

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-CSR

Certified annual shareholder report of registered management investment companies filed on  
Form N-CSR

Filing Date: **2013-01-09** | Period of Report: **2012-10-31**  
SEC Accession No. [0001104659-13-001523](#)

([HTML Version](#) on [secdatabase.com](#))

### FILER

---

**MORGAN STANLEY INSTITUTIONAL FUND INC**

CIK: [836487](#) | IRS No.: **000000000** | State of Incorporation: **MD** | Fiscal Year End: **1231**  
Type: **N-CSR** | Act: **40** | File No.: [811-05624](#) | Film No.: **13521172**

Mailing Address  
*522 FIFTH AVENUE  
NEW YORK NY 10036*

Business Address  
*522 FIFTH AVENUE  
NEW YORK NY 10036  
6175578742*

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-05624

Morgan Stanley Frontier Emerging Markets Fund Inc.  
(Exact name of registrant as specified in charter)

522 Fifth Avenue, New York, New York  
(Address of principal executive offices)

10036  
(Zip code)

Arthur Lev  
522 Fifth Avenue, New York, New York 10036  
(Name and address of agent for service)

Registrant's telephone number, including area code: 201-830-8894

Date of fiscal year end: October 31, 2012

Date of reporting period: October 31, 2012

Item 1 - Report to Shareholders

INVESTMENT MANAGEMENT

**Morgan Stanley**

**Morgan Stanley  
Institutional Fund, Inc.**

**Frontier Emerging Markets Portfolio**

**Annual  
Report**

October 31, 2012



**e-DELIVERY: GO PAPERLESS**  
It's faster, easier and greener.  
Sign up today at: [www.icsdelivery.com](http://www.icsdelivery.com)  
*May not be available for all accounts.*



---

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Table of Contents

Shareholders' Letter	2
Expense Example	3
Investment Advisory Agreement Approval	4
Investment Overview	6
Portfolio of Investments	8
Statement of Assets and Liabilities	10
Statement of Operations	11
Statements of Changes in Net Assets	12
Financial Highlights	13
Notes to Financial Statements	17
Report of Independent Registered Public Accounting Firm	24
U.S. Privacy Policy	25
Director and Officer Information	28

*This report is authorized for distribution only when preceded or accompanied by prospectuses of the Morgan Stanley Institutional Fund, Inc. To receive a prospectus and/or SAI, which contains more complete information such as investment objectives, charges, expenses, policies for voting proxies, risk considerations, and describes in detail each of the Portfolio's investment policies to the prospective investor, please call toll free 1 (800) 548-7786. Please read the prospectuses carefully before you invest or send money.*

*Additionally, you can access portfolio information including performance, characteristics, and investment team commentary through Morgan Stanley Investment Management's website: [www.morganstanley.com/im](http://www.morganstanley.com/im).*

*Market forecasts provided in this report may not necessarily come to pass. There is no guarantee that any sectors mentioned will continue to perform as discussed herein or that securities in such sectors will be held by the Portfolio in the future. There is no assurance that a Portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that market values of securities owned by the Portfolio will decline and, therefore, the value of the Portfolio's shares may be less than what you paid for them. Accordingly, you can lose money investing in Portfolios. Please see the prospectus for more complete information on investment risks.*

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Shareholders' Letter (unaudited)

Dear Shareholders,

We are pleased to provide this Annual report, in which you will learn how your investment in Frontier Emerging Markets Portfolio performed during the latest twelve-month period.

Morgan Stanley Investment Management is a client-centric, investor-led organization. Our global presence, intellectual capital, and breadth of products and services enable us to partner with investors to meet the evolving challenges of today's financial markets. We aim to deliver superior investment service and to empower our clients to make the informed decisions that help them reach their investment goals.

As always, we thank you for selecting Morgan Stanley Investment Management, and look forward to working with you in the months and years ahead.

Sincerely,



Arthur Lev  
President and Principal Executive Officer

November 2012

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Expense Example (unaudited) Frontier Emerging Markets Portfolio

As a shareholder of the Portfolio, you incur two types of costs: (1) transactional costs, including redemptions fees, and (2) ongoing costs, including advisory fees, administration fees, shareholder servicing and distribution fees and other Portfolio expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Portfolio and to compare these costs with the ongoing costs of investing in other mutual funds.

This example is based on an investment of \$1,000 invested at the beginning of the six-month period ended October 31, 2012 and held for the entire six-month period.

### Actual Expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Please note that "Actual Expenses Paid During Period" are grossed up to reflect Portfolio expenses prior to the effect of Expense Offset (See Note F in the Notes to Financial Statements). Therefore, the annualized net expense ratios may differ from the ratio of expenses to average net assets shown in the Financial Highlights.

### Hypothetical Example for Comparison Purposes

The table below provides information about hypothetical account values and hypothetical expenses based on the Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) and redemption fees. Therefore, the information for each Class in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 5/1/12	Actual Ending Account Value 10/31/12	Hypothetical Ending Account Value	Actual Expenses Paid During Period	Hypothetical Expenses Paid During Period	Net Expense Ratio During Period**
Frontier Emerging Markets Portfolio Class I <sup>A</sup>	\$ 1,000.00	\$ 1,051.80	\$ 1,011.91	\$ 13.56	\$ 13.30	2.63 %
Frontier Emerging Markets Portfolio Class P	1,000.00	1,016.70	1,014.63	10.59	10.58	2.09
Frontier Emerging Markets Portfolio Class H	1,000.00	1,016.70	1,014.63	10.59	10.58	2.09
Frontier Emerging Markets Portfolio Class L	1,000.00	1,016.00	1,012.12	13.12	13.10	2.59

<sup>A</sup> Expenses are calculated using each Portfolio Class' annualized net expense ratio (as disclosed), multiplied by the average account value over the period, and multiplied by 184/366 (to reflect the most recent one-half year period).

<sup>+</sup> Expenses are calculated using each Portfolio Class' annualized net expense ratio (as disclosed), multiplied by the average account value over the period, and multiplied by 45/366 (to reflect the actual days in the period).

\*\* Annualized.

<sup>A</sup> Effective September 17, 2012 the adviser has agreed to waive and/or reimburse certain fees so that total annual portfolio operating expenses, excluding certain investment related expenses, will not exceed 1.85% for Class I shares. The fee waivers and/or expense reimbursements will continue for at least one year or until such time as the Fund's Board of Directors acts to discontinue all or a portion of such waivers and/or reimbursements when it deems such action is appropriate. Had this arrangement been in place for the most recent one-half year period, the "Hypothetical Ending Account Value and Expenses Paid During the Period" would have been \$1,015.84 and \$9.37, respectively.

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Investment Advisory Agreement Approval (unaudited)

At the organizational meeting of the Portfolio, the Board of Directors, including the independent Directors, considered the following factors in approving the Investment Advisory Agreement with respect to the Portfolio:

### Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services to be provided by the Adviser (as defined herein) under the advisory agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services to be provided by the Adviser under the administration agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities at the Adviser's expense. (The advisory and administration agreements together are referred to as the "Management Agreement.")

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who will provide the administrative and advisory services to the Portfolio. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services to be provided were necessary and appropriate for the conduct of the business and investment activities of the Portfolio and supported its decision to approve the Management Agreement.

### Performance, Fees and Expenses of the Portfolio

The Board considered that the Adviser plans to arrange for a public offering of shares of the Portfolio to raise assets for investment and that the offering had not yet begun and concluded that, since the Portfolio currently had no assets to invest (other than seed capital required under the Investment Company Act) and had no track record of performance, this was not a factor it needed to address at the present time. The Board, however, did consider that the Portfolio is comparable to a closed-end fund advised by the Adviser.

The Board reviewed the advisory and administrative fee rates (the "management fee rates") proposed to be paid by the Portfolio under the Management Agreement relative to comparable funds advised by the Adviser, when applicable, and compared to their peers as determined by the Adviser, and reviewed the anticipated total expense ratios of the Portfolio. The Board considered that the Portfolio requires the Adviser to develop processes, invest in additional resources and incur additional risks to successfully manage the Portfolio and concluded that the proposed management fee rate and anticipated total expense ratio would be competitive with the peers.

### Economies of Scale

The Board considered the growth prospects of the Portfolio and the structure of the proposed management fee schedule, which does not include breakpoints for the Portfolio. The Board considered that the Portfolio's potential growth was uncertain and concluded that it would be premature to consider economies of scale as a factor in approving the Management Agreement at the present time.

### Profitability of the Adviser and Affiliates

Since the Portfolio has not begun operations and has not paid any fees to the Adviser, the Board concluded that this was not a factor that needed to be considered at the present time.

### Other Benefits of the Relationship

The Board considered other benefits to the Adviser and its affiliates derived from their relationship with the Portfolio and other funds advised by the Adviser. These benefits may include, among other things, "float" benefits derived from handling of checks for purchases and sales, research received by the Adviser generated from commission dollars spent on funds' portfolio trading and fees for distribution and/or shareholder servicing. Since the Portfolio has not begun operations and has not paid any fees to the Adviser, the Board concluded that these benefits were not a factor that needed to be considered at the present time.

### Resources of the Adviser and Historical Relationship Between the Portfolios and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board also reviewed and considered the historical relationship between the Fund and the Adviser,

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Investment Advisory Agreement Approval (unaudited) (cont'd)

including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Portfolio's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and that it is beneficial for the Portfolio to enter into this relationship with the Adviser.

### Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Fund's business.

### General Conclusion

After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Portfolio and its future shareholders to approve the Management Agreement, which will remain in effect for two years and thereafter must be approved annually by the Board of the Fund if it is to continue in effect. In reaching this conclusion the Board did not give particular weight to any single factor referenced above. It is possible that individual Board members may have weighed these factors differently in reaching their individual decisions to approve the Management Agreement.

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Investment Overview (unaudited) Frontier Emerging Markets Portfolio

### Performance

For the year ended October 31, 2012, the Portfolio had a total return based on net asset value and reinvestment of distributions per share of 12.03%, net of fees, for Class I shares. The Portfolio's Class I shares outperformed against the benchmark, the MSCI Frontier Markets Index (the "Index"), which returned 0.66%. On September 17, 2012, all of the assets and liabilities of the Morgan Stanley Frontier

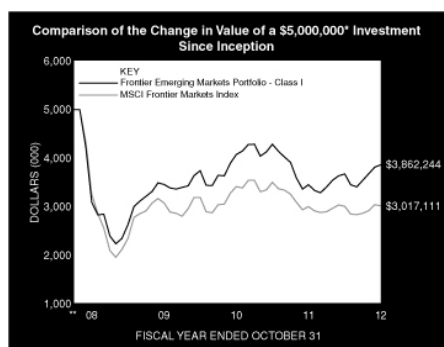
### Management Strategies

- We believe long-term prospects remain constructive given the compelling economic, demographic and productivity characteristics of many frontier markets, despite several well-known challenges. Battles in Syria between opposition forces and the military continue to present political risk for regional markets. Other individual frontier markets face their own specific challenges. Structural problems and sluggish

Emerging Markets Fund, Inc. (the "Predecessor Fund") were reorganized into Class I shares of Morgan Stanley Institutional Fund, Inc. Frontier Emerging Markets Portfolio. Therefore, the performance of Class I shares for the 12-month period ended October 31, 2012 reflects, for the period prior to the Reorganization, the historical performance of the shares of the Predecessor Fund. Past performance is no guarantee of future results.

#### Factors Affecting Performance

- Performance dispersion between countries continued to be high, highlighting the importance of strong macro analysis and rigorous country allocation, along with active management within the frontier universe.
- Country allocation significantly contributed to performance during the period, led by an allocation to Saudi Arabia. A zero weight in Argentina, which we established in early 2012, also contributed to relative returns as the country struggled with significant policy issues and the nationalization of oil firm YPF. Stock selection and a sizable underweight allocation to Kuwait further helped to boost returns.
- During the period, an overweight allocation to Mongolia, as well as stock selection and an underweight allocation to Pakistan were the main detractors from returns. An overweight allocation to Sri Lanka also helped to dampen relative performance.
- The Fund occasionally utilizes P-notes (participation notes) to gain access to Saudi Arabia's market. P-note exposure is intended to mirror the performance of the underlying stock. There is no leverage associated with P-notes.



\* Minimum Investment for Class I shares

\*\* Commenced Operations on August 25, 2008. Performance shown for the Portfolio's Class I shares reflects the performance of the common shares of the Predecessor Fund for periods prior to September 17, 2012.

In accordance with SEC regulations, Portfolio's performance shown assumes that all recurring fees (including management fees) were deducted and all dividends and distributions were reinvested. The performance of Class H, L and P shares will vary from Class I shares based upon their different inception dates and will be negatively impacted by additional fees assessed to those classes.

#### Performance Compared to the MSCI Frontier Markets Index<sup>(1)</sup>

	Period Ended October 31, 2012			
	Total Returns <sup>(2)</sup>			
	One Year	Average Annual Five Years	Ten Years	Since Inception <sup>(5)</sup>
Portfolio - Class I Shares w/o sales charges <sup>(3)</sup>	12.03 %	-	-	-5.99 %
MSCI Frontier Markets Index	0.66	-	-	-11.37
Portfolio - Class H Shares w/o sales charges <sup>(4)</sup>	-	-	-	1.67
Portfolio - Class H Shares with maximum 4.75% sales charges <sup>(4)</sup>	-	-	-	-3.18
MSCI Frontier Markets Index	-	-	-	1.18
Portfolio - Class L Shares w/o sales charges <sup>(4)</sup>	-	-	-	1.60 %
MSCI Frontier Markets Index	-	-	-	1.18
Portfolio - Class P Shares w/o sales charges <sup>(4)</sup>	-	-	-	1.67
MSCI Frontier Markets Index	-	-	-	1.18

recoveries in the developed countries, combined with slowing growth in many emerging countries, continue to dampen equity performance generally. However, strong fundamentals and earnings prospects in much of the frontier universe contribute to our constructive strategic outlook for the asset class.

- We continue to focus on countries where gross domestic product (GDP) growth, fiscal policy and reform agendas remain constructive, as well as on companies with strong earnings visibility, sensible management and solid balance sheets. We continue to search for oversold opportunities where valuations do not reflect underlying fundamentals, in our view. This core approach has not changed.
- We remain overweight in such countries as Saudi Arabia, Nigeria, Sri Lanka, Romania and Qatar, where there is sustainable reform-led growth and reasonable inflation. Kuwait, Argentina and Pakistan remain our largest underweight country positions relative to the Index.

Morgan Stanley Institutional Fund, Inc.  
Annual Report - October 31, 2012

## Investment Overview (unaudited) (cont'd)

### Frontier Emerging Markets Portfolio

distributions, if any, were reinvested. Returns for periods less than one year are not annualized. For the most recent month-end performance figures, please visit [www.morganstanley.com/im](http://www.morganstanley.com/im). Investment return and principal value will fluctuate so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Total returns do not reflect the deduction of taxes that a shareholder would pay on Portfolio distributions or the redemption of Portfolio shares. Performance of share classes will vary due to difference in sales charges and expenses.

(1) The Morgan Stanley Capital International (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 25 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 Index is unmanaged and its returns do not include any sales charges or fees. Such costs would lower performance. It is not possible to invest directly in an index.

(2) Total returns for the Portfolio reflect fees waived and expenses reimbursed, if applicable, by the Adviser. Without such waivers and reimbursements, total returns would have been lower. The fee waivers and/or expense reimbursements will continue for at least one year or until such time as the Fund's Board of Directors acts to discontinue all or a portion of such waivers and/or reimbursements when it deems such action is appropriate.

(3) On September 17, 2012, all assets of Morgan Stanley Frontier Emerging Markets Fund, Inc. (the "Predecessor Fund") were reorganized into Class I shares of Morgan Stanley Institutional Fund, Inc. Frontier Emerging Markets Portfolio ("the Portfolio").

Performance shown for Class I shares reflects the performance of the shares of the Predecessor Fund for periods prior to September 17, 2012. The 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. In addition, Class I shares' returns of the Portfolio will differ from the Predecessor Fund as they have different expenses. The Predecessor Fund commenced operations on August 25, 2008.

(4) Commenced operations on September 14, 2012.

(5) For comparative purposes, average annual since inception returns listed for the Indexes refer to the inception date or initial offering of the respective share class of the Portfolio, not the inception of the Index. Returns for periods less than one year are not annualized.

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

Portfolio of Investments  
Frontier Emerging Markets Portfolio

	Shares	Value (000)
<b>Common Stocks (83.5%)</b>		
<b>Bangladesh (5.7%)</b>		
<b>Commercial Banks</b>		
Islami Bank Bangladesh Ltd.	1,767,375	\$ 925
<b>Pharmaceuticals</b>		
Renata Ltd.	101,050	1,032
<b>Wireless Telecommunication Services</b>		
GrameenPhone Ltd.	656,672	1,413
		3,370
<b>Kenya (7.7%)</b>		
<b>Beverages</b>		
East African Breweries Ltd.	693,532	1,963
<b>Commercial Banks</b>		
Kenya Commercial Bank Ltd.	4,283,936	1,509
<b>Media</b>		
Scan Group Ltd.	1,521,000	1,072
		4,544
<b>Kuwait (4.3%)</b>		
<b>Commercial Banks</b>		
Burgan Bank SAK	1,384,076	2,510
<b>Laos (2.7%)</b>		
<b>Automobiles</b>		
Kolao Holdings	87,164	1,558
<b>Nigeria (21.8%)</b>		
<b>Beverages</b>		
Nigerian Breweries PLC	3,305,973	2,484
<b>Commercial Banks</b>		
First Bank of Nigeria PLC	23,570,583	2,434
Guaranty Trust Bank PLC	23,030,904	2,895
Zenith Bank PLC	19,183,171	2,201
		7,530
<b>Construction Materials</b>		
Dangote Cement PLC	2,469,995	1,887
<b>Oil, Gas &amp; Consumable Fuels</b>		
Afren PLC (a)	405,336	901
		12,802
<b>Panama (2.6%)</b>		
<b>Airlines</b>		
Copa Holdings SA, Class A	16,500	1,532
<b>Qatar (15.8%)</b>		
<b>Commercial Banks</b>		
QNB Group	59,787	2,199
<b>Diversified Telecommunication Services</b>		
Qatar Telecom Q-TeI QSC	96,647	2,803
<b>Energy Equipment &amp; Services</b>		
Gulf International Services OSC	263,780	2,177
<b>Industrial Conglomerates</b>		
Industries Qatar QSC	50,792	2,120
		9,299

	Shares	Value (000)
<b>Romania (4.2%)</b>		
<b>Commercial Banks</b>		
Banca Transilvania (a)	3,148,068	\$ 1,068
<b>Diversified Financial Services</b>		
Fondul Proprietea SA	8,980,552	1,383
		2,451
<b>Slovenia (1.8%)</b>		
<b>Pharmaceuticals</b>		
Krka dd Novo mesto	17,100	1,064
<b>South Africa (1.8%)</b>		
<b>Food Products</b>		
Tiger Brands Ltd.	33,900	1,077
<b>Sri Lanka (5.9%)</b>		
<b>Commercial Banks</b>		
Commercial Bank of Ceylon PLC	2,320,409	1,869
<b>Industrial Conglomerates</b>		
John Keells Holdings PLC	1,009,940	1,591
		3,460
<b>United Arab Emirates (9.2%)</b>		
<b>Air Freight &amp; Logistics</b>		
Aramex PJSC	5,532,759	2,922
<b>Commercial Banks</b>		
First Gulf Bank PJSC	879,200	2,490
		5,412
<b>Total Common Stocks (Cost \$42,728)</b>		49,079
<b>Participation Notes (17.3%)</b>		
<b>Saudi Arabia (13.2%)</b>		
<b>Commercial Banks</b>		
Al Rajhi Bank Series 0002, expires 2/16/15 (a)	105,858	1,983
Alinma Bank, expires 12/3/12 (a)	290,313	1,006
HSBC Bank PLC Series 000E, expires 2/23/15 (a)	169,288	587
		3,576
<b>Food &amp; Staples Retailing</b>		
Herfy Food Services Co., expires 12/1/14 (a)	8,477	239
Herfy Food Services Co. Series 0001, expires 5/17/13 (a)	34,478	970
		1,209
<b>Wireless Telecommunication Services</b>		
Ethad Etisalat Co., expires 12/3/12 (a)	154,463	2,986
		7,771
<b>United Arab Emirates (4.1%)</b>		
<b>Diversified Telecommunication Services</b>		
Emirates Telecommunications Corp., expires 4/14/14 (a)	898,145	2,379
<b>Total Participation Notes (Cost \$9,167)</b>		10,150
<b>Total Investments (100.8%) (Cost \$51,895)</b>		59,229
<b>Liabilities in Excess of Other Assets (-0.8%)</b>		(470)
<b>Net Assets (100.0%)</b>		\$ 58,759

(a) Non-income producing security.  
PJSC Public Joint Stock Company.

The accompanying notes are an integral part of the financial statements.

## Portfolio of Investments (cont'd)

### Frontier Emerging Markets Portfolio

#### Portfolio Composition

Classification	Percentage of Total Investments
Commercial Banks	40.0 %
Other*	30.0
Diversified Telecommunication Services	8.8
Beverages	7.5
Wireless Telecommunication Services	7.4
Industrial Conglomerates	6.3
<b>Total</b>	<b>100.0 %</b>

\* Industries representing less than 5% of total investments.

The accompanying notes are an integral part of the financial statements.

9

#### Morgan Stanley Institutional Fund, Inc.

Annual Report – October 31, 2012

### Frontier Emerging Markets Portfolio

#### Statement of Assets and Liabilities

October 31, 2012  
(000)

<b>Assets:</b>	
Investments in Securities, at Value (Cost \$51,895)	\$ 59,229
Receivable for Investments Sold	958
Prepaid Offering Costs	105
Dividends Receivable	104
Receivable for Portfolio Shares Sold	12
Receivable from Affiliate	– @
Other Assets	14
<b>Total Assets</b>	<b>60,422</b>
<b>Liabilities:</b>	
Bank Overdraft	1,037
Payable for Portfolio Shares Redeemed	261
Payable for Reorganization Expense	115
Deferred Capital Gain Country Tax	78
Payable for Professional Fees	62
Payable for Custodian Fees	41
Payable for Advisory Fees	21
Payable for Offering Costs	15
Payable for Transfer Agent Fees	9
Payable for Administration Fees	5
Payable for Distribution and Shareholder Services Fees – Class P	– @
Payable for Distribution and Shareholder Services Fees – Class H	– @
Payable for Distribution and Shareholder Services Fees – Class L	– @
Other Liabilities	19
<b>Total Liabilities</b>	<b>1,663</b>
<b>Net Assets</b>	<b>\$ 58,759</b>
<b>Net Assets Consist of:</b>	
Paid-in-Capital	\$ 93,628
Accumulated Undistributed Net Investment Income	1,092
Accumulated Net Realized Loss	(43,215 )
Unrealized Appreciation (Depreciation) on:	
Investments (Net of \$78 Deferred Capital Gain Country Tax)	7,256
Foreign Currency Translations	(2 )
<b>Net Assets</b>	<b>\$ 58,759</b>
<b>CLASS I:</b>	
<b>Net Assets</b>	<b>\$ 58,729</b>
<b>Shares Outstanding</b> \$0.001 par value shares of beneficial interest (500,000,000 shares authorized) (not in 000's)	4,194,273
<b>Net Asset Value, Offering and Redemption Price Per Share</b>	<b>\$ 14.00</b>
<b>CLASS P:</b>	
<b>Net Assets</b>	<b>\$ 10</b>
<b>Shares Outstanding</b> \$0.001 par value shares of beneficial interest (500,000,000 shares authorized) (not in 000's)	727
<b>Net Asset Value, Offering and Redemption Price Per Share</b>	<b>\$ 13.97</b>
<b>CLASS H:</b>	



<b>Net Assets</b>	\$ 10
<b>Shares Outstanding</b> \$0.001 par value shares of beneficial interest (500,000,000 shares authorized) (not in 000's)	727
<b>Net Asset Value, Redemption Price Per Share</b>	\$ 13.97
<b>Maximum Sales Load</b>	4.75 %
<b>Maximum Sales Charge</b>	\$ 0.70
<b>Maximum Offering Price Per Share</b>	\$ 14.67
<b>CLASS L:</b>	
<b>Net Assets</b>	\$ 10
<b>Shares Outstanding</b> \$0.001 par value shares of beneficial interest (500,000,000 shares authorized) (not in 000's)	727
<b>Net Asset Value, Offering and Redemption Price Per Share</b>	\$ 13.96

@ Amount is less than \$500.

The accompanying notes are an integral part of the financial statements.

10

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

**Frontier Emerging Markets Portfolio**

Statement of Operations	Year Ended October 31, 2012 (000)	
<b>Investment Income:</b>		
Dividends from Securities of Unaffiliated Issuers (Net of \$226 of Foreign Taxes Withheld)	\$ 3,203	
Dividends from Security of Affiliated Issuer	6	
Total Investment Income	3,209	
<b>Expenses:</b>		
Advisory Fees (Note B)	1,229	
Reorganization Expense	245	
Custodian Fees (Note F)	228	
Professional Fees	186	
Administration Fees (Note C)	67	
Shareholder Reporting Fees	25	
Transfer Agency Fees (Note E)	24	
Offering Costs	15	
Pricing Fees	6	
Directors' Fees and Expenses	3	
Distribution and Shareholder Services Fees – Class P (Note D)	–	@
Distribution and Shareholder Services Fees – Class H (Note D)	–	@
Distribution and Shareholder Services Fees – Class L (Note D)	–	@
Other Expenses	31	
Expenses Before Non Operating Expenses	2,059	
Bank Overdraft Expense	1	
Total Expenses	2,060	
Waiver of Advisory Fees (Note B)	(71)	)
Rebate from Morgan Stanley Affiliate (Note G)	(5)	)
Expense Offset (Note F)	(-)	@)
Net Expenses	1,984	
<b>Net Investment Income</b>	<b>1,225</b>	
<b>Realized Loss:</b>		
Investments Sold (Net of Capital Gain Country Tax of \$13)	(1,925)	)
Foreign Currency Transactions	(133)	)
Net Realized Loss	(2,058)	)
<b>Change in Unrealized Appreciation (Depreciation):</b>		
Investments (Net of Decrease in Deferred Capital Gain Country Tax Accruals of \$65)	10,321	
Foreign Currency Translations	(2)	)
Net Change in Unrealized Appreciation (Depreciation)	10,319	
<b>Net Realized Loss and Change in Unrealized Appreciation (Depreciation)</b>	<b>8,261</b>	
Net Increase in Net Assets Resulting from Operations	\$ 9,486	

@ Amount is less than \$500.

The accompanying notes are an integral part of the financial statements.

11

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

**Frontier Emerging Markets Portfolio**

## Statements of Changes in Net Assets

	Year Ended October 31, 2012 (000)	Year Ended October 31, 2011 (000)
<b>Increase (Decrease) in Net Assets:</b>		
<b>Operations:</b>		
Net Investment Income	\$ 1,225	\$ 2,296
Net Realized Gain (Loss)	(2,058 )	3,631
Net Change in Unrealized Appreciation (Depreciation)	10,319	(21,317 )
Net Increase (Decrease) in Net Assets Resulting from Operations	9,486	(15,390 )
<b>Distributions from and/or in Excess of:</b>		
<b>Class I:</b>		
Net Investment Income	(1,445 )	(1,310 )
<b>Capital Share Transactions:(1)</b>		
<b>Class I:</b>		
Subscribed	618	-
Redeemed	(35,040 )	-
<b>Class P:</b>		
Subscribed	10	*
<b>Class H:</b>		
Subscribed	10	*
<b>Class L:</b>		
Subscribed	10	*
Net Decrease in Net Assets Resulting from Capital Share Transactions	(34,392 )	-
Redemption Fees	148	-
Total Decrease in Net Assets	(26,203 )	(16,700 )
<b>Net Assets:</b>		
Beginning of Period	84,962	101,662
End of Period (Including Accumulated Undistributed Net Investment Income of \$1,092 and \$1,443)	\$ 58,759	\$ 84,962

### (1) Capital Share Transactions:

<b>Class I:</b>		
Shares Subscribed	45	-
Shares Redeemed	(2,514 )	-
Net Decrease in Class I Shares Outstanding	(2,469 )	-
<b>Class P:</b>		
Shares Subscribed	1	*
<b>Class H:</b>		
Shares Subscribed	1	*
<b>Class L:</b>		
Shares Subscribed	1	*

\* For the period September 17, 2012 (commencement of operations) through October 31, 2012.

The accompanying notes are an integral part of the financial statements.

## Morgan Stanley Institutional Fund, Inc. Annual Report – October 31, 2012

### Financial Highlights Frontier Emerging Markets Portfolio

Selected Per Share Data and Ratios	Class I				Period from August 27, 2008^ to October 31, 2008
	Year Ended October 31,				
	2012	2011	2010	2009	
Net Asset Value, Beginning of Period	\$ 12.75	\$ 15.26	\$ 13.19	\$ 11.79	\$ 19.10
<b>Income (Loss) from Investment Operations:</b>					
Net Investment Income (Loss)†	0.19	0.34	0.13	0.21	(0.04 )
Net Realized and Unrealized Gain (Loss)	1.26	(2.65 )	2.06	1.18	(7.23 )
Total from Investment Operations	1.45	(2.31 )	2.19	1.39	(7.27 )
<b>Distributions from and/or in Excess of:</b>					
Net Investment Income	(0.22 )	(0.20 )	(0.21 )	-	-
Offering Cost Charge to Capital	-	-	-	-	(0.04 )
Anti-Dilutive Effect of Share Repurchase Program	-	-	0.09	0.01	-
Redemption Fees	0.02	-	-	-	-
Net Asset Value, End of Period	\$ 14.00	\$ 12.75	\$ 15.26	\$ 13.19	\$ 11.79
Total Return**	12.03 %	(15.35 )%	17.95 %	11.87 %	38.27 %
<b>Ratios and Supplemental Data:</b>					
Net Assets, End of Period (Thousands)	\$ 58,729	\$ 84,962	\$ 101,662	\$ 93,038	\$ 83,742
Ratio of Expenses to Average Net Assets (1)	2.38 %	2.03 %	2.13 %	2.05 %	2.71 %

Ratio of Expenses to Average Net Assets Excluding Non									
Operating Expenses	2.38	%+	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ratio of Net Investment Income (Loss) to Average Net Assets <sup>(1)</sup>									
	1.47	%+	2.32	%+	1.00	%+	1.89	%+	(1.38) %*+
Ratio of Rebate from Morgan Stanley Affiliates to									
Average Net Assets	0.01	%	0.00	%§	0.00	%§	0.01	%	0.03 %*
Portfolio Turnover Rate	59	%	60	%	42	%	54	%	31 %#

**(1) Supplemental Information on the Ratios to Average Net Assets:**

Ratios Before Expense Limitation:									
Expenses to Average Net Assets	2.47	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Investment Income to Average Net Assets	1.38	%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>^</sup> Commencement of Operations.

<sup>†</sup> Per share amount is based on average shares outstanding.

<sup>++</sup> Calculated based on the net asset value as of the last business day of the period.

# Not Annualized.

\* Annualized.

+ The Ratios of Expenses and Net Investment Income (Loss) reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

§ Amount is less than 0.005%.

The accompanying notes are an integral part of the financial statements.

**Morgan Stanley Institutional Fund, Inc.**

**Annual Report – October 31, 2012**

**Financial Highlights**  
**Frontier Emerging Markets Portfolio**

		<b>Class P</b>	
		<b>Period from</b>	
		<b>September 14, 2012<sup>^</sup></b>	
		<b>to October 31, 2012</b>	
<b>Selected Per Share Data and Ratios</b>			
<b>Net Asset Value, Beginning of Period</b>	\$	13.76	
<b>Income (Loss) from Investment Operations:</b>			
Net Investment Loss <sup>†</sup>		(0.02)	)
Net Realized and Unrealized Gain		0.23	
Total from Investment Operations		0.21	
<b>Net Asset Value, End of Period</b>	\$	13.97	
<b>Total Return<sup>++</sup></b>		1.67	%#
<b>Ratios and Supplemental Data:</b>			
Net Assets, End of Period (Thousands)	\$	10	
Ratio of Expenses to Average Net Assets <sup>(1)</sup>		2.10	%*+
Ratio of Expenses to Average Net Assets Excluding Non			
Operating Expenses		2.09	%*+
Ratio of Net Investment Loss to Average Net Assets <sup>(1)</sup>		(0.88)	)%*+
Ratio of Rebate from Morgan Stanley Affiliates to			
Average Net Assets		0.01	%*
Portfolio Turnover Rate		59	%#

**(1) Supplemental Information on the Ratios to Average Net Assets:**

Ratios Before Expense Limitation:		
Expenses to Average Net Assets	2.92	%*
Net Investment Loss to Average Net Assets	(1.70)	)%*

<sup>^</sup> Commencement of Operations.

<sup>†</sup> Per share amount is based on average shares outstanding.

<sup>++</sup> Calculated based on the net asset value as of the last business day of the period.

# Not Annualized.

\* Annualized.

+ The Ratios of Expenses and Net Investment Loss reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

The accompanying notes are an integral part of the financial statements.

**Morgan Stanley Institutional Fund, Inc.**

**Annual Report – October 31, 2012**

**Financial Highlights**  
**Frontier Emerging Markets Portfolio**

		<b>Class H</b>	
		<b>Period from</b>	
		<b>September 14, 2012<sup>^</sup></b>	
		<b>to October 31, 2012</b>	
<b>Selected Per Share Data and Ratios</b>			
<b>Net Asset Value, Beginning of Period</b>	\$	13.76	
<b>Income (Loss) from Investment Operations:</b>			

Net Investment Loss†	(0.02)	)
Net Realized and Unrealized Gain	0.23	
<b>Total from Investment Operations</b>	<b>0.21</b>	
<b>Net Asset Value, End of Period</b>	<b>\$ 13.97</b>	
<b>Total Return++</b>	<b>1.67</b>	<b>%#</b>

**Ratios and Supplemental Data:**

Net Assets, End of Period (Thousands)	\$ 10	
Ratio of Expenses to Average Net Assets <sup>(1)</sup>	2.10	%*
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	2.09	%*
Ratio of Net Investment Loss to Average Net Assets <sup>(1)</sup>	(0.88)	)%*
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01	%*
Portfolio Turnover Rate	59	%#

**(1) Supplemental Information on the Ratios to Average Net Assets:**

Ratios Before Expense Limitation:

Expenses to Average Net Assets	2.92	%*
Net Investment Loss to Average Net Assets	(1.70)	)%*

^ Commencement of Operations.

† Per share amount is based on average shares outstanding.

++ Calculated based on the net asset value which does not reflect sales charges, if applicable, as of the last business day of the period.

# Not Annualized.

\* Annualized.

+ The Ratios of Expenses and Net Investment Loss reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

The accompanying notes are an integral part of the financial statements.

**Morgan Stanley Institutional Fund, Inc.**

**Annual Report – October 31, 2012**

**Financial Highlights**  
**Frontier Emerging Markets Portfolio**

**Class L**

**Period from**  
**September 14, 2012<sup>^</sup>**  
**to October 31, 2012**

**Selected Per Share Data and Ratios**

<b>Net Asset Value, Beginning of Period</b>	<b>\$ 13.76</b>	
<b>Income (Loss) from Investment Operations:</b>		
Net Investment Loss†	(0.02)	)
Net Realized and Unrealized Gain	0.22	
<b>Total from Investment Operations</b>	<b>0.20</b>	
<b>Net Asset Value, End of Period</b>	<b>\$ 13.96</b>	
<b>Total Return++</b>	<b>1.60</b>	<b>%#</b>

**Ratios and Supplemental Data:**

Net Assets, End of Period (Thousands)	\$ 10	
Ratio of Expenses Average Net Assets <sup>(1)</sup>	2.60	%*
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	2.59	%*
Ratio of Net Investment Loss to Average Net Assets <sup>(1)</sup>	(1.37)	)%*
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01	%*
Portfolio Turnover Rate	59	%#

**(1) Supplemental Information on the Ratios to Average Net Assets:**

Ratios Before Expense Limitation:

Expenses to Average Net Assets	3.49	%*
Net Investment Loss to Average Net Assets	(2.26)	)%*

^ Commencement of Operations.

† Per share amount is based on average shares outstanding.

++ Calculated based on the net asset value as of the last business day of the period.

# Not Annualized.

\* Annualized.

+ The Ratios of Expenses and Net Investment Loss reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

The accompanying notes are an integral part of the financial statements.

**Morgan Stanley Institutional Fund, Inc.**

**Annual Report – October 31, 2012**

**Notes to Financial Statements**

Morgan Stanley Institutional Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Fund is comprised of twenty-seven separate, active, diversified and non-diversified portfolios (individually referred to as a "Portfolio", collectively as the "Portfolios").

The accompanying financial statements relate to the Frontier Emerging Markets Portfolio (formerly Morgan Stanley Frontier Emerging Markets Fund, Inc.). The Portfolio seeks long-term capital appreciation. The Portfolio offers four classes of shares – Class I, Class P, Class H and Class L.

On September 17, 2012, the Frontier Emerging Markets Portfolio acquired all of the assets and liabilities of Morgan Stanley Frontier Emerging Markets Fund, Inc. ("Frontier Emerging Markets Fund, Inc."), a closed-end investment company, in exchange for Class I shares of the Portfolio. Based on the respective valuations as of the close of business on September 17, 2012, pursuant to a Plan of Reorganization approved by the shareholders of Frontier Emerging Markets Fund, Inc. on August 22, 2012 ("Reorganization"). The net assets of Frontier Emerging Markets Fund, Inc. before the Reorganization were approximately \$91,975,000, including unrealized appreciation of approximately \$12,776,000. Immediately after the Reorganization, the net assets of the Portfolio were approximately \$91,975,000.

Information for the Frontier Emerging Markets Fund, Inc. shares prior to the Reorganization is included with Class I shares throughout this report. As a result of the Reorganization, the Portfolio is the accounting successor of the Frontier Emerging Markets Fund, Inc. The Portfolio incurred approximately \$245,000 of expenses as a result of the Reorganization and is shown as "Reorganization Expense" within the Statements of Operations.

**A. Significant Accounting Policies:** The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP"). Such policies are consistently followed by the Fund in the preparation of its financial statements. GAAP may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

**1. Security Valuation:** Securities listed on a foreign exchange are valued at their closing price, except as noted below. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the last reported

bid and ask prices. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Short-term debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, unless the Fund's Board of Directors (the "Directors") determines such valuation does not reflect the securities' fair value, in which case these securities will be valued at their fair value as determined in good faith under procedures adopted by the Directors.

Under procedures approved by the Directors, the Fund's adviser, Morgan Stanley Investment Management Inc. (the "Adviser"), has formed a Valuation Committee. The Valuation Committee provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

## Notes to Financial Statements (cont'd)

Most foreign markets close before the New York Stock Exchange ("NYSE"). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Directors.

**2. Fair Value Measurement:** Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurements and Disclosures" ("ASC 820"), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 - unadjusted quoted prices in active markets for identical investments
- Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs including the Fund's own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts,

or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Portfolio's investments as of October 31, 2012.

Investment Type	Level 1	Level 2	Level 3	Total
	Unadjusted quoted prices (000)	Other significant observable inputs (000)	Significant unobservable inputs (000)	
<b>Assets:</b>				
<b>Common Stocks</b>				
Air Freight &				
Logistics	\$ 2,922	\$ -	\$ -	\$ 2,922
Airlines	1,532	-	-	1,532
Automobiles	1,558	-	-	1,558
Beverages	4,447	-	-	4,447
Commercial Banks	20,100	-	-	20,100
Construction				
Materials	1,887	-	-	1,887
Diversified Financial				
Services	1,383	-	-	1,383
Diversified				
Telecommunication				
Services	2,803	-	-	2,803
Energy Equipment &				
Services	2,177	-	-	2,177
Food Products	1,077	-	-	1,077
Industrial				
Conglomerates	3,711	-	-	3,711
Media	1,072	-	-	1,072

Oil, Gas & Consumable				
Fuels	901	-	-	901
Pharmaceuticals	2,096	-	-	2,096
Wireless				
Telecommunication				
Services	1,413	-	-	1,413
<b>Total Common</b>				
Stocks	49,079	-	-	49,079
Participation				
Notes	-	10,150	-	10,150
<b>Total Assets</b>	<b>\$ 49,079</b>	<b>\$ 10,150</b>	<b>\$ -</b>	<b>\$ 59,229</b>

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Portfolio recognizes transfers between the levels as of the end of the period. As of October 31, 2012, securities with a total value of approximately \$5,365,000 transferred from Level 1 to Level 2 as a result of a change in the methodology of evaluating the

(losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Portfolio's net assets consist of securities of issuers located in emerging markets, which are denominated in foreign currencies. Such securities may be concentrated in a limited number of countries and regions and may vary throughout the year. Changes in currency exchange rates will affect the value of and investment income from foreign currency denominated securities. Emerging market securities are often subject to greater price volatility, limited capitalization and liquidity, and higher rates of inflation than U.S. securities. In addition, emerging market issuers may be subject to substantial governmental involvement in the economy and greater social, economic and political uncertainty.

Governmental approval for foreign investments may be required in advance of making an investment under certain circumstances in some countries, and the extent of foreign investments in domestic companies may be subject to limitation in other countries. Foreign ownership limitations also may be imposed by the charters of individual companies to prevent, among other concerns, violations of foreign investment limitations. As a result, an additional class of shares (identified as "Foreign" in the Portfolio of Investments) may be created and offered for investment. The "local" and "foreign shares" market values may differ. In the absence of trading of the foreign shares in such markets, the Fund values the foreign shares at the closing exchange price of the local shares. Such securities, if any, are identified as fair valued in the Portfolio of Investments.

**4. Structured Investments:** The Portfolio invested a portion of its assets in structured investments. A structured investment is a derivative security designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes, warrants and options to purchase securities. The Portfolio will typically use structured investments to gain exposure to a permitted underlying security, currency, commodity or market when direct

**Morgan Stanley Institutional Fund, Inc.**  
Annual Report – October 31, 2012

## Notes to Financial Statements (cont'd)

inputs used in valuating these securities. As of October 31, 2012, securities with a total value of approximately \$26,159,000 transferred from Level 2 to Level 1. At October 31, 2011, the fair market value of certain securities were adjusted due to developments which occurred between the time of the close of the foreign markets on which they trade and the close of business on the NYSE which resulted in their Level 2 classification.

**3. Foreign Currency Translation:** The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars at the mean of the bid and ask prices of such currencies against U.S. dollars last quoted by a major bank as follows:

- investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;
- investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances. However, pursuant to U.S. Federal income tax regulations, gains and losses from certain foreign currency transactions and the foreign currency portion of gains and losses realized on sales and maturities of foreign denominated debt securities are treated as ordinary income for U.S. Federal income tax purposes.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from foreign currency exchange contracts, disposition of foreign currencies, currency gains (losses) realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains

**Morgan Stanley Institutional Fund, Inc.**  
Annual Report – October 31, 2012

## Notes to Financial Statements (cont'd)

access to a market is limited or inefficient from a tax or cost standpoint. Investments in structured investments involve risks including issuer risk, counterparty risk and market risk. Holders of structured investments bear risks of the underlying investment and are subject to issuer or counterparty risk because the Portfolio is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the underlying investment. Certain structured investments may be thinly traded or have a

gains or losses are allocated to each class of shares based upon their relative net assets

**B. Advisory Fees:** The Adviser, a wholly-owned subsidiary of Morgan Stanley, provides the Portfolio with advisory services under the terms of an Investment Advisory Agreement, paid quarterly, at an annual rate of 1.25% of the average daily net assets of the Portfolio.

limited trading market and may have the effect of increasing the Portfolio's illiquidity to the extent that the Portfolio, at a particular time, may be unable to find qualified buyers for these securities.

**5. Redemption Fees:** The Portfolio will assess a 2% redemption fee, on Class I shares, Class P shares, Class H shares and Class L shares, which is paid directly to the Portfolio, for shares redeemed or exchanged within thirty days of purchase, subject to certain exceptions. The redemption fee is designed to protect the Portfolio and its remaining shareholders from the effects of short-term trading. These fees, if any, are included in the Statements of Changes in Net Assets.

**6. Indemnifications:** The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

**7. Other:** Security transactions are accounted for on the date the securities are purchased or sold. Realized gains (losses) on the sale of investment securities are determined on the specific identified cost basis. Dividend income and distributions are recorded on the ex-dividend date (except for certain foreign dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes. Interest income is recognized on the accrual basis. Discounts and premiums on securities purchased are amortized according to the effective yield method over their respective lives. Most expenses of the Fund can be directly attributed to a particular Portfolio. Expenses which cannot be directly attributed are apportioned among the Portfolios based upon relative net assets or other appropriate measures. Income, expenses (other than class specific expenses) and realized and unrealized

The Adviser has agreed to waive and/or reimburse certain fees so that total annual portfolio operating expenses, excluding certain investment related expenses, will not exceed 1.85% for Class I shares, 2.10% for Class P shares, 2.10% for Class H shares and 2.60% for Class L shares. The fee waivers and/or expense reimbursements will continue for at least one year or until such time as the Fund's Board of Directors acts to discontinue all or a portion of such waivers and/or reimbursements when it deems such action is appropriate. For the year ended October 31, 2012, approximately \$71,000 of advisory fees were waived and/or reimbursed pursuant to this arrangement.

**C. Administration Fees:** The Adviser also serves as Administrator to the Fund and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.08% of the Portfolio's average daily net assets. Under a Sub-Administration Agreement between the Administrator and State Street Bank and Trust Company ("State Street"), State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

**D. Distribution and Shareholder Services Fees:** Morgan Stanley Distribution, Inc. ("MSDI" or the "Distributor"), a wholly-owned subsidiary of the Adviser, and an indirect subsidiary of Morgan Stanley, serves as the Fund's Distributor of Portfolio shares pursuant to a Distribution agreement. The Fund has adopted Shareholder Services Plans with respect to Class P and Class H shares pursuant to Rule 12b-1 under the Act. Under the Shareholder Services Plans, the Portfolio pays the Distributor a shareholder services fee, accrued daily and paid monthly, at an annual rate of 0.25% of the Portfolio's average daily net assets attributable to Class P and Class H shares.

The Fund has adopted a Distribution and Shareholder Services Plan with respect to Class L shares pursuant to Rule 12b-1 under the Act. Under the Distribution and Shareholder Services Plan, the Portfolio pays the Distributor a distribution fee, accrued daily and paid monthly, at an annual rate of 0.50% and

20

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Notes to Financial Statements (cont'd)

a shareholder service fee, accrued daily and paid monthly, at an annual rate of 0.25% of the Portfolio's average daily net assets attributable to Class L shares.

The distribution and shareholder services fees are used to support the expenses associated with servicing and maintaining accounts. The Distributor may compensate other parties for providing shareholder support services to investors who purchase Class P, Class H and Class L shares.

**E. Dividend Disbursing and Transfer Agent:** The Fund's dividend disbursing and transfer agent is Morgan Stanley Services Company Inc. ("Morgan Stanley Services"). Pursuant to a transfer agency agreement, the Fund pays Morgan Stanley Services a fee based on the number of classes, accounts and transactions relating to the Portfolios of the Fund.

**F. Custodian Fees:** State Street (the "Custodian") serves as Custodian for the Fund in accordance with a custodian agreement. The Custodian holds cash, securities, and other assets of the Fund as required by the Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

The Fund has entered into an arrangement with its Custodian whereby credits realized on uninvested cash balances were used to offset a portion of the Portfolio's expenses. If applicable, these custodian credits are shown as "Expense Offset" in the Statement of Operations.

**G. Security Transactions and Transactions with Affiliates:** For the year ended October 31, 2012, purchases and sales of investment securities for the Portfolio, other than long-term U.S. Government securities and short-term investments, were approximately \$46,671,000 and \$78,905,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the year ended October 31, 2012.

The Portfolio invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds – Money Market Portfolio (the "Liquidity Funds"), an open-end management investment company managed by the Adviser. Advisory fees paid by the Portfolio are reduced by an amount equal to its pro-rata share of advisory and administration fees paid by the Portfolio due to its investments in the Liquidity Funds. For the year ended October 31, 2012, advisory fees paid were reduced by approximately \$5,000 relating to the Portfolio's investment in the Liquidity Funds.

A summary of the Portfolio's transactions in shares of the Liquidity Funds during the year ended October 31, 2012 is as follows:

Value October 31, 2011 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value October 31, 2012 (000)
\$ 1,577	\$ 41,313	\$ 42,890	\$ 6	\$ -

During the year ended October 31, 2012, the Portfolio incurred approximately \$9,000 in brokerage commissions with Citigroup, Inc., and its affiliated broker-dealers, which may be deemed affiliates of the Adviser, Administrator and Distributor under Section 17 of the Act, for portfolio transactions executed on behalf of the Portfolio.

The Portfolio has an unfunded Deferred Compensation Plan (the "Compensation Plan"), which allows each independent Director to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Directors. Each eligible Director generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Portfolio.

**H. Federal Income Taxes:** It is the Portfolio's intention to continue to qualify as a regulated investment company and distribute all of its taxable and tax-exempt income. Accordingly, no provision for Federal income taxes is required in the financial statements.

Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income is recognized on an accrual basis. Dividends from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed at least annually.

The Portfolio may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based on net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned. Taxes may also be based on transactions in foreign currency and are accrued based on the value of investments denominated in such currency.

FASB ASC 740-10, *Income Taxes – Overall*, sets forth a minimum threshold for financial statement recognition of the

21

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Notes to Financial Statements (cont'd)

benefit of a tax position taken or expected to be taken in a tax return. Management has concluded there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Portfolio recognizes interest accrued related to unrecognized tax benefits in "Interest

unrealized appreciation is approximately \$9,527,000 and the aggregate gross unrealized depreciation is approximately \$2,193,000 resulting in net unrealized appreciation of approximately \$7,334,000.

Expense" and penalties in "Other Expenses" in the Statement of Operations. The Portfolio files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended October 31, 2012, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal 2012 and 2011 was as follows:

2012		2011	
Distributions		Distributions	
Paid From:		Paid From:	
Ordinary	Long-Term	Ordinary	Long-Term
Income	Capital Gain	Income	Capital Gain
(000)	(000)	(000)	(000)
\$ 1,445	-	\$ 1,310	-

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from GAAP. These book/tax differences are either considered temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions, resulted in the following reclassifications among the components of net assets at October 31, 2012:

Accumulated	Accumulated	
Undistributed	Net Realized	Paid-in-
Net Investment	Loss	Capital
Income	(000)	(000)
\$ (131 )	\$ 133	\$ (2 )

At October 31, 2012, the components of distributable earnings for the Portfolio on a tax basis were as follows:

Undistributed	Undistributed
Ordinary	Long-Term
Income	Capital Gain
(000)	(000)
\$ 1,093	-

At October 31, 2012, the aggregate cost for federal income tax purposes is approximately \$51,895,000. The aggregate gross

Presentation Matters or are subject to enforceable master netting agreements or similar agreements. The Fund will be required to disclose information about rights to offset and related arrangements (such as collateral agreements) in order to enable financial statement users to understand the effect of those rights and arrangements on its financial position as well as disclose the following (1) gross amounts; (2) amounts offset in the statement of financial position; (3) any other amounts that can be offset in the event of bankruptcy, insolvency or default of any of the parties (including cash and noncash financial collateral); and (4) the Fund's net exposure. The requirements are effective for annual reporting periods beginning on or after January 1, 2013, and must be applied retrospectively. At this time, the Fund's management is evaluating the implications of ASU 2011-11 and its impact, if any, on the financial statements.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was signed into law. The Modernization Act modernizes several tax provisions related to Regulated Investment Companies ("RICs") and their shareholders. One key change made by the Modernization Act is that capital losses will generally retain their character as short-term or long-term and may be carried forward indefinitely to offset future gains. These losses are utilized before other capital loss carryforwards that expire. Generally, the Modernization Act is effective for taxable years beginning after December 22, 2010.

At October 31, 2012, the Portfolio had available for Federal income tax purposes unused short term and long term capital losses of approximately \$648,000 and \$1,277,000, respectively that do not have an expiration date.

In addition, at October 31, 2012, the Portfolio had available for Federal income tax purposes unused capital losses, which will expire on the indicated dates:

Amount	Expiration
(000)	
\$ 10,566	October 31, 2016
26,532	October 31, 2017
4,191	October 31, 2018

To the extent that capital loss carryforwards are used to offset any future capital gains realized during the carryover period as provided by U.S. Federal income tax regulations, no capital gains tax liability will be incurred by the Portfolio for gains realized and not distributed. To the extent that capital gains are offset, such gains will not be distributed to the shareholders.

**I. Other (unaudited):** At October 31, 2012, the Portfolio had otherwise unaffiliated record owners of 10% or greater. Investment activities of these shareholders could have a material impact on the Portfolio. The aggregate percentage of such owners was 35.1% for Class I.

**J. Accounting Pronouncement:** In December 2011, FASB issued Accounting Standards Update ("ASU") 2011-11, Balance Sheet: Disclosures about Offsetting Assets and Liabilities. The pronouncement improves disclosures for recognized financial and derivative instruments that are either offset on the balance sheet in accordance with the offsetting guidance in ASC 210-20-45, Balance Sheet: Offsetting – Other Presentation Matters or ASC 815-10-45, Derivatives: Overall – Other

22

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Notes to Financial Statements (cont'd)

23

Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012

## Report of Independent Registered Public Accounting Firm

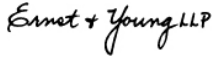
To the Shareholders and Board of Directors of  
Morgan Stanley Institutional Fund, Inc. –  
Frontier Emerging Markets Portfolio

We have audited the accompanying statement of assets and liabilities of Frontier Emerging Markets Portfolio (Formerly Morgan Stanley Frontier Emerging Markets Fund, Inc.) (one of the portfolios constituting The Morgan Stanley Institutional Fund, Inc. ("the Portfolio")), including the portfolio of investments, as of October 31, 2012, and the related statement of operations for the year then ended, the statements in changes in net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Portfolios management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Portfolio's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2012 by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.



In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Frontier Emerging Markets Portfolio of the Morgan Stanley Institutional Fund, Inc. at October 31, 2012, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended and the financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.



Boston Massachusetts  
December 21, 2012

24

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

## U.S. Privacy Policy (unaudited)

### AN IMPORTANT NOTICE CONCERNING OUR U.S. PRIVACY POLICY

*This privacy notice describes the U.S. privacy policy of Morgan Stanley Distribution, Inc., and the Morgan Stanley family of mutual funds ("us", "our", "we").*

We are required by federal law to provide you with notice of our U.S. privacy policy ("Policy"). This Policy applies to both our current and former clients unless we state otherwise and is intended for individual clients who purchase products or receive services from us for personal, family or household purposes. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders, nor is this Policy applicable to individuals who are either beneficiaries of a trust for which we serve as trustee or participants in an employee benefit plan administered or advised by us. This Policy is, however, applicable to individuals who select us to be a custodian of securities or assets in individual retirement accounts, 401(k) accounts, or accounts subject to the Uniform Gifts to Minors Act.

This notice sets out our business practices to protect your privacy; how we collect and share personal information about you; and how you can limit our sharing or certain uses by others of this information. We may amend this Policy at any time, and will inform you of any changes to our Policy as required by law.

### WE RESPECT YOUR PRIVACY

We appreciate that you have provided us with your personal financial information and understand your concerns about your information. We strive to safeguard the information our clients entrust to us. Protecting the confidentiality and security of client information is an important part of how we conduct our business.

This notice describes what personal information we collect about you, how we collect it, when we may share it with others, and how certain others may use it. It discusses the steps you may take to limit our sharing of certain information about you with our affiliated companies, including, but not limited to our affiliated banking businesses, brokerage firms and credit service affiliates. It also discloses how you may limit our affiliates' use of shared information for marketing purposes.

Throughout this Policy, we refer to the nonpublic information that personally identifies you as "personal information." We also use the term "affiliated company" in this notice. An affiliated company is a company in our family of companies and includes companies with the Morgan Stanley name. These affiliated companies are financial institutions such as broker-dealers, banks, investment advisers and credit card issuers. We refer to any company that is not an affiliated company as a nonaffiliated third party. For purposes of Section 5 of this notice, and your ability to limit certain uses of personal information by our affiliates, this notice applies to the use of personal information by our affiliated companies.

### 1. WHAT PERSONAL INFORMATION DO WE COLLECT FROM YOU?

We may collect the following types of information about you: (i) information provided by you, including information from applications and other forms we receive from you, (ii) information about your transactions with us or our affiliates, (iii) information about your transactions with nonaffiliated third parties, (iv) information from consumer reporting agencies, (v) information obtained from our websites, and (vi) information obtained from other sources. For example:

- We collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.
- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.

### 2. WHEN DO WE DISCLOSE PERSONAL INFORMATION WE COLLECT ABOUT YOU?

*We may disclose personal information we collect about you in each of the categories listed above to affiliated and nonaffiliated third parties.*

25

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

## U.S. Privacy Policy (unaudited) (cont'd)

### a. Information We Disclose to Affiliated Companies.

We may disclose personal information that we collect about you to our affiliated companies to manage your account(s) effectively, to service and process your transactions, and to let you know about products and services offered by us and affiliated companies, to manage our business, and as otherwise required or permitted by law. Offers for products and services from affiliated companies are developed under conditions designed to safeguard your personal information.

### b. Information We Disclose to Third Parties.

We may disclose personal information that we collect about you to nonaffiliated third parties to provide marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. We may also disclose all of the information we collect to other nonaffiliated third parties for our everyday business purposes, such as to process transactions, maintain account(s), respond to court orders and legal investigations, report to credit bureaus, offer our own products and services, protect against fraud, for institutional risk control, to perform services on our behalf, and as otherwise required or permitted by law.

When we share personal information about you with a nonaffiliated third party, they are required to limit their use of personal information about you to the particular purpose for which it was shared and they are not allowed to share personal information about you with others except to fulfill that limited purpose or as may be permitted or required by law.

### 3. HOW DO WE PROTECT THE SECURITY AND CONFIDENTIALITY OF PERSONAL INFORMATION WE COLLECT ABOUT YOU?

We maintain physical, electronic and procedural security measures that comply with applicable law and regulations to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information by employees. Third parties that provide support or marketing services on our behalf may also receive personal information about you, and we require them to adhere to appropriate security standards with respect to such information.

**4. HOW CAN YOU LIMIT OUR SHARING CERTAIN PERSONAL INFORMATION ABOUT YOU WITH OUR AFFILIATED COMPANIES FOR ELIGIBILITY DETERMINATION?**

By following the opt-out procedures in Section 6 below, you may limit the extent to which we share with our affiliated companies, personal information that was collected to determine your eligibility for products and services such as your credit reports and other information that you have provided to us or that we may obtain from third parties ("eligibility information"). Eligibility information does not include your identification information or personal information pertaining to our transactions or experiences with you. Please note that, even if you direct us not to share eligibility information with our affiliated companies, we may still share your personal information, including eligibility information, with our affiliated companies under circumstances that are permitted under applicable law, such as to process transactions or to service your account.

**5. HOW CAN YOU LIMIT THE USE OF CERTAIN PERSONAL INFORMATION ABOUT YOU BY OUR AFFILIATED COMPANIES FOR MARKETING?**

By following the opt-out instructions in Section 6 below, you may limit our affiliated companies from marketing their products or services to you based on personal information we disclose to them. This information may include, for example, your income and account history with us. Please note that, even if you choose to limit our affiliated companies from using personal information about you that we may share with them for marketing their products and services to you, our affiliated companies may use your personal information that they obtain from us to market to you in circumstances permitted by law, such as if the affiliated party has its own relationship with you.

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

**U.S. Privacy Policy (unaudited) (cont'd)**

**6. HOW CAN YOU SEND US AN OPT-OUT INSTRUCTION?**

If you wish to limit our sharing of eligibility information about you with our affiliated companies, or our affiliated companies' use of personal information for marketing purposes, as described in this notice, you may do so by:

- Calling us at (800) 548-7786  
 Monday– Friday between 8a.m. and 5p.m. (EST)
- Writing to us at the following address:  
 Morgan Stanley Services Company Inc.  
 c/o Privacy Coordinator  
 201 Plaza Two, 3rd Floor  
 Jersey City, New Jersey 07311

If you choose to write to us, your request should include: your name, address, telephone number and account number(s) to which the opt-out applies and whether you are opting out with respect to sharing of eligibility information (Section 4 above), or information used for marketing (Section 5 above), or both. Written opt-out requests should not be sent with any other correspondence. In order to process your request, we require that the request be provided by you directly and not through a third party. Once you have informed us about your privacy preferences, your opt-out preference will remain in effect with respect to this Policy (as it may be amended) until you notify us otherwise. If you are a joint account owner, we will accept instructions from any one of you and apply those instructions to the entire account.

Please understand that if you limit our sharing or our affiliated companies' use of personal information, you and any joint account holder(s) may not receive information about our affiliated companies' products and services, including products or services that could help you manage your financial resources and achieve your investment objectives.

If you have more than one account or relationship with us, please specify the accounts to which you would like us to apply your privacy choices. If you have accounts or relationships with our affiliates, you may receive multiple privacy policies from them, and will need to separately notify those companies of your privacy choices for those accounts or relationships.

**7. WHAT IF AN AFFILIATED COMPANY BECOMES A NONAFFILIATED THIRD PARTY?**

If, at any time in the future, an affiliated company becomes a nonaffiliated third party, further disclosures of personal information made to the former affiliated company will be limited to those described in Section 2(b) above relating to nonaffiliated third parties. If you elected under Section 6 to limit disclosures we make to affiliated companies, or use of personal information by affiliated companies, your election will not apply to use by any former affiliated company of your personal information in their possession once it becomes a nonaffiliated third party.

**SPECIAL NOTICE TO RESIDENTS OF VERMONT**

The following section supplements our Policy with respect to our individual clients who have a Vermont address and supersedes anything to the contrary in the above Policy with respect to those clients only.

The State of Vermont requires financial institutions to obtain your consent prior to sharing personal information that they collect about you with nonaffiliated third parties, or eligibility information with affiliated companies, other than in certain limited circumstances. Except as permitted by law, we will not share personal information we collect about you with nonaffiliated third parties or eligibility information with affiliated companies, unless you provide us with your written consent to share such information.

**SPECIAL NOTICE TO RESIDENTS OF CALIFORNIA**

The following section supplements our Policy with respect to our individual clients who have a California address and supersedes anything to the contrary in the above Policy with respect to those clients only.

In response to a California law, if your account has a California home address, your personal information will not be disclosed to nonaffiliated third parties except as permitted by applicable California law, and we will limit sharing such personal information with our affiliates to comply with California privacy laws that apply to us.

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

**Director and Officer Information (unaudited)**

Independent Director:

Name, Age and Address of Independent Director	Position(s) Held with Time	Length of Time	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***

Frank L. Bowman (68) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director Since August 2006	President, Strategic Decisions, LLC (consulting) (since February 2009); Director or Trustee of various Morgan Stanley Funds (since August 2006); Chairperson of the Insurance Sub-Committee of the Compliance and Insurance Committee (since February 2007); served as President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (February 2005-November 2008); retired as Admiral, U.S. Navy after serving over 38 years on active duty including 8 years as Director of the Naval Nuclear Propulsion Program in the Department of the Navy and the U.S. Department of Energy (1996-2004); served as Chief of Naval Personnel (July 1994-September 1996); and on the Joint Staff as Director of Political Military Affairs (June 1992-July 1994); Knighted as Honorary Knight Commander of the Most Excellent Order of the British Empire; Awarded the Officer de l'Ordre National du Mérite by the French Government; elected to the National Academy of Engineering (2009).	102	Director of BP p.l.c.; Director of Naval and Nuclear Technologies LLP; Director of the Armed Services YMCA of the USA and the Naval Submarine League; Director of the American Shipbuilding Suppliers Association; Member of the National Security Advisory Council of the Center for U.S. Global Engagement and a member of the CNA Military Advisory Board; Member of the American Lung Association's President's Council.
Michael Bozic (71) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director Since April 1994	Private investor; Chairperson of the Compliance and Insurance Committee (since October 2006); Director or Trustee of various Morgan Stanley Funds (since April 1994); formerly, Chairperson of the Insurance Committee (July 2006-September 2006); Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co.	104	Director of various business organizations.
Kathleen A. Dennis (59) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director Since August 2006	President, Cedarwood Associates (mutual fund and investment management consulting) (since July 2006); Chairperson of the Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).	102	Director of various non-profit organizations.

**Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012**

**Director and Officer Information (unaudited) (cont'd)**

Independent Director: (cont'd)

Name, Age and Address of Independent Director	Position(s) Held with Director	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Dr. Manuel H. Johnson (63) c/o Johnson Smick Group, Inc. 888 16th Street, N.W. Suite 740	Director	Since July 1991	Senior Partner, Johnson Smick International, Inc. (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since July 1991); Co-Chairman and a founder of the Group of Seven Council (G7C) (international economic commission); formerly, Chairperson of the Audit Committee (July 1991-September 2006), Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	104	Director of NVR, Inc. (home construction).

Washington, D.C. 20006					
Joseph J. Kearns (70) c/o Kearns & Associates LLC PMB754 22631 Pacific Coast Highway Malibu, CA 90265	Director	Since August 1994	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 1994); formerly, Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of various Morgan Stanley Funds (since August 1994); CFO of the J. Paul Getty Trust.	105	Director of Electro Rent Corporation (equipment leasing) and The Ford Family Foundation.
Michael F. Klein (54) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since August 2006	Managing Director, Aetos Capital, LLC (since March 2000) and Co-President, Aetos Alternatives Management, LLC (since January 2004); Chairperson of the Fixed Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, various Morgan Stanley Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999).	102	Director of certain investment funds managed or sponsored by Aetos Capital, LLC. Director of Sanitized AG and Sanitized Marketing AG (specialty chemicals).
Michael E. Nugent (76) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022	Chairperson of the Board and Director	Chairperson since July 2006 and Director since July 1991	General Partner, Triumph Capital, L.P. (private investment partnership); Chairperson of the Boards of various Morgan Stanley Funds (since July 2006); Chairperson of the Closed-End Fund Committee (since June 2012) and Director or Trustee of various Morgan Stanley Funds (since July 1991); formerly, Chairperson of the Insurance Committee (until July 2006).	104	None.
W. Allen Reed (65) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, President and CEO of General Motors Asset Management; Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).	102	Director of Temple-Inland Industries (packaging and forest products); Director of Legg Mason, Inc. and Director of the Auburn University Foundation.
Fergus Reid (80) c/o Joe Pietryka, Inc. 85 Charles Colman Blvd. Pawling, NY 12564	Director	Since June 1992	Chairman, Joe Pietryka, Inc.; Chairperson of the Governance Committee and Director or Trustee of various Morgan Stanley Funds (since June 1992).	105	Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by JP Morgan Investment Management Inc.

## Director and Officer Information (unaudited) (cont'd)

Interested Director:

Name, Age and Address of Interested Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Interested Director**	Other Directorships Held by Interested Director***
James F. Higgins (64) c/o Morgan Stanley Services Company Inc. Harborside Financial Center 201 Plaza Two Jersey City, NJ 07311	Director Since June 2000	Since June 2000	Director or Trustee of various Morgan Stanley Funds (since June 2000); Senior Advisor of Morgan Stanley (since August 2000).	103	Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services).

\* Each Director serves an indefinite term, until his or her successor is elected.

\*\* The Fund Complex includes (as of December 31, 2011) all open-end and closed-end funds (including all of their portfolios) advised by Morgan Stanley Investment Management Inc. (the "Adviser") and any funds that have an adviser that is an affiliated person of the Adviser (including, but not limited to, Morgan Stanley AIP GP LP).

\*\*\* This includes any directorships at public companies and registered investment companies held by the Director at any time during the past five years.

**Morgan Stanley Institutional Fund, Inc.  
Annual Report – October 31, 2012**

**Director and Officer Information (unaudited) (cont'd)**

**Executive Officers:**

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Arthur Lev (51) 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer- Equity and Fixed Income Funds	Since June 2011	President and Principal Executive Officer (since June 2011) of the Equity and Fixed Income Funds in the Fund Complex; Head of the Long Only Business of Morgan Stanley Investment Management (since February 2011); Managing Director of the Adviser and various entities affiliated with the Adviser (since December 2006). Formerly, Chief Strategy Officer of Morgan Stanley Investment Management's Traditional Asset Management business (November 2010-February 2011); General Counsel of Morgan Stanley Investment Management (December 2006-February 2010); Partner and General Counsel of FrontPoint Partners LLC (July 2002-December 2006); Managing Director and General Counsel of Morgan Stanley Investment Management (May 2000-June 2002).
Mary Ann Piccolotto (39) c/o Morgan Stanley Services Company Inc. Harborside Financial Center 201 Plaza Two Jersey City, NJ 07311	Chief Compliance Officer	Since May 2010	Managing Director of the Adviser and various entities affiliated with the Adviser; Chief Compliance Officer of various Morgan Stanley Funds (since May 2010); Chief Compliance Officer of the Adviser (since April 2007).
Stefanie V. Chang Yu (46) 522 Fifth Avenue New York, NY 10036	Vice President	Since December 1997	Managing Director of the Adviser and various entities affiliated with the Adviser; Vice President of various Morgan Stanley Funds (since December 1997).
Francis J. Smith (47) c/o Morgan Stanley Services Company Inc.	Treasurer and Principal Financial Officer	Treasurer since July 2003 and Principal Financial Officer since September 2002	Executive Director of the Adviser and various entities affiliated with the Adviser; Treasurer and Principal Financial Officer of various Morgan Stanley Funds (since July 2003).

Harborside  
Financial  
Center  
201 Plaza  
Two  
Jersey City,  
NJ 07311

Mary E. Mullin Secretary Since Executive Director of the Adviser and various entities affiliated with the Adviser; Secretary of various Morgan Stanley Funds (since June 1999).  
(45) June  
522 Fifth Avenue 1999  
New York, NY  
10036

\* Each officer serves an indefinite term, until his or her successor is elected.

---

**Morgan Stanley Institutional Fund, Inc.**  
**Annual Report – October 31, 2012**

**Adviser and Administrator**

Morgan Stanley Investment Management Inc.  
522 Fifth Avenue  
New York, New York 10036

**Distributor**

Morgan Stanley Distribution, Inc.  
522 Fifth Avenue  
New York, New York 10036

**Dividend Disbursing and Transfer Agent**

Morgan Stanley Services Company Inc.  
P.O. Box 219804  
Kansas City, Missouri 64121

**Custodian**

State Street Bank and Trust Company  
One Lincoln Street  
Boston, Massachusetts 02111

**Legal Counsel**

Dechert LLP  
1095 Avenue of the Americas  
New York, New York 10036

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
200 Clarendon Street  
Boston, Massachusetts 02116

**Reporting to Shareholders**

Each Morgan Stanley fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the fund's second and fourth fiscal quarters by filing the schedule electronically with the Securities and Exchange Commission (SEC). The semi-annual reports are filed on Form N-CSRS and the annual reports are filed on Form N-CSR. Morgan Stanley also delivers the semi-annual and annual reports to fund shareholders and makes these reports available on its public website, [www.morganstanley.com/im](http://www.morganstanley.com/im). Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to shareholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, [www.sec.gov](http://www.sec.gov). You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC toll free at 1 (800)-SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's email address ([publicinfo@sec.gov](mailto:publicinfo@sec.gov)) or by writing the Public Reference Room of the SEC, Washington, DC 20549-0102.

**Proxy Voting Policies and Procedures and Proxy Voting Record**

You may obtain a copy of the Fund's Proxy Voting Policy and Procedures and information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, without charge, upon request, by calling toll free 1 (800)-548-7786 or by visiting our website at [www.morganstanley.com/im](http://www.morganstanley.com/im). This information is also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

This report is authorized for distribution only when preceded or accompanied by a prospectus of the Fund which describes in detail each Investment Portfolio's investment policies, risks, fees and expenses. Please read the prospectus carefully before you invest or send money. For additional information, including information regarding the investments comprising the Portfolio, please visit our website at [www.morganstanley.com/im](http://www.morganstanley.com/im) or call toll free 1 (800)-548-7786.

Printed in U.S.A.

This Report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.

Morgan Stanley Investment Management Inc.  
522 Fifth Avenue  
New York, New York 10036

© 2012 Morgan Stanley. Morgan Stanley Distribution, Inc.

**Morgan Stanley**

Item 2. Code of Ethics.

- (a) The Trust/Fund has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Trust/Fund or a third party.
- (b) No information need be disclosed pursuant to this paragraph.
- (c) Not applicable.
- (d) Not applicable.
- (e) Not applicable.
- (f)
- (1) The Trust/Fund' s Code of Ethics is attached hereto as Exhibit 12 A.
- (2) Not applicable.
- (3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Fund' s Board of Trustees has determined that Joseph J. Kearns, an "independent" Trustee, is an "audit committee financial expert" serving on its audit committee. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.

Item 4. Principal Accountant Fees and Services.

(a)(b)(c)(d) and (g). Based on fees billed for the periods shown:

2012

	Registrant	Covered Entities(1)
<b>Audit Fees</b>	\$ 85,000	N/A
<b>Non-Audit Fees</b>		
<b>Audit-Related Fees</b>	\$ (2)	\$ 201,000(2)
<b>Tax Fees</b>	\$ 3,380(3)	\$ 854,999(4)
<b>All Other Fees</b>	\$	\$
<b>Total Non-Audit Fees</b>	\$ 3,380	\$ 1,055,099
<b>Total</b>	\$ 88,380	\$ 1,055,099

2011

	Registrant	Covered Entities(1)
<b>Audit Fees</b>	\$ 85,000	N/A
<b>Non-Audit Fees</b>		
<b>Audit-Related Fees</b>	\$ (2)	\$ (2)
<b>Tax Fees</b>	\$ 3,380(3)	\$ 89,626(4)
<b>All Other Fees</b>	\$	\$ 390,354(5)
<b>Total Non-Audit Fees</b>	\$ 3,380	\$ 479,980
<b>Total</b>	\$ 88,380	\$ 479,980

N/A- Not applicable, as not required by Item 4.

- (1) Covered Entities include the Adviser (excluding sub-advisors) and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Registrant.
- (2) Audit-Related Fees represent assurance and related services provided that are reasonably related to the performance of the audit of the financial statements of the Covered Entities' and funds advised by the Adviser or its affiliates, specifically data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements.
- (3) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the preparation and review of the Registrant' s tax returns.
- (4) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the review of Covered Entities' tax returns.
- (5) All other fees represent project management for future business applications and improving business and operational processes.

(e)(1) The audit committee' s pre-approval policies and procedures are as follows:

**AUDIT COMMITTEE  
AUDIT AND NON-AUDIT SERVICES  
PRE-APPROVAL POLICY AND PROCEDURES  
OF THE  
MORGAN STANLEY RETAIL AND INSTITUTIONAL FUNDS**

**AS ADOPTED AND AMENDED JULY 23, 2004,(1)**

**1. Statement of Principles**

The Audit Committee of the Board is required to review and, in its sole discretion, pre-approve all Covered Services to be provided by the Independent Auditors to the Fund and Covered Entities in order to assure that services performed by the Independent Auditors do not impair the auditor's independence from the Fund.

The SEC has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the audit committee's administration of the engagement of the independent auditor. The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval"); or require the specific pre-approval of the Audit Committee or its delegate ("specific pre-approval"). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the Independent Auditors. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee (or by any member of the Audit Committee to which pre-approval authority has been delegated) if it is to be provided by the Independent Auditors. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers and provides a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the Independent Auditors without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

(1) This Audit Committee Audit and Non-Audit Services Pre-Approval Policy and Procedures (the "Policy"), adopted as of the date above, supersedes and replaces all prior versions that may have been adopted from time to time.

---

The purpose of this Policy is to set forth the policy and procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the Independent Auditors to management.

The Fund's Independent Auditors have reviewed this Policy and believes that implementation of the Policy will not adversely affect the Independent Auditors' independence.

**2. Delegation**

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

**3. Audit Services**

The annual Audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the Independent Auditors to be able to form an opinion on the Fund's financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Fund structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other Audit services, which are those services that only the Independent Auditors reasonably can provide. Other Audit services may include statutory audits and services associated with SEC registration statements (on Forms N-1A, N-2, N-3, N-4, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the Audit services in Appendix B.1. All other Audit services not listed in Appendix B.1 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

**4. Audit-related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements and, to the extent they are Covered Services, the Covered Entities or that are traditionally performed by the Independent Auditors. Because the Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters

---

not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under Forms N-SAR and/or N-CSR.

The Audit Committee has pre-approved the Audit-related services in Appendix B.2. All other Audit-related services not listed in Appendix B.2 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

**5. Tax Services**

The Audit Committee believes that the Independent Auditors can provide Tax services to the Fund and, to the extent they are Covered Services, the Covered Entities, such as tax compliance, tax planning and tax advice without impairing the auditor's independence, and the SEC has stated that the Independent Auditors may provide such services.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the Tax Services in Appendix B.3. All Tax services in Appendix B.3 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

**6. All Other Services**



The Audit Committee believes, based on the SEC's rules prohibiting the Independent Auditors from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

The Audit Committee has pre-approved the All Other services in Appendix B.4. Permissible All Other services not listed in Appendix B.4 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 7. Pre-Approval Fee Levels or Budgeted Amounts

Pre-approval fee levels or budgeted amounts for all services to be provided by the Independent Auditors will be established annually by the Audit Committee. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services.

#### 8. Procedures

All requests or applications for services to be provided by the Independent Auditors that do not require specific approval by the Audit Committee will be submitted to the Fund's Chief Financial Officer and must include a detailed description of the services to be

---

rendered. The Fund's Chief Financial Officer will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the Independent Auditors. Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the Independent Auditors and the Fund's Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Fund's Chief Financial Officer to monitor the performance of all services provided by the Independent Auditors and to determine whether such services are in compliance with this Policy. The Fund's Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Fund's Chief Financial Officer and management will immediately report to the chairman of the Audit Committee any breach of this Policy that comes to the attention of the Fund's Chief Financial Officer or any member of management.

#### 9. Additional Requirements

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the Independent Auditors and to assure the auditor's independence from the Fund, such as reviewing a formal written statement from the Independent Auditors delineating all relationships between the Independent Auditors and the Fund, consistent with Independence Standards Board No. 1, and discussing with the Independent Auditors its methods and procedures for ensuring independence.

#### 10. Covered Entities

Covered Entities include the Fund's investment adviser(s) and any entity controlling, controlled by or under common control with the Fund's investment adviser(s) that provides ongoing services to the Fund(s). Beginning with non-audit service contracts entered into on or after May 6, 2003, the Fund's audit committee must pre-approve non-audit services provided not only to the Fund but also to the Covered Entities if the engagements relate directly to the operations and financial reporting of the Fund. This list of Covered Entities would include:

##### Morgan Stanley Retail Funds

Morgan Stanley Investment Advisors Inc.  
Morgan Stanley & Co. Incorporated  
Morgan Stanley DW Inc.  
Morgan Stanley Investment Management Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Morgan Stanley Services Company, Inc.  
Morgan Stanley Distributors Inc.  
Morgan Stanley Trust FSB

---

##### Morgan Stanley Institutional Funds

Morgan Stanley Investment Management Inc.  
Morgan Stanley Investment Advisors Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Morgan Stanley & Co. Incorporated  
Morgan Stanley Distribution, Inc.  
Morgan Stanley AIP GP LP  
Morgan Stanley Alternative Investment Partners LP

(e)(2) Beginning with non-audit service contracts entered into on or after May 6, 2003, the audit committee also is required to pre-approve services to Covered Entities to the extent that the services are determined to have a direct impact on the operations or financial reporting of the Registrant. 100% of such services were pre-approved by the audit committee pursuant to the Audit Committee's pre-approval policies and procedures (attached hereto).

(f) Not applicable.

(g) See table above.

(h) The audit committee of the Board of Trustees has considered whether the provision of services other than audit services performed by the auditors to the Registrant and Covered Entities is compatible with maintaining the auditors' independence in performing audit services.

Item 5. Audit Committee of Listed Registrants.

(a) The Fund has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act whose members are: Joseph Kearns, Michael Nugent and Allen Reed.

(b) Not applicable.

Item 6.

(a) See Item 1.

(b) Not applicable.

---

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Fund/Trust invests in exclusively non-voting securities and therefore this item is not applicable.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable only to reports filed by closed-end funds.

#### **Morgan Stanley Frontier Emerging Markets Fund, Inc.**

#### **FUND MANAGEMENT**

**PORTFOLIO MANAGEMENT.** As of the date of this report, the Fund is managed by members of the Emerging Markets Equity team. The team consists of portfolio managers and analysts. The current member of the team primarily responsible for the day-to-day management of the Fund's portfolio and the overall execution of the strategy of the Fund is Tim Drinkall, an Executive Director of the Adviser.

Mr. Drinkall has been associated with the Adviser in an investment management capacity since October 2007 and began managing the Fund at inception. Prior to joining the Adviser, Mr. Drinkall was a Fund Manager at Gustavia Capital from July 2005 to October 2007. Mr. Drinkall is the lead portfolio manager. Certain other members of the team collaborate to manage the assets of the Fund, but are not primarily responsible for the day-to-day management of the Fund.

The composition of the team may change from time to time.

#### **OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGER**

As of October 31, 2012:

Mr. Drinkall managed one registered investment company with a total of approximately \$85.0 million in assets; three pooled investment vehicles other than registered investment companies with a total of approximately \$2.4 billion in assets; and 19 other accounts with a total of approximately \$5.2 billion in assets. Of these other accounts, three accounts with a total of approximately \$1.6 billion in assets had performance-based fees.

Because the portfolio manager manages assets for other investment companies, pooled investment vehicles and/or other accounts (including institutional clients, pension plans and certain high net worth individuals), there may be an incentive to favor one client over another resulting in conflicts of interest. For instance, the Adviser may receive fees from certain accounts that are higher than the fee it receives from the Fund, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio manager may have an incentive to favor the higher and/or performance-based fee accounts over the Fund. In addition, a conflict of interest could exist to the extent the Adviser has proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in the Adviser's employee benefits and/or deferred compensation plans. The portfolio manager may have an incentive to favor these accounts over others. If the Adviser manages accounts that engage in short sales of securities of the type in which the Fund invests, the Adviser could be seen as harming the performance of the Fund for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall. The Adviser has adopted trade allocation and other

---

policies and procedures that it believes are reasonably designed to address these and other conflicts of interest.

#### **PORTFOLIO MANAGER COMPENSATION STRUCTURE**

Portfolio managers receive a combination of base compensation and discretionary compensation, comprising a cash bonus and several deferred compensation programs described below. The methodology used to determine portfolio manager compensation is applied across all funds/accounts managed by the portfolio managers.

**BASE SALARY COMPENSATION.** Generally, portfolio managers receive base salary compensation based on the level of their position with the Adviser.

**DISCRETIONARY COMPENSATION.** In addition to base compensation, portfolio managers may receive discretionary compensation.

Discretionary compensation can include:

- Cash Bonus.
- Morgan Stanley's Long Term Incentive Compensation awards - a mandatory program that defers a portion of discretionary year-end compensation into restricted stock units or other awards based on Morgan Stanley common stock or other plans that are subject to vesting and other conditions. All long-term incentive compensation awards are subject to clawback provisions where awards can be cancelled if an employee takes any action, or omits to take any action which causes a restatement of Morgan Stanley's consolidated financial results, or constitutes a violation of Morgan Stanley's risk policies and standards.
- Investment Management Alignment Plan (IMAP) awards - a mandatory program that defers a portion of discretionary year-end compensation and notionally invests it in designated funds advised by the Adviser or its affiliates. The award is subject to vesting and other conditions. Portfolio managers must notionally invest a minimum of 25% to a maximum of 100% of their IMAP deferral account into a combination of the designated funds they manage that are included in the IMAP fund menu, which may or may not include the Fund. In addition to the clawbacks listed above for long-term incentive compensation awards, the provision on IMAP awards is further strengthened such that it may also be triggered if an employee's actions cause substantial financial loss on the trading strategy, investment, commitment or other holding provided that previous gains on those positions were relevant to the employee's prior year compensation decisions.
- Voluntary Deferred Compensation Plans - voluntary programs that permit certain employees to elect to defer a portion of their discretionary year-end compensation and notionally invest the deferred amount across a range of designated investment funds, which may include funds advised by the Adviser or its affiliates.

Several factors determine discretionary compensation, which can vary by portfolio management team and circumstances. These factors include:



---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Morgan Stanley Frontier Emerging Markets Fund Inc.

/s/ Arthur Lev

Arthur Lev  
Principal Executive Officer  
December 13, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Arthur Lev

Arthur Lev  
Principal Executive Officer  
December 13, 2012

/s/ Francis Smith

Francis Smith  
Principal Financial Officer  
December 13, 2012

---

## EXHIBIT 12 A

**CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS**

**ADOPTED SEPTEMBER 28, 2004, AS AMENDED SEPTEMBER 20, 2005, DECEMBER 1, 2006, JANUARY 1, 2008, SEPTEMBER 25, 2008 AND APRIL 23, 2009**

- I. This Code of Ethics (the “Code”) for the investment companies within the Morgan Stanley complex identified in Exhibit A (collectively, “Funds” and each, a “Fund”) applies to each Fund’s Principal Executive Officer, President, Principal Financial Officer and Treasurer (or persons performing similar functions) (“Covered Officers” each of whom are set forth in Exhibit B) for the purpose of promoting:
- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
  - full, fair, accurate, timely and understandable disclosure in reports and documents that a company files with, or submits to, the Securities and Exchange Commission (“SEC”) and in other public communications made by the Fund;
  - compliance with applicable laws and governmental rules and regulations;
  - prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code; and
  - accountability for adherence to the Code.

Each Covered Officer should adhere to a high standard of business ethics and should be sensitive to situations that may give rise to actual as well as apparent conflicts of interest. Any question about the application of the Code should be referred to the General Counsel or his/her designee (who is set forth in Exhibit C).

**II. Covered Officers Should Handle Ethically Actual and Apparent Conflicts of Interest**

**Overview.** A “conflict of interest” occurs when a Covered Officer’s private interest interferes, or appears to interfere, with the interests of, or his service to, the Fund. For example, a conflict of interest would arise if a Covered Officer, or a member of his family, receives improper personal benefits as a result of his position with the Fund.

Certain conflicts of interest arise out of the relationships between Covered Officers and the Fund and already are subject to conflict of interest provisions in the

---

Investment Company Act of 1940 (“Investment Company Act”) and the Investment Advisers Act of 1940 (“Investment Advisers Act”). For example, Covered Officers may not individually engage in certain transactions (such as the purchase or sale of securities or other property) with the Fund because of their status as “affiliated persons” (as defined in the Investment Company Act) of the Fund. The Fund’s and its investment adviser’s compliance programs and procedures are designed to prevent, or identify and correct, violations of these provisions. This Code does not, and is not intended to, repeat or replace these programs and procedures, and such conflicts fall outside the parameters of this Code, unless or until the General Counsel determines that any violation of such programs and procedures is also a violation of this Code.

Although typically not presenting an opportunity for improper personal benefit, conflicts may arise from, or as a result of, the contractual relationship between the Fund and its investment adviser of which the Covered Officers are also officers or employees. As a result, this Code recognizes that the Covered Officers will, in the normal course of their duties (whether formally for the Fund or for the investment adviser, or for both), be involved in establishing policies and implementing decisions that will have different effects on the Fund and its investment adviser. The participation of the Covered Officers in such activities is inherent in the contractual relationship between the Fund and the investment adviser and is consistent with the performance by the Covered Officers of their duties as officers of the Fund. Thus, if performed in conformity with the provisions of the Investment Company Act and the Investment Advisers Act, such activities will be deemed to have been handled ethically. In addition, it is recognized by the Funds' Boards of Directors/Trustees ("Boards") that the Covered Officers may also be officers or employees of one or more other investment companies covered by this or other codes.

Other conflicts of interest are covered by the Code, even if such conflicts of interest are not subject to provisions in the Investment Company Act and the Investment Advisers Act. The following list provides examples of conflicts of interest under the Code, but Covered Officers should keep in mind that these examples are not exhaustive. The overarching principle is that the personal interest of a Covered Officer should not be placed improperly before the interest of the Fund.

Each Covered Officer must not:

- use his personal influence or personal relationships improperly to influence investment decisions or financial reporting by the Fund whereby the Covered Officer would benefit personally (directly or indirectly);
- cause the Fund to take action, or fail to take action, for the individual personal benefit of the Covered Officer rather than the benefit of the Fund; or
- use material non-public knowledge of portfolio transactions made or contemplated for, or actions proposed to be taken by, the Fund to trade personally or cause others to trade personally in contemplation of the market effect of such transactions.

---

Each Covered Officer must, at the time of signing this Code, report to the General Counsel all affiliations or significant business relationships outside the Morgan Stanley complex and must update the report annually.

Conflict of interest situations should always be approved by the General Counsel and communicated to the relevant Fund or Fund's Board. Any activity or relationship that would present such a conflict for a Covered Officer would likely also present a conflict for the Covered Officer if an immediate member of the Covered Officer's family living in the same household engages in such an activity or has such a relationship. Examples of these include:

- service or significant business relationships as a director on the board of any public or private company;
- accepting directly or indirectly, anything of value, including gifts and gratuities in excess of \$100 per year from any person or entity with which the Fund has current or prospective business dealings, not including occasional meals or tickets for theatre or sporting events or other similar entertainment; provided it is business-related, reasonable in cost, appropriate as to time and place, and not so frequent as to raise any question of impropriety;
- any ownership interest in, or any consulting or employment relationship with, any of the Fund's service providers, other than its investment adviser, principal underwriter, or any affiliated person thereof; and

- a direct or indirect financial interest in commissions, transaction charges or spreads paid by the Fund for effecting portfolio transactions or for selling or redeeming shares other than an interest arising from the Covered Officer's employment, such as compensation or equity ownership.

### **III. Disclosure and Compliance**

- Each Covered Officer should familiarize himself/herself with the disclosure and compliance requirements generally applicable to the Funds;
  - each Covered Officer must not knowingly misrepresent, or cause others to misrepresent, facts about the Fund to others, whether within or outside the Fund, including to the Fund's Directors/Trustees and auditors, or to governmental regulators and self-regulatory organizations;
  - each Covered Officer should, to the extent appropriate within his area of responsibility, consult with other officers and employees of the Funds and their investment advisers with the goal of promoting full, fair, accurate, timely and understandable disclosure in the reports and documents the Funds file with, or submit to, the SEC and in other public communications made by the Funds; and
- 

- it is the responsibility of each Covered Officer to promote compliance with the standards and restrictions imposed by applicable laws, rules and regulations.

### **IV. Reporting and Accountability**

Each Covered Officer must:

- upon adoption of the Code (thereafter as applicable, upon becoming a Covered Officer), affirm in writing to the Boards that he has received, read and understands the Code;
- annually thereafter affirm to the Boards that he has complied with the requirements of the Code;
- not retaliate against any other Covered Officer, other officer or any employee of the Funds or their affiliated persons for reports of potential violations that are made in good faith; and
- notify the General Counsel promptly if he/she knows or suspects of any violation of this Code. Failure to do so is itself a violation of this Code.

The General Counsel is responsible for applying this Code to specific situations in which questions are presented under it and has the authority to interpret this Code in any particular situation. However, any waivers(2) sought by a Covered Officer must be considered by the Board of the relevant Fund or Funds.

The Funds will follow these procedures in investigating and enforcing this Code:

- the General Counsel will take all appropriate action to investigate any potential violations reported to him;
- if, after such investigation, the General Counsel believes that no violation has occurred, the General Counsel is not required to take any further action;

- any matter that the General Counsel believes is a violation will be reported to the relevant Fund's Audit Committee;
- if the directors/trustees/managing general partners who are not "interested persons" as defined by the Investment Company Act (the "Independent Directors/Trustees/Managing General Partners") of the relevant Fund concur that a violation has occurred, they will consider appropriate action, which may include review of, and appropriate modifications to, applicable

(2) Item 2 of Form N-CSR defines "waiver" as "the approval by the registrant of a material departure from a provision of the code of ethics."

---

policies and procedures; notification to appropriate personnel of the investment adviser or its board; or a recommendation to dismiss the Covered Officer or other appropriate disciplinary actions;

- the Independent Directors/Trustees/Managing General Partners of the relevant Fund will be responsible for granting waivers of this Code, as appropriate; and
- any changes to or waivers of this Code will, to the extent required, be disclosed as provided by SEC rules.

## **V. Other Policies and Procedures**

This Code shall be the sole code of ethics adopted by the Funds for purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules and forms applicable to registered investment companies thereunder. Insofar as other policies or procedures of the Funds, the Funds' investment advisers, principal underwriters, or other service providers govern or purport to govern the behavior or activities of the Covered Officers who are subject to this Code, they are superseded by this Code to the extent that they overlap or conflict with the provisions of this Code unless any provision of this Code conflicts with any applicable federal or state law, in which case the requirements of such law will govern. The Funds' and their investment advisers' and principal underwriters' codes of ethics under Rule 17j-1 under the Investment Company Act and Morgan Stanley's Code of Ethics are separate requirements applying to the Covered Officers and others, and are not part of this Code.

## **VI. Amendments**

Any amendments to this Code, other than amendments to Exhibits A, B or C, must be approved or ratified by a majority vote of the Board of each Fund, including a majority of Independent Directors/Trustees/Managing General Partners.

## **VII. Confidentiality**

All reports and records prepared or maintained pursuant to this Code will be considered confidential and shall be maintained and protected accordingly. Except as otherwise required by law or this Code, such matters shall not be disclosed to anyone other than the Independent Directors/Trustees/Managing General Partners of the relevant Fund or Funds and their counsel, the relevant Fund or Funds and their counsel and the relevant investment adviser and its counsel.

---

## **VIII. Internal Use**

The Code is intended solely for the internal use by the Funds and does not constitute an admission, by or on behalf of any Fund, as to any fact, circumstance, or legal conclusion



I have read and understand the terms of the above Code. I recognize the responsibilities and obligations incurred by me as a result of my being subject to the Code. I hereby agree to abide by the above Code.

---

Date: \_\_\_\_\_

---

EXHIBIT A

**MORGAN STANLEY**

**RETAIL AND INSTITUTIONAL FUNDS**

**at**

**June 1, 2010**

For a current list of the Morgan Stanley Retail and Institutional Funds, please contact the Legal Department.

---

EXHIBIT B

**Institutional Funds**

**Retail Funds**

**Morgan Stanley India Investment Fund, Inc.**

**Covered Officers**

Arthur Lev – President and Principal Executive Officer – Equity and Fixed Income Funds  
Kevin Klingert – President and Principal Executive Officer – Money Market and Liquidity Funds  
Francis Smith – Principal Financial Officer and Treasurer

---

EXHIBIT C

**Chief Legal Officer**

Stefanie Chang Yu

---

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

CERTIFICATIONS

I, Arthur Lev, certify that:

1. I have reviewed this report on Form N-CSR of Morgan Stanley Frontier Emerging Markets Fund Inc. ;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
  4. The registrant' s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
    - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
    - d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has
- 

materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize, and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 13, 2012

/s/ Arthur Lev

Arthur Lev

Principal Executive Officer

---

**EXHIBIT 12 B2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**CERTIFICATIONS**

I, Francis Smith, certify that:

1. I have reviewed this report on Form N-CSR of Morgan Stanley Frontier Emerging Markets Fund Inc. ;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

---

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 13, 2012

/s/ Francis Smith

---

Francis Smith  
Principal Financial Officer

---

**SECTION 906 CERTIFICATION**

Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

Morgan Stanley Frontier Emerging Markets Fund Inc.

In connection with the Report on Form N-CSR (the "Report") of the above-named issuer for the period ended October 31, 2012 that is accompanied by this certification, the undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: December 13, 2012

/s/ Arthur Lev

Arthur Lev

Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to Morgan Stanley Frontier Emerging Markets Fund Inc. and will be retained by Morgan Stanley Frontier Emerging Markets Fund Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

---

**SECTION 906 CERTIFICATION**

Certification Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

Morgan Stanley Frontier Emerging Markets Fund Inc.

In connection with the Report on Form N-CSR (the "Report") of the above-named issuer for the period ended October 31, 2012 that is accompanied by this certification, the undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: December 13, 2012

/s/ Francis Smith

---

Francis Smith  
Principal Financial Officer

A signed original of this written statement required by Section 906 has been provided to Morgan Stanley Frontier Emerging Markets Fund Inc. and will be retained by Morgan Stanley Emerging Markets Fund Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

---