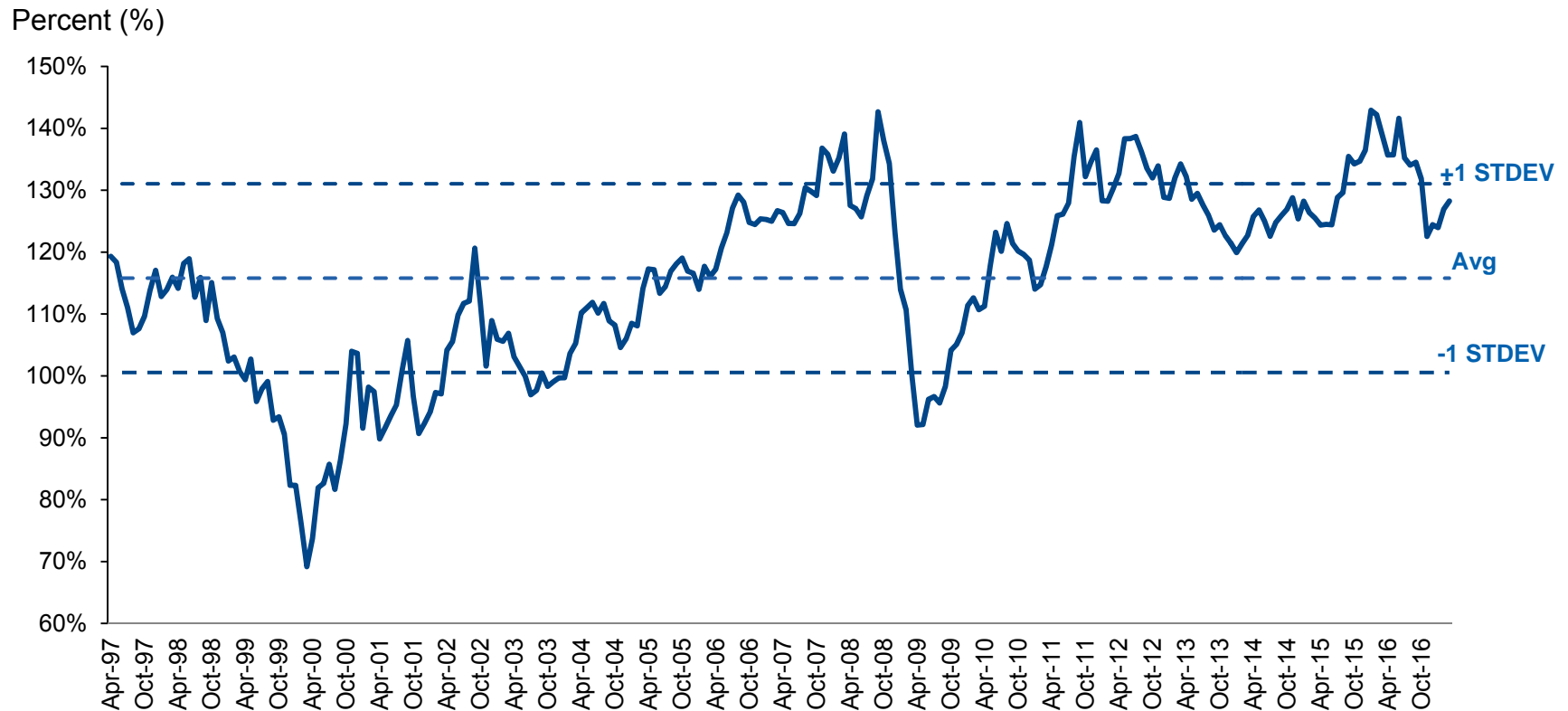
# ....Not Falling Bond Yields Driving a Relative Rerating of Staples to The Market



Source: FactSet. MSCI World Consumer Staples, excluding Agricultural Products, Food & Staples Retailing, Altria and Uniq. Previous iterations included Altria and Uniq. Data as of March 31, 2017.

# After the Relative De-Rating Staples are Close to Long Run Average Relative Multiples

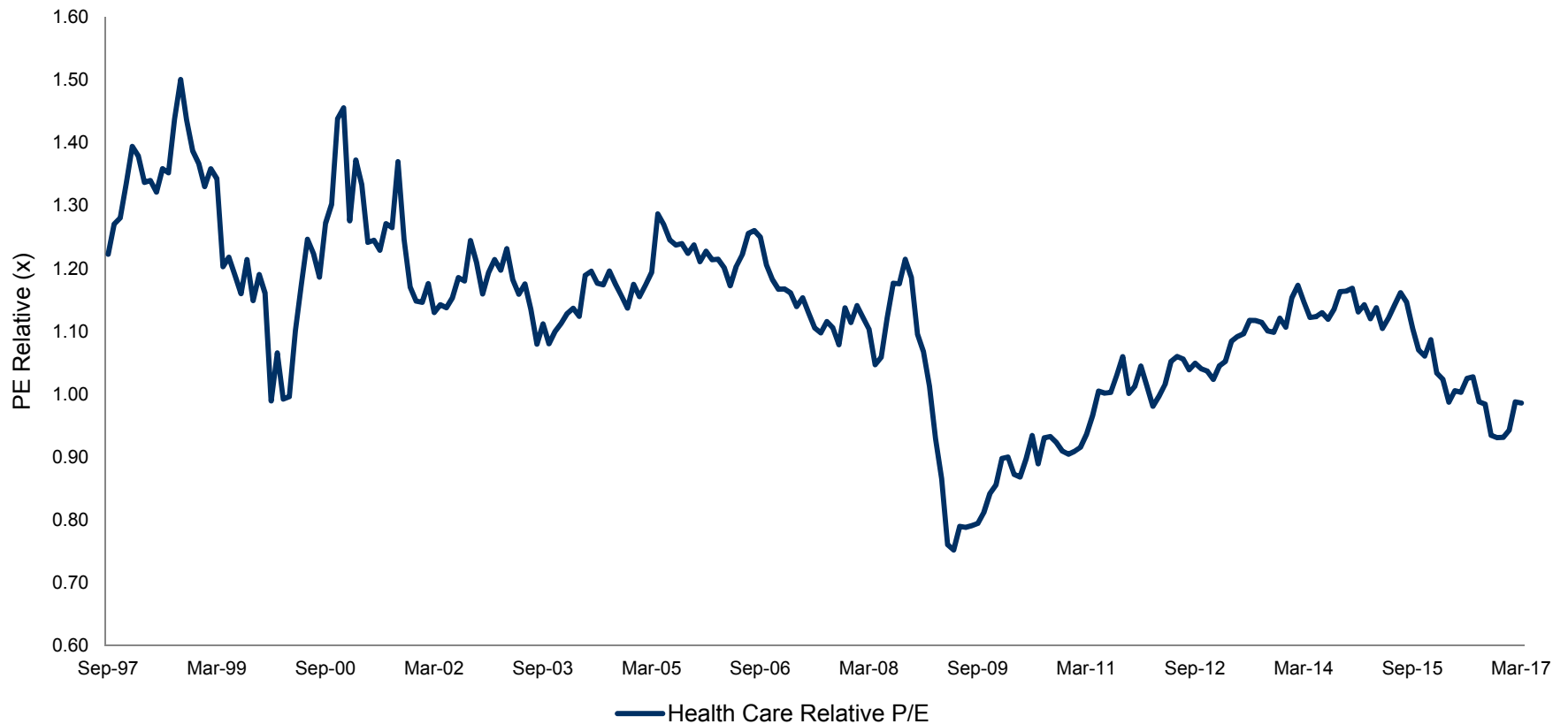
## MSCI World Staples 12M Forward PE Ratio Relative to MSCI World



Source: FactSet. MSCI World Consumer Staples, excluding Agricultural Products, Food & Staples Retailing, Altria and Uniq. Previous iterations included Altria and Uniq. Data as of March 31, 2017.

# Pharma Multiple Looks Attractive Relative to the Market

## MSCI World Health Care vs. the MSCI World Relative PE



Source: Factset. Data as at March 31, 2017.

**Past performance is not indicative of future results.** 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.

# Combining Compounders and Value Opportunities Should Deliver Outperformance Over the Long Term

- EAFE Index does not care about quality or price
- Both investment approaches, used separately, should give higher returns than the EAFE index in the long term
- Combining the two approaches, subject to price and prospects, should give asymmetric profile and long term outperformance

	HOLD HIGH QUALITY COMPOUNDERS	EXPLOIT VALUE OPPORTUNITIES
<b>RISK / REWARD</b>	<ul style="list-style-type: none"> <li>• Lower Absolute Risk of Companies = Lower Margin of Safety Required</li> <li>• Lower volatility</li> <li>• Smaller universe of potential candidates</li> </ul>	<ul style="list-style-type: none"> <li>• Higher Absolute Risk of Companies = Price and Prospects Critical to Determine Margin of Safety Required</li> <li>• Higher volatility but can be offset by price</li> <li>• Larger universe of potential candidates</li> </ul>
<b>BUY DECISION</b>	<ul style="list-style-type: none"> <li>• If bought at a discount to fair value, initial close-up of discount gives good upside</li> <li>• If bought at fair value, underlying compounding drives intrinsic value past fair value over time</li> </ul>	<ul style="list-style-type: none"> <li>• Close-up of discount to fair value or overshoot gives substantial upside</li> <li>• Need constant source of new value opportunities as investment ideas mature</li> </ul>
<b>SELL DECISION</b>	<ul style="list-style-type: none"> <li>• Sustained High Returns = Superior Long Term Compounding</li> <li>• Hold unless price gets too expensive</li> </ul>	<ul style="list-style-type: none"> <li>• Initial buying of changed path of returns gives accelerated returns</li> <li>• Normalised Mediocre Returns = Mediocre Long-Term Compounding</li> <li>• Sell when returns normalise and price adjusts to reflect this</li> <li>• Move on to next opportunity</li> </ul>

# Historically Attractive Risk Return Profile

**Long-term investment record:**

- International Equity, 30 Years

**Performance History:**

- Attractive upside capture
- Strong downside protection
- Lower volatility

**Volatility vs. Return - Since Inception to March 31, 2017<sup>(1)</sup> - USD**

The Inception Date of the International Equity Trust Is September 30, 1986

**Annualized Return (%)**



**Volatility (Standard Deviation (%))**

Source: Morgan Stanley Investment Management

1. Chart data is shown from September 30, 1986 to March 31, 2017 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. Each portfolio may differ due to specific investment restrictions and guidelines. Individual results will vary.

## Risk Characteristics

### Periods Ending March 31, 2017

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

	SINCE INCEPTION		10 YEARS		5 YEARS	
	PORTFOLIO	MSCI EAFE INDEX	PORTFOLIO	MSCI EAFE INDEX	PORTFOLIO	MSCI EAFE INDEX
Annualized Return (%)	11.10	5.85	2.79	1.05	6.23	5.83
Standard Deviation (%)	14.80	17.25	16.33	18.64	12.29	13.21
Beta (x)	0.77	–	0.85	–	0.89	–
Information Ratio	0.68	–	0.37	–	0.11	–
Sharpe Ratio	0.52	0.15	0.13	0.02	0.50	0.43
Tracking Error	7.76	–	4.73	–	3.64	–

**Past performance should not be construed as a guarantee of future performance.** The International Equity Trust investment returns are GROSS of custody as well as investment Management fees, in USD, and include the reinvestment of all dividends and income. If expenses were deducted, returns would have been lower. 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.

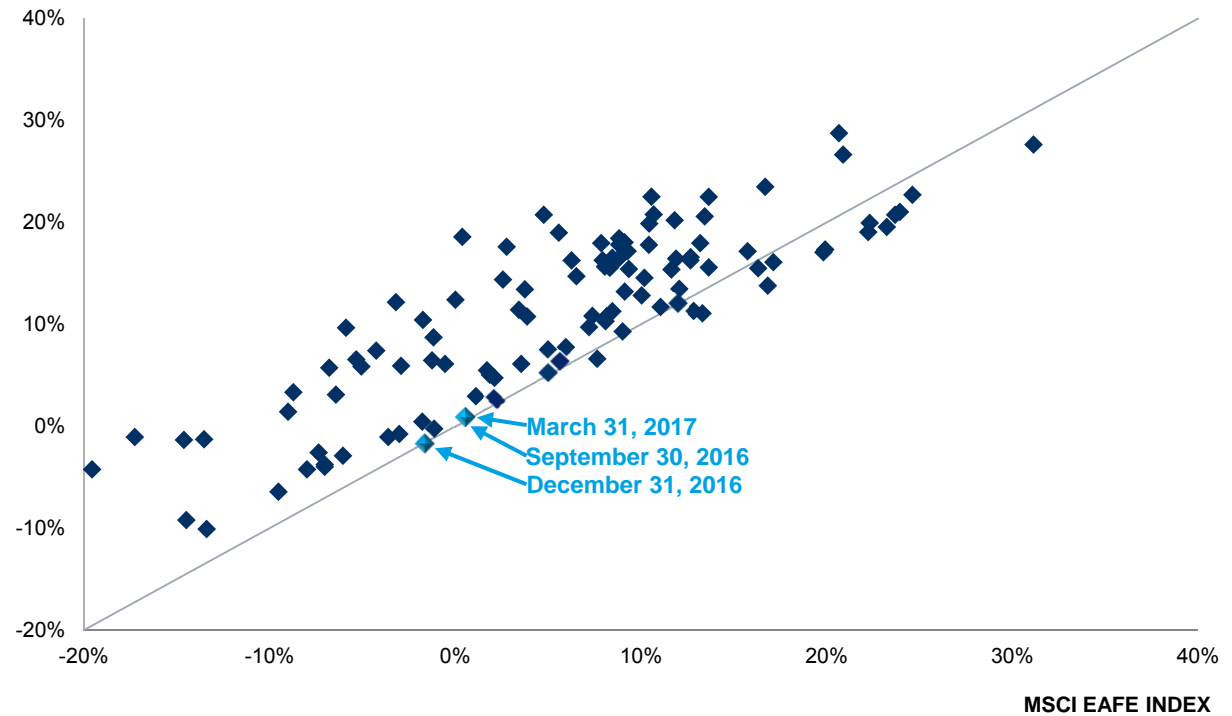
# Asymmetric Return Profile

**This strategy has exhibited:**

- Asymmetrical performance
- Strong capital preservation characteristics
- Strongest outperformance in down periods
- Weakest relative performance in concentrated, momentum-driven “up” markets
- Note that annualised MSCI EAFE Index performance was -1.6% to December 31, 2016 in USD, but a far healthier 5.5% in local currencies.

**Rolling 3 Year Periods Since Inception Through March 31 2017 – Quarterly Data-USD**

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



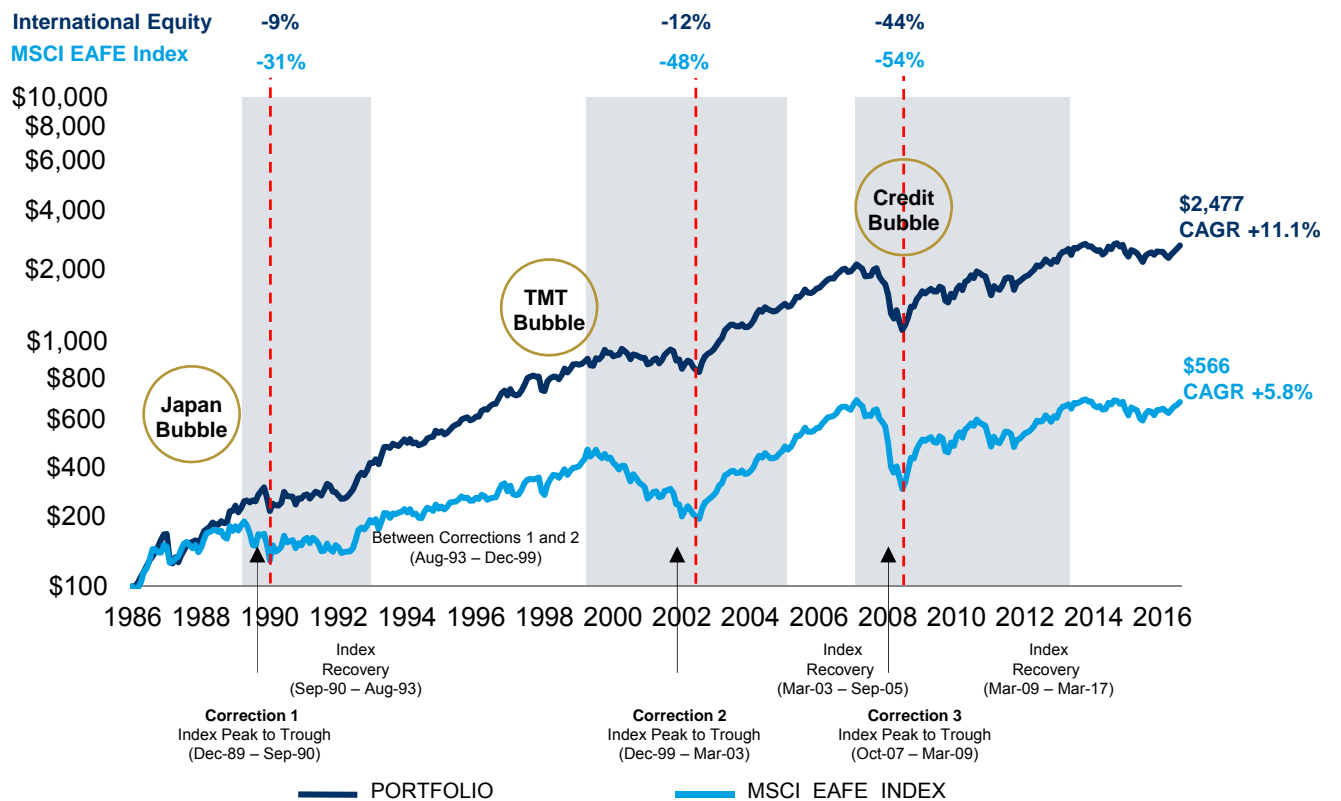
**Past performance should not be construed as a guarantee of future performance.** Performance returns reflect the average annual rates of return. The International Equity Trust investment returns are GROSS of custody as well as investment management fees, in USD terms, and assume the reinvestment of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

# The Power Of Compounding

- \$100 invested in the portfolio worth \$2,477 vs. \$566 invested in the index as of March 31, 2017
- Our value discipline has identified and helped avoid the 3 great asset bubbles of the last 26 years

## Since Inception Through March 31, 2017

The Inception Date of the International Equity Trust Is September 30, 1986



Source: MSCI, Morgan Stanley Investment Management; Data as of March 31, 2017. **Past performance is no guarantee of future results.** The returns represent the 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 International Equity Trust is September 30, 1986. Please refer to section 2 of the presentation for the Trust's annualized investment performance.

## Significant Movements in the Portfolio – 2016

### Portfolio Turnover

2016: 28.61%

### Major Transactions: January 1, 2016 to December 31, 2016 <sup>(1)</sup>

INITIAL PURCHASES	ADDITIONS	REDUCTIONS	FINAL SALES
ARM Holdings	<b>L'Oréal</b>	<b>Japan Tobacco</b>	Lloyds Banking Group
Shiseido	Nitto Denko	<b>CRH</b>	KBC Groupe
FANUC	<b>British American Tobacco</b>	<b>Nestlé</b>	HeidelbergCement
<b>Tencent<sup>(2)</sup></b>	CRH	Toyota	Credit Suisse
<b>AIA</b>	Bayer	<b>Sompo Holdings</b>	British Gas <sup>3</sup>
Safran	Keyence	<b>British American Tobacco</b>	Lawson
ING Groupe	<b>GlaxoSmithKline</b>	<b>Inpex</b>	Smiths Group
<b>LG Household &amp; Health Care</b>	<b>Reckitt Benckiser</b>	Barrick Gold	ING Groupe
Bank of Ireland	<b>Sumitomo Mitsui Financial Group</b>	Keyence	ARM Holdings <sup>4</sup>
AAC Technologies	<b>SAP</b>	Zurich Insurance	Sekisui House
<b>Total</b>	Japan Tobacco	Meggitt	Kyocera
USS	Novartis	Mitsubishi Estate	<b>ENI</b>
LafargeHolcim	<b>Imperial Brands</b>	Sanofi	NTT DoCoMo
<b>Komatsu</b>	<b>Barrick Gold</b>	Publicis	Hoya
<b>Galp</b>	RELX Plc	AAC Technologies	Weir Group
	Pernod Ricard	<b>Prudential<sup>5</sup></b>	Aggreko
	Prudential	<b>Imperial Brands</b>	WorleyParsons
	Sanofi	<b>AXA</b>	Vallourec
	Lloyds Banking Group	Admiral	
	Sompo Holdings	<b>BASF</b>	
	BT Group	Travis Perkins	
	<b>AXA</b>	<b>Wolseley</b>	
	Meggitt	Reckitt Benckiser	
	<b>Unilever</b>	<b>China Petroleum &amp; Chemical</b>	
		Unilever	

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, 2016 to December 31, 2016.

2. Tencent was initially purchased in September 2016 with additional investment being made in October 2016

3. British Gas was bought by Shell

4. ARM holdings was purchased by Softbank

5. Prudential added to in 1Q-3Q and reduced in 4Q

## Country Attribution – 1Q 2017

Data as of March 31, 2017<sup>(1)</sup>

	COUNTRY PERFORMANCE		COUNTRY WEIGHTINGS		PERFORMANCE ATTRIBUTION		TOTAL (%)
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	
Netherlands	19.78	11.33	8.00	3.35	0.62	0.20	0.82
United Kingdom	8.61	5.04	28.95	18.03	0.96	-0.23	0.73
China	18.23	0.00	2.87	0.00	0.00	0.30	0.30
Japan	4.76	4.49	16.04	24.11	0.08	0.22	0.29
Germany	11.30	8.36	7.18	9.30	0.21	-0.02	0.18
Canada	12.88	0.00	2.94	0.00	0.00	0.17	0.17
Norway	0.00	1.43	0.00	0.66	0.00	0.04	0.04
Belgium	0.00	5.13	0.00	1.16	0.00	0.03	0.03
Italy	0.00	6.17	0.00	2.07	0.00	0.02	0.02
Denmark	0.00	6.11	0.00	1.65	0.00	0.02	0.02
Israel	0.00	5.53	0.00	0.68	0.00	0.01	0.01
New Zealand	0.00	1.95	0.00	0.18	0.00	0.01	0.01
Switzerland	8.29	8.34	11.40	8.73	-0.02	0.03	0.01
Finland	0.00	7.31	0.00	0.95	0.00	0.00	0.00
Austria	0.00	8.96	0.00	0.21	0.00	0.00	0.00
Portugal	1.65	8.25	0.60	0.15	-0.04	0.01	-0.03
Sweden	8.95	9.46	1.17	2.88	0.00	-0.03	-0.04
Korea	5.48	0.00	1.37	0.00	0.00	-0.04	-0.04
Ireland	2.61	3.75	1.36	0.46	-0.01	-0.03	-0.04
Singapore	0.00	13.46	0.00	1.30	0.00	-0.07	-0.07
Hong Kong	11.74	13.41	1.55	3.41	-0.02	-0.10	-0.12
France	6.18	7.28	13.88	9.99	-0.15	0.00	-0.15
Spain	0.00	14.76	0.00	3.16	0.00	-0.22	-0.22
Australia	0.00	10.98	0.00	7.58	0.00	-0.27	-0.27
Cash <sup>(2)</sup>	0.12	0.00	2.67	0.00	0.00	-0.42	-0.42
<b>Total</b>	<b>8.48</b>	<b>7.25</b>	<b>100.00</b>	<b>100.00</b>	<b>1.62</b>	<b>-0.39</b>	<b>1.24</b>
Other <sup>(2)</sup>	0.15	0.00					0.15
<b>Total Returns</b>	<b>8.63</b>	<b>7.25</b>					<b>1.38</b>

Source: Morgan Stanley Investment Management, MSCI and Factset

- Portfolio weight is an average for the period from January 1, 2017 through March 31, 2017. 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.
- "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 – 2016

Data as of December 31, 2016<sup>(1)</sup>

	COUNTRY PERFORMANCE		COUNTRY WEIGHTINGS		PERFORMANCE ATTRIBUTION		
	PORTFOLIO (%)	INDEX (%)	PORTFOLIO (%)	INDEX (%)	SELECTION (%)	ALLOCATION (%)	TOTAL (%)
Canada	88.79	0.00	2.43	0.00	0.00	1.24	1.24
Ireland	15.05	-7.07	1.72	0.47	0.41	-0.07	0.34
Denmark	0.00	-15.77	0.00	1.87	0.00	0.31	0.31
China	26.06	0.00	1.70	0.00	0.00	0.29	0.29
Italy	7.67	-10.45	0.37	2.05	0.09	0.18	0.27
Israel	0.00	-24.87	0.00	0.73	0.00	0.22	0.22
Sweden	7.96	0.62	1.02	2.83	0.07	0.00	0.07
Finland	0.00	-4.70	0.00	0.98	0.00	0.06	0.06
Spain	0.00	-1.02	0.00	3.09	0.00	0.04	0.04
Portugal	10.53	3.59	0.03	0.15	0.00	0.00	0.00
United States <sup>(3)</sup>	0.00	0.23	0.00	0.00	0.00	-0.01	-0.01
Singapore	0.00	1.42	0.00	1.29	0.00	-0.01	-0.01
Korea	-12.49	0.00	0.14	0.00	0.00	-0.01	-0.01
Austria	0.00	11.26	0.00	0.18	0.00	-0.02	-0.02
Hong Kong	0.10	2.27	0.06	3.32	0.00	-0.03	-0.03
New Zealand	0.00	18.37	0.00	0.18	0.00	-0.03	-0.03
Norway	0.00	13.31	0.00	0.61	0.00	-0.08	-0.08
Belgium	-22.11	-7.57	0.52	1.38	-0.26	0.13	-0.13
Japan	0.64	2.38	16.82	23.58	-0.18	-0.05	-0.24
France	1.77	4.88	11.22	9.82	-0.47	0.11	-0.36
Netherlands	-3.12	4.81	7.82	3.17	-0.57	0.17	-0.40
Germany	-2.11	2.75	7.12	8.97	-0.39	-0.02	-0.41
Australia	-9.29	11.45	0.00	7.20	0.00	-0.73	-0.73
United Kingdom	-3.17	-0.10	32.63	19.03	-0.81	0.07	-0.74
Switzerland	-12.97	-4.87	13.67	9.08	-1.22	-0.25	-1.47
Cash <sup>(2)</sup>	0.27	0.00	2.74	0.00	0.00	-0.27	-0.27
<b>Total</b>	<b>-1.10</b>	<b>1.00</b>	<b>100.00</b>	<b>100.00</b>	<b>-3.32</b>	<b>1.23</b>	<b>-2.10</b>
Other <sup>(2)</sup>	0.28	0.00					0.28
<b>Total Returns</b>	<b>-0.82</b>	<b>1.00</b>					<b>-1.82</b>

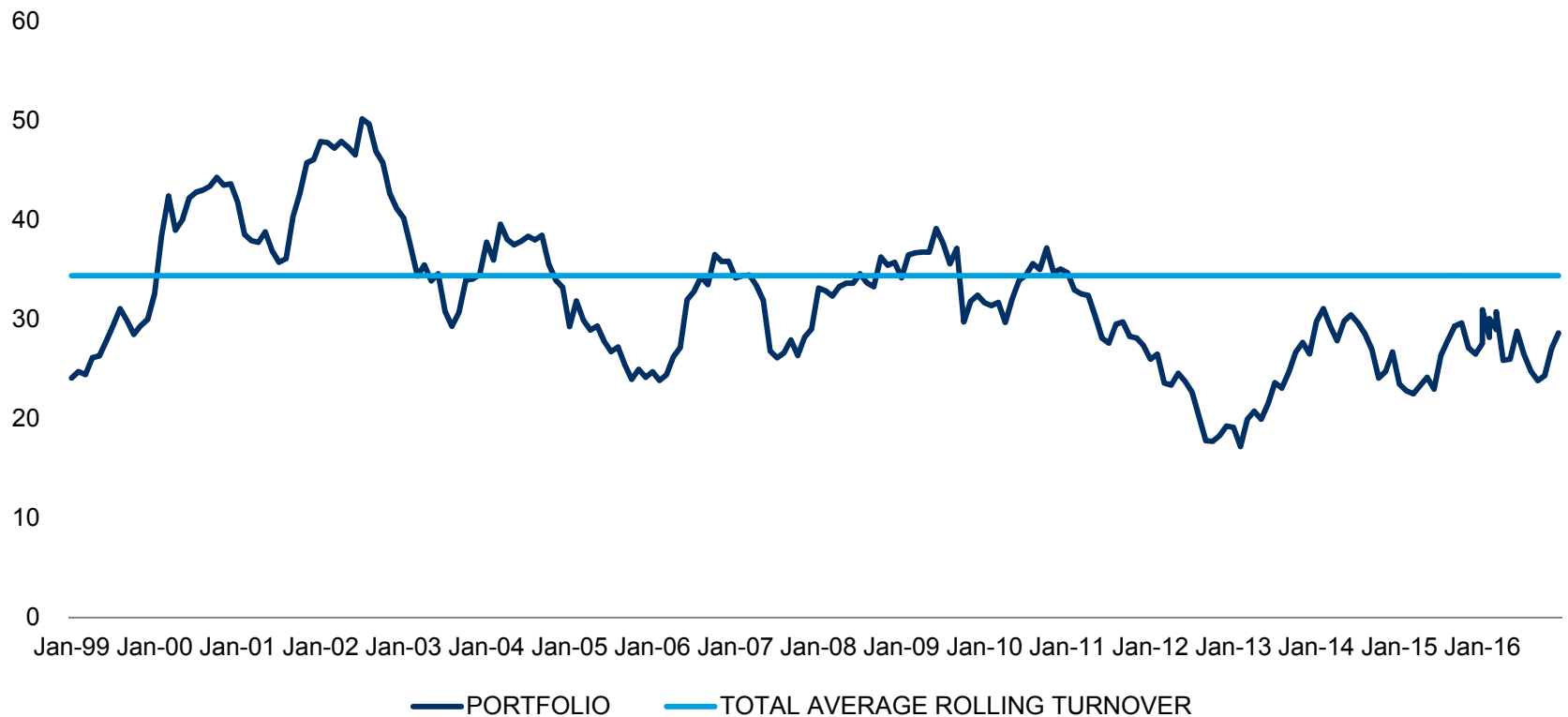
Source: Morgan Stanley Investment Management, MSCI and Factset

- Portfolio weight is an average for the period from January 1, 2016 through December 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.
- "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.
- MSCI advised that Coca-Cola European Partners was classified as United States from May 31, 2016-June 1, 2016 and then re-classified to Netherlands from June 2, 2016.

# 12 Month Rolling Turnover

## Turnover

Percent (%)



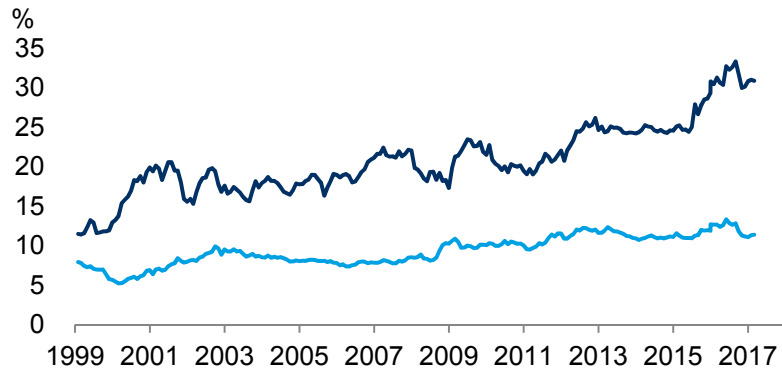
Source: Morgan Stanley Investment Management

Data from January 1, 1999 to March 31, 2017. **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.

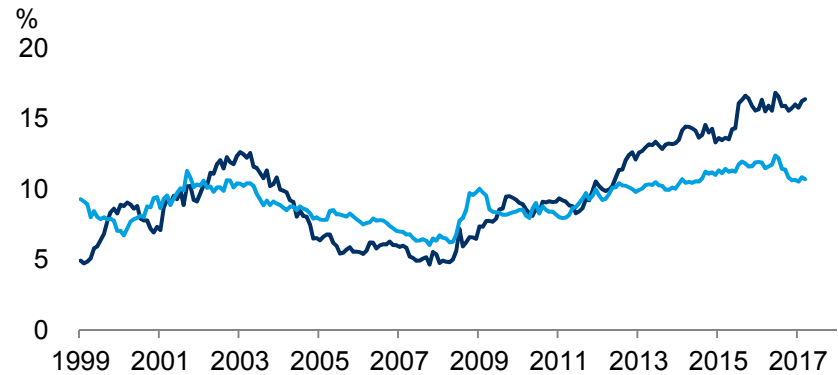
# Historical Sector Weightings

March 31, 2017

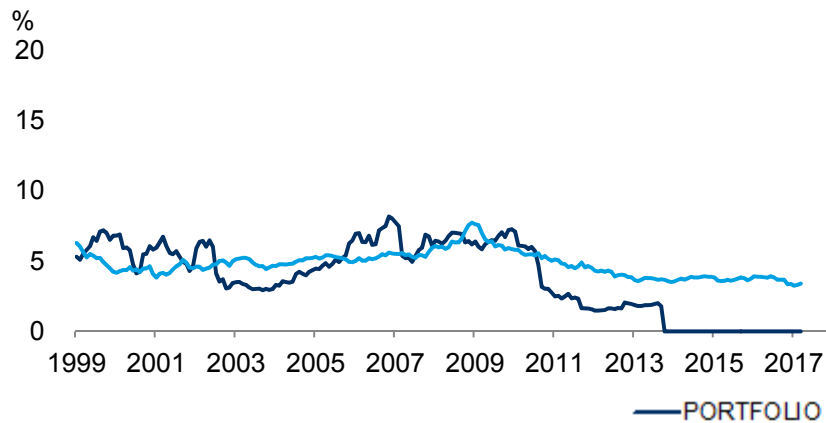
## Consumer Staples



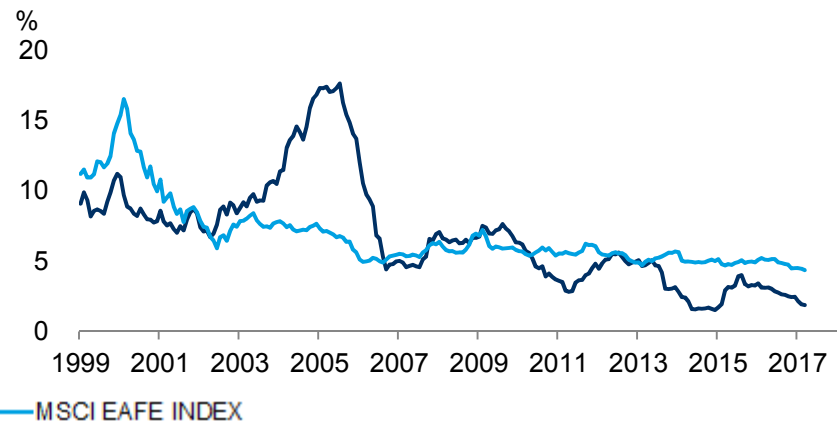
## Health Care



## Utilities



## Telecoms



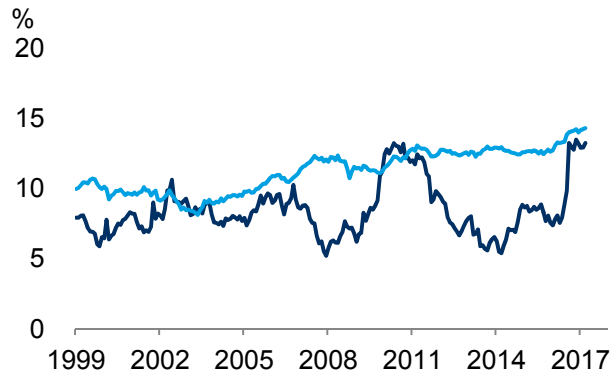
Source: Morgan Stanley Investment Management and MSCI

Data as of January 1, 1999 to March 31, 2017. Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to purchase or sell securities in the sector referenced.

# Historical Sector Weightings

March 31, 2017

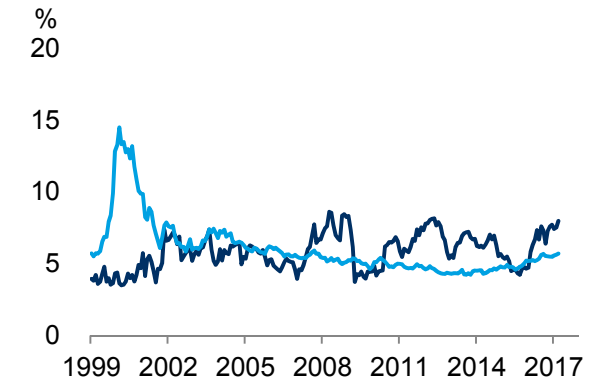
## Industrials



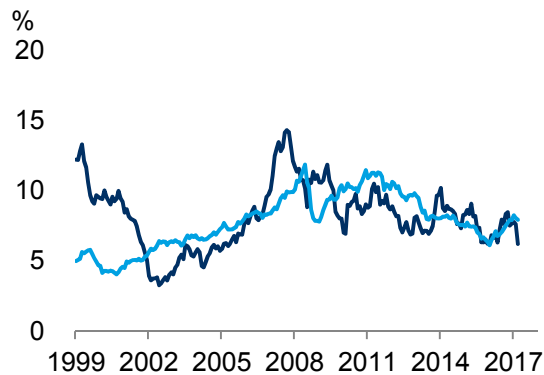
## Financials



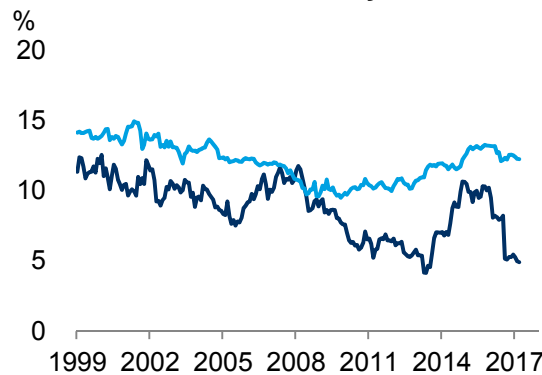
## Information Technology



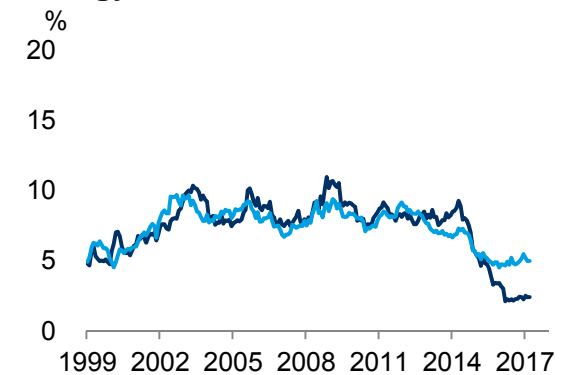
## Materials



## Consumer Discretionary



## Energy



— PORTFOLIO — MSCI EAFE INDEX

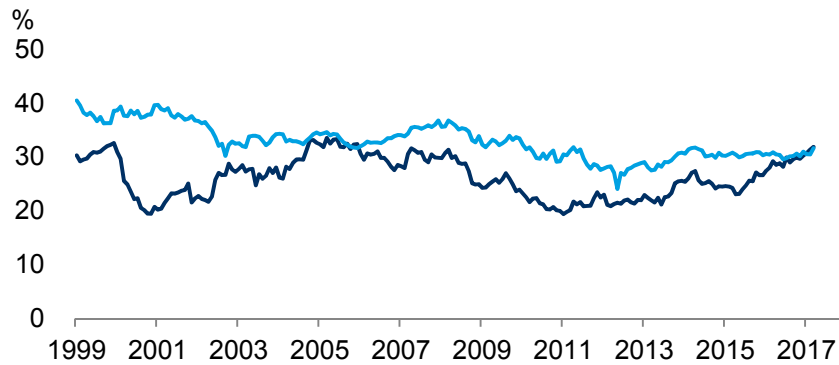
Source: Morgan Stanley Investment Management and MSCI

Data as of January 1, 1999 to March 31, 2017. Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to purchase or sell securities in the sector referenced.

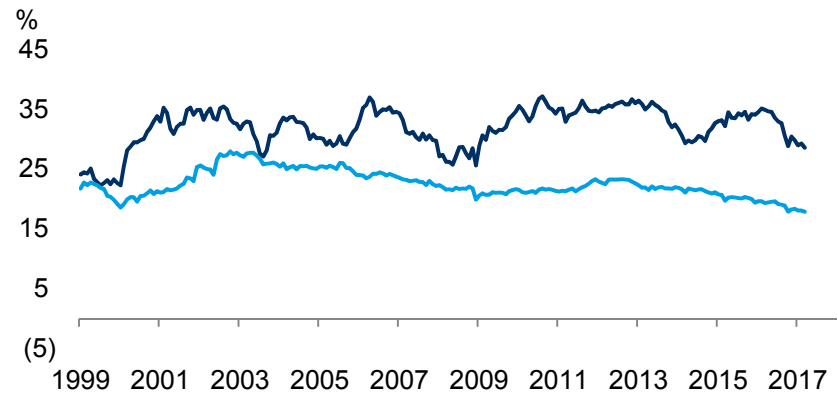
# Historical Country Weightings

March 31, 2017

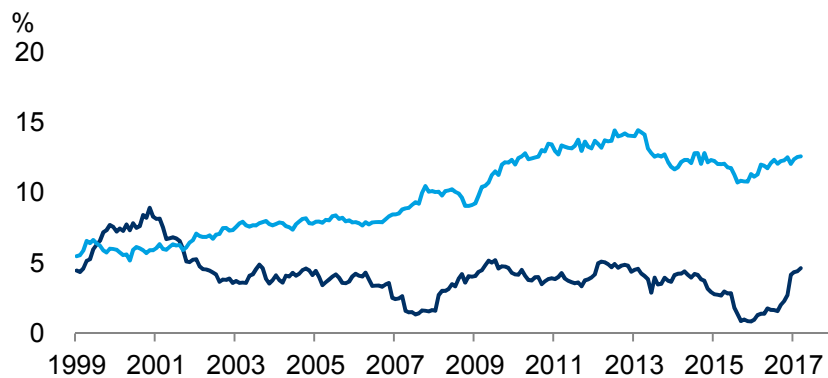
## Euro



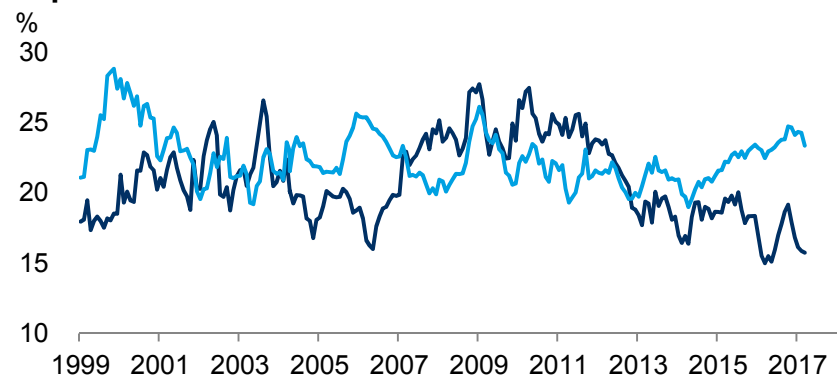
## UK



## Australasia



## Japan



— PORTFOLIO — MSCI EAFE INDEX

Source: Morgan Stanley Investment Management and MSCI

Data as of January 1, 1999 to March 31, 2017. Subject to change daily. Provided for informational purposes only and should not be deemed as a recommendation to purchase or sell securities in the region referenced.

Morgan Stanley

INVESTMENT MANAGEMENT

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## Appendix B

## Portfolio Management Team

### William Lock

Managing Director

[william.lock@morganstanley.com](mailto:william.lock@morganstanley.com)

William is a portfolio manager and head of the London-based International Equity team. He joined Morgan Stanley in 1994 and has 25 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.

### Bruno Paulson

Managing Director

[bruno.paulson@morganstanley.com](mailto: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 1<sup>st</sup> Class Honors from Keble College, Oxford.

### Christian Derold

Managing Director

[christian.derold@morganstanley.com](mailto:christian.derold@morganstanley.com)

Christian is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2006 and has 25 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

### Nic Sochovsky

Executive Director

[nic.sochovsky@morganstanley.com](mailto:nic.sochovsky@morganstanley.com)

Nic is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2015 and has 19 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.

### Dirk Hoffmann-Becking

Executive Director

[dirk.hoffmann-becking@morganstanley.com](mailto: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 19 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.

### Vladimir Demine, CFA

Executive Director

[vladimir.demine@morganstanley.com](mailto:vladimir.demine@morganstanley.com)

Vladimir is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2009 and has 15 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.

Team members may change from time to time.

## Portfolio Management Team

### Marcus Watson

Vice President

[marcus.watson@morganstanley.com](mailto:marcus.watson@morganstanley.com)

Marcus is a portfolio manager for the London-based International Equity team. He joined Morgan Stanley in 2008 and has 9 years of investment experience. He received a B.Sc in psychology from the University of Newcastle Upon Tyne.

### Alex Gabriele, CFA

Vice President

[alexander.gabriele@morganstanley.com](mailto:alexander.gabriele@morganstanley.com)

Alex is a member of the London-based International Equity team. He joined Morgan Stanley from Sloane Robinson LLP in 2012 and has 8 years of investment experience. Prior to joining the team, 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

[richard.perrott@morganstanley.com](mailto:richard.perrott@morganstanley.com)

Richard is a member of 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

[catherine.colecchi@morganstanley.com](mailto: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 20 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.

### Jill Ytuarte

Executive Director

[jill.ytuarte@morganstanley.com](mailto:jill.ytuarte@morganstanley.com)

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 19 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

[sean.mcdermott1@morganstanley.com](mailto:sean.mcdermott1@morganstanley.com)

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 13 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.