

Morgan Stan Ins Em Mkt A

Ticker: MGEMX Load: None NAV: \$31.06 Yield: 1.1% Total Assets: \$2,338 mil Mstar Category: Diversified Emerging Mkts

Governance and Management

Stewardship Grade: C

Portfolio Manager(s)

Narayan Ramachandran became comanager in 2001 and took over lead-management responsibilities in February 2002 after Robert Meyer left Morgan Stanley. Ramachandran has been part of a team that has been working together on the fund since 1999. He and comanager Ruchir Sharma now lead a 16-person team with considerable experience in emerging-markets investing. Asia expert Ashutosh Sinha is also a key contributor.

Strategy

The managers of this fund have a growth bias, and they're willing to brave high price tags on the stocks they buy. They use a blend of top-down and bottom-up analysis that often leaves the fund with substantial stock and country bets. As a result, the fund typically looks quite a bit different from its average peer and from the MSCI Emerging Markets Index. The team will occasionally hedge foreign currency exposure. (It currently has a modest hedge on its exposure to the South African rand.)

Performance 04-30-06

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2002	13.32	-7.92	-17.02	8.39	-6.15
2003	-7.30	22.77	14.56	18.83	54.93
2004	11.08	-11.95	7.91	17.58	24.09
2005	1.57	4.02	18.57	7.39	34.54
2006	14.27	—	—	—	—

Trailing	Total Return%	+/- MSCI EAFE	+/- MSCI EmrMkt	%Rank Cat	Growth of \$10,000
3 Mo	8.64	0.65	1.26	28	10,864
6 Mo	39.39	16.50	3.08	30	13,939
1 Yr	66.26	32.77	8.06	24	16,626
3 Yr Avg	46.72	17.62	4.92	25	31,584
5 Yr Avg	24.03	14.84	3.22	38	29,352
10 Yr Avg	9.76	3.08	4.46	31	25,377
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	46.15	16	0.39	31
5 Yr (estimated)	23.73	29	0.24	25
10 Yr (estimated)	9.07	28	0.63	71

Potential Capital Gain Exposure: 41% of assets

Morningstar's Take by Dan Lefkowitz 12-21-05

Morgan Stanley Institutional Emerging Markets is a solid, if unspectacular option; but now may not be its time.

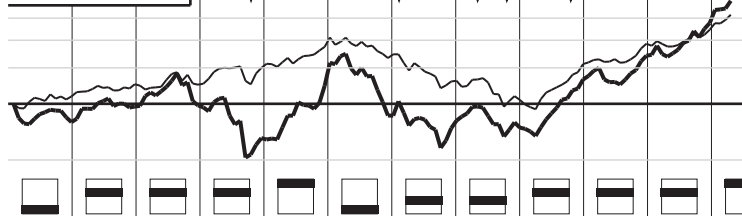
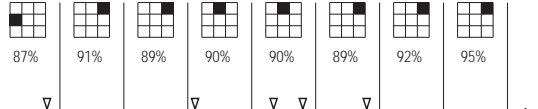
This fund has a lot of positives. Managers Narayan Ramachandran and Ruchir Sharma have overseen the portfolio for several years now. Their team of regional analysts is both large (16 at last count) and experienced.

We also like their approach. Unlike some managers, who purport to use only bottom-up stock research to assemble their portfolios, this team employs a fair amount of macroeconomic and political analysis. That approach can often make the portfolio look quite different from the benchmark MSCI Emerging Markets Index, so the managers truly do chart their own path here. For instance, the team is overweighting South Africa because they believe the country's black empowerment program will stimulate the domestic economy.

Given the solid team and intriguing approach behind this fund, we're disappointed that

Historical Profile

Return: Above Avg
Risk: Above Avg
Rating: ★★★ Neutral



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	04-06
NAV	13.14	14.70	12.96	9.55	19.19	11.31	10.81	10.14	15.52	19.11	25.36	31.06
Total Return %	-12.72	12.49	-1.37	-25.37	100.94	-38.17	-4.42	-6.15	54.93	24.09	34.54	22.48
+/- MSCI EAFE	-23.93	6.44	-3.15	-45.30	73.91	-23.98	17.00	9.79	16.34	3.84	21.00	7.86
+/- MSCI EmrMkt	-5.81	8.56	12.08	2.30	36.85	-6.27	0.26	1.82	3.34	1.64	4.23	3.36
Income Return %	0.39	0.63	0.96	0.94	0.00	0.00	0.00	0.05	1.83	0.94	1.82	0.00
Capital Return %	-13.11	11.86	-2.33	-26.31	100.94	-38.17	-4.42	-6.20	53.10	23.15	32.72	22.48
Total Rtn % Rank Cat	100	45	43	40	5	93	62	53	45	49	34	24
Income \$	0.06	0.08	0.14	0.12	0.00	0.00	0.00	0.01	0.19	0.15	0.35	0.00
Capital Gains \$	1.13	0.00	1.33	0.00	0.00	0.58	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	1.72	1.74	1.75	1.81	1.57	1.61	1.58	1.58	1.64	1.52	1.41	—
Income Ratio %	0.60	0.69	0.40	1.04	-0.26	-0.63	0.35	0.35	1.15	1.09	1.17	—
Turnover Rate %	54	55	90	98	133	92	93	91	92	73	59	—
Net Assets \$mil	877	1,313	1,498	771	1,537	922	785	1,020	1,018	1,251	1,768	2,164

Investment Style: Equity, Stock %

Manager Change: Partial Manager Change

Growth of \$10,000: Investment Values of Fund, Investment Values of MSCI EAFE

Performance Quartile (within Category)

History

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	66.26	—	—	—
3 Yr	46.72	+ Avg	+ Avg	★★★★
5 Yr	24.03	Avg	+ Avg	★★★
10 Yr	9.76	+ Avg	+ Avg	★★★
Incept	11.47	—	—	—

Other Measures

	Standard Index MSCI EAFE	Best Fit Index MSCI EmrMkt
Alpha	4.3	3.1
Beta	1.41	1.01
R-Squared	69	98
Standard Deviation	16.93	—
Mean	46.72	—
Sharpe Ratio	2.25	—

Portfolio Analysis 12-31-05

Share change since 09-05	Total Stocks:221	Sector	Country	% Assets
⊖ Lukoil ADR		Energy	Russia	3.86
⊕ America Movil SA ADR		Telecom	Mexico	3.25
⊕ Wal-Mart de Mexico		Consumer	Mexico	2.71
⊕ Grupo Televisa ADR		Media	Mexico	2.66
⊕ Samsung Electronics		Goods	Korea	2.16
⊖ Companhia Vale Do Rio Do		Ind Mtrls	Brazil	1.84
⊖ Petroleo Brasileiro S.A.		Energy	Brazil	1.79
⊕ MTN Grp Ltd		Telecom	South Africa	1.68
⊕ Standard Bank Investment		Financial	South Africa	1.61
⊖ Petroleo Brasileiro ADR		Energy	Brazil	1.53
⊕ Naspers Ltd		Media	South Africa	1.48
⊖ Savings Bk Russian Fedn		Financial	Russia	1.47
⊕ AU Optronics		Hardware	Taiwan	1.16
⊕ Tiger Brands Ltd		Goods	South Africa	1.16
⊕ Banco Itau Holding Finan		Financial	Brazil	0.99
Bharat Heavy Electricals		Ind Mtrls	India	0.98
⊕ Unibanco Uniao de Bancos		Financial	Brazil	0.98
⊕ Fomento Economico Mexica		Goods	Mexico	0.96
* Kookmin Bank		Financial	Korea	0.93
⊕ Gazprom OAO (ADR)		Energy	Russia	0.92

Current Investment Style

Value	Blnd	Growth	Market Cap %	Sector Weightings	% of Rel MSCI Stocks	3 Year High Low
Large	—	—	Giant 31.7	Info 22.58	1.88	—
Mid	—	—	Large 36.8	Software 1.36	2.03	3 1
Small	—	—	Mid 24.2	Hardware 4.83	1.18	9 3
Micro	—	—	Small 6.7	Media 6.90	3.48	7 0
			Micro 0.5	Telecom 9.49	1.79	15 9
			Avg \$mil: 7,706	Service 33.59	0.72	—
				Health 2.03	0.27	2 1
				Consumer 7.77	1.72	9 5
				Business 4.47	0.89	7 4
				Financial 19.32	0.65	21 17
				Mfg 43.82	1.06	—
				Goods 14.91	1.12	16 12
				Ind Mtrls 13.96	0.91	24 14
				Energy 12.18	1.55	13 9
				Utilities 2.77	0.59	3 1

Value Measures	Rel Category	Regional Exposure	% Stock
Price/Earnings	14.54 1.20	UK/W. Europe 2	N. America 1
Price/Book	2.19 1.01	Japan 0	Latin America 25
Price/Sales	1.10 1.07	Asia X Japan 41	Other 31
Price/Cash Flow	5.01 0.85		
Dividend Yield %	2.50 0.83		
Growth Measures	% Rel Category		
Long-Term Erngs	15.64 1.02		
Book Value	10.53 1.36		
Sales	16.32 1.02		
Cash Flow	13.81 1.02		
Historical Erngs	24.55 1.27		

Country Exposure	% Stock
South Africa 14	Mexico 11
South Korea 13	Russia 9
Brazil 12	

Composition	% Stock
Cash 2.2	Bonds 0.5
Stocks 95.3	Other 1.9
Foreign (% of Stock)	99.1

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Web Address: www.morganstanley.com/im
Inception: 09-25-92
Advisor: Morgan Stanley Investment Mgt Inc.
Subadvisor: None
NTF Plans: N/A

Minimum Purchase: \$500000
Add: \$1000 IRA: \$0
Min Auto Inv Plan: \$0
Sales Fees: No-load, 2.00%R
Management Fee: 1.25% mx./1.00% mn.
Actual Fees: Mgt:1.21% Dist: —
Expense Projections: 3Yr:\$456 5Yr:\$787 10Yr:\$1724
Income Distrib: —