

# Morgan Stanley Institutional Fund Frontier Emerging Markets Portfolio

Frontier markets offer investors the potential for higher growth opportunities, and at Morgan Stanley Investment Management our team takes an active, pure-play approach to investing in these markets. In today's low-growth emerging market world, consider the MSIF Frontier Emerging Markets Portfolio.



## Overall Morningstar Rating™ for Class I

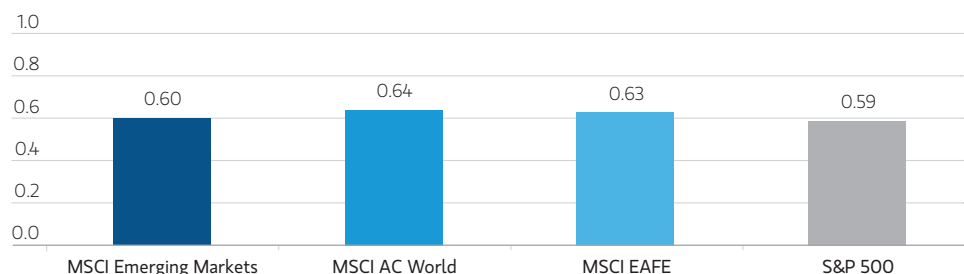
Out of 561 Diversified Emerging Markets category funds based on risk-adjusted returns

## Diversifying an Emerging Markets Allocation

Growth opportunities in traditional emerging markets have become harder to find. We believe that frontier markets, with large populations, young economies and domestically-driven opportunities are positioned for relatively strong growth. Historically, frontier markets have had a more attractive yield, lower volatility and higher risk-adjusted returns compared to emerging markets. They also offer potential diversification benefits as they are less correlated to emerging and developed equity markets.<sup>1</sup>

## Lower Correlation from Locally Driven Economies

### 5-Year Correlation to MSCI Frontier Markets Index



## Attractive Historical Returns with Lower Volatility

### 5-Year Risk/Return Statistics

	MSCI EMERGING MARKETS NET INDEX	MSCI FRONTIER MARKETS INDEX
Dividend Yield	2.98%	4.28%
Annualized Return	-3.58%	2.16%
Standard Deviation	17.78%	11.93%
Sharpe Ratio	-0.20	0.18
Beta versus MSCI EM	—	0.40

**Past performance is not indicative of future results.** Indices are shown for illustrative purposes only and are not meant to depict the performance of a specific investment. It is not possible to invest directly in an index. The risks associated with emerging markets are magnified when investing in frontier emerging market securities. See back for risk considerations of the Fund.

Source: Morgan Stanley Investment Management. Data as of September 30, 2015.

<sup>1</sup> Diversification does not eliminate risk of loss.

<sup>2</sup> Data as of September 30, 2015. Emerging markets as represented by the MSCI Emerging Markets Index

<sup>3</sup> **Morningstar Ratings:** Overall Rating based on risk-adjusted return, out of 561 funds as of 9/30/2015 in the Diversified Emerging Markets Category – Class I shares. Ratings: 3 Year 5 stars (561 funds), 5 Year 5 stars (376 funds).

## Symbols

Class A	MFMPX
Class C	MSFEX
Class I	MF MIX
Class IS	MSRFX

## MSIF Frontier Emerging Markets Portfolio

### 1 Low Correlation

Opportunities in frontier markets have been domestically driven, leading to historically low correlation to each other, to emerging and to developed markets, providing potential sources of diversified alpha.

### 2 Lower Realized Volatility

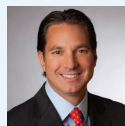
Although frontier markets are perceived as being more volatile, over the past five years their volatility has been 49% lower than that of emerging markets due to low cross correlation among frontier markets.<sup>2</sup>

### 3 Established Track Record

Our team has been investing in emerging markets since the mid-1980s, and this fund was one of the first dedicated pure-play frontier markets funds. The team's experience, local knowledge and extensive due-diligence process have helped lead the fund to a 5-Star Overall Morningstar rating.<sup>3</sup>

## Investment Team

The Morgan Stanley Institutional Fund Frontier Emerging Markets Portfolio is managed by Tim Drinkall, who is supported by the Global Emerging Markets Equity Team.

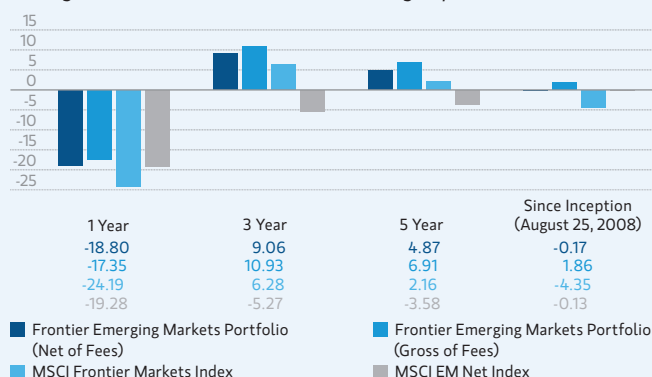


**TIM DRINKALL**

Joined firm in 2007,  
21 years of investment experience

## Investment Performance – Class I

Average annual total return (Periods ending September 30, 2015)



Source: Morgan Stanley Investment Management.

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit [morganstanley.com/im](http://morganstanley.com/im) or call 1-800-548-7786. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Performance shown for the Portfolio's Class I shares reflects the performance of the common shares of the Frontier Predecessor Fund for periods prior to September 17, 2012.

Pursuant to an agreement and plan of reorganization between the Fund, on behalf of the Portfolio, and Morgan Stanley Frontier Emerging Markets Fund, Inc. (the "Frontier Predecessor Fund"), on September 17, 2012 the Portfolio acquired all of the assets and liabilities of the Frontier Predecessor Fund in exchange for Class I shares of the Portfolio (the "Frontier Reorganization"). As a result of the

## Risk/Return Statistics

5 Years as of September 30, 2015

	Fund
Standard deviation (%)	12.55
Beta (vs. MSCI EM Net)	0.46
R squared	0.82
Sharpe ratio	0.38
Information ratio	0.50
Alpha	2.71
Tracking error (%)	5.40
Up-capture ratio (%)	115.47
Down-capture ratio (%)	96.53

**Frontier Reorganization, the Portfolio is the accounting successor of the Frontier Predecessor Fund.** The historical performance information shown reflects, for the period prior to the Frontier Reorganization, the historical performance of the Frontier Predecessor Fund. The Frontier Predecessor Fund may have performed differently if it were an open-end fund since closed-end funds are generally not subject to the cash flow fluctuations of an open-end fund.

The total expense ratio is 1.72% for Class I shares. Expenses are based on the fund's current prospectus. As of April 30, 2015, the Fund's fee waivers and/or expense reimbursements were discontinued. The minimum initial investment is \$5,000.000.

Net returns are shown net of investment advisory/management fees. Gross and net returns are quoted in U.S.\$ and include the reinvestment of dividends and income. Returns for less than one year are cumulative (unannualized). Performance of other share classes will vary.

**DEFINITIONS:** The **MSCI Frontier Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of frontier markets. The MSCI Frontier Markets Index currently consists of 24 frontier market country indices. The performance of the Index is calculated in U.S. dollars and assumes reinvestment of net dividends. "Net dividends" reflects a reduction in dividends after taking into account withholding of taxes by certain foreign countries represented in the Index. The **MSCI Emerging Markets Index (Net)** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index currently consists of 21 emerging-market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends. The index does not include any expenses, fees or sales charges, which would lower performance. The **MSCI EAFE Index** (Europe, Australasia, Far East) is a free float-adjusted market-capitalization index that is designed to measure the international equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index currently consists of 21 developed market country indices. The performance of the index is listed in U.S. dollars and assumes reinvestment of net dividends. The **MSCI All Country World Index** is a free float-adjusted market capitalization-weighted index that measures equity market performance of developed and emerging markets. It consists of 45 country indices comprising 24 developed and 21 emerging market country indices. 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. Indexes do not include any expenses, fees or sales charges, which would lower performance. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. Indexes are unmanaged and should not be considered an investment. It is not possible to invest directly in an index. **Alpha** is the excess return or value added (positive or negative) of the portfolio's return relative to the return of the benchmark. **Beta** is a measure of the relative volatility of a security or portfolio to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The Beta of the Market is always equal to 1. **Information ratio** is the portfolio's alpha or excess return per unit of risk, as measured by tracking error, versus the portfolio's benchmark. **R squared** measures how well an investment's returns correlate to an index. An R squared of 100 means the portfolio performance is 100% correlated to the index's, whereas a low R squared means that the portfolio performance is less correlated to the index's. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance. **Standard deviation** shows how much variation or dispersion from the average exists. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility. **Tracking error** is the amount by which the performance of the portfolio differed from that of the benchmark. **Upside/downside market capture** measures performance in up/down markets relative to the market benchmark.

**RISK CONSIDERATIONS:** There is no assurance that a Portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the Portfolio will decline and that the value of Portfolio shares may therefore be less than what you paid for them. Accordingly, you can lose

money investing in this Portfolio. Please be aware that this Portfolio may be subject to certain additional risks. **Equity and foreign securities** are generally more volatile than fixed income securities and are subject to currency, political, economic and market risks. The risks associated with emerging markets are magnified when investing in **frontier emerging market securities**. Accordingly, investments in the Portfolio must be viewed as highly speculative in nature and may not be suitable for an investor who is not able to afford the loss of the entire investment. Investment opportunities in many frontier emerging markets may be concentrated in the **banking industry**, which could have a disproportionate impact on the portfolio's performance. Stocks of **small- and medium-capitalization companies** entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. By investing in **investment company securities**, the portfolio is subject to the underlying risks of that investment company's portfolio securities. In addition to the Portfolio's fees and expenses, the Portfolio generally would bear its share of the investment company's fees and expenses. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk).

**Morningstar:** Ratings as of September 30, 2015. Morningstar, Inc. is an independent publisher of mutual fund research and ratings. Ratings reflect a fund's risk-adjusted 3-, 5-, and 10-year total returns, including any sales charge. A Fund is rated against all other funds in its category. 5 stars are assigned to the top 10%; 4 stars to the next 22.5%; 3 stars to the next 35%; 2 stars to the next 22.5%; and 1 star to the bottom 10%. Morningstar only rates funds with at least a 3-year history. Overall Rating for a fund is derived from a weighted average of the ratings for the time periods indicated.

Source: Morningstar. Morningstar counts each share class as a separate fund for purposes of its ranking and ratings calculations. Morningstar compares mutual funds within a universe of funds with similar investment objectives, including dividend reinvestment.

**Past performance is no guarantee of future results.** Morningstar rankings and ratings may vary for other share classes. © 2015 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

**Please consider the investment objectives, risks, charges and expenses of the Portfolio carefully before investing. The prospectus contains this and other information about the Portfolio. To obtain a prospectus, contact your financial professional or download one at [morganstanley.com/im](http://morganstanley.com/im). Please read the prospectus carefully before you invest or send money.**

**Morgan Stanley Institutional Fund Inc. (MSIF)** is an institutional mutual fund offering various active portfolios, including equity, fixed-income, international, emerging markets, real estate and growth.

**Fund adviser** MSIF is managed by Morgan Stanley Investment Management, Inc.

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.