Want to talk about the best mutual funds? Dennis Lynch is lead manager of Morgan Stanley Insight Fund®CXDX, one of the mutual fund industry’s heavyweight champs.

His $6.5 billion portfolio is a 2020 IBD Best Mutual Funds Award winner. It won that distinction by topping the S&P 500 in calendar 2019 as well as over the three, five and 10 years ended Dec. 31.

What has Morgan Stanley Insight done lately? Year to date through Nov. 30, the Morgan Stanley fund was on track to repeat as an IBD Best Mutual Funds Award winner. Its 115.57% year-to-date return dwarfs the S&P 500’s 14.02%. It was fourth best among all U.S. diversified stock funds tracked by Morningstar Direct. The fund’s large-cap growth rivals averaged 30.19%.

The fund ranks in the top 1% of its peer group’s performance leaders so far this year and over the past three, five, 10 and 15 years.

What sort of fund does Lynch run? The portfolio, which Lynch runs with colleagues Sam Chai-nani, David Cohen, Armistead Nash, Alexander Norton and Jason Yeung, includes household names like e-commerce titan Amazon®AMZN videoconferencing mainstay Zoom Video® and Moderna®MRNA, one of the leaders in the race to produce a vaccine for Covid-19, the disease caused by coronavirus.

The portfolio also features lower-profile names like Veeva Systems®VEEV, Shopify®SHOP and Covetrus®CVET.

Veeva is a cloud-based software firm. Shopify enables client businesses to establish a web presence. And Covetrus makes health supplies for veterinarians.

Lynch, who is 50 years old, talked on Nov. 17 with IBD about his investing approach from his home in New Jersey.

IBD: Why did this fund recently change its name from Multi-Cap Growth, Dennis?

Dennis Lynch: Language matters to us. It’s good to consider the impact of language on how you think about decision making. The last time you and I spoke, many of our funds used conventional nomenclature, which emphasizes compartmentalized funds: funds that fit one of the Morningstar nine size-and-style boxes.

But this fund’s approach emphasizes flexibility. “Multi-Cap Growth” is boring and conventional. “Insight” reflects what our team is trying to achieve. It’s a broader approach.

IBD: The bulk of your holdings are large caps. But 20% were mid- and small caps as of Sept. 30. Is that the flexibility you’re talking about?

Lynch: Our benchmark is the Russell 3000 Growth Index, which is small- to large-cap U.S. companies. So we’re different from your garden-variety large-cap growth fund. We can look for opportunities outside the large-cap area.

In the last decade, there’s been an emphasis on companies that have done well like Apple®AAPL, Amazon, Google (whose parent is Alphabet®GOOGL) and Facebook®. But those aren’t in the portfolio, except for Amazon.

Flexibility lets us go where the best opportunities are.

IBD: Tell me your thesis for Amazon, the one FAANG stock you do hold.
Lynch: We’ve owned it since 2003. Historically and currently, it has one of the best competitive advantages. It’s not just an internet company that’s digital. It’s the ability to aggregate demand that’s the key.

Another key is that it took them years to build a physical logistics infrastructure. That’s hard for rivals to replicate quickly.

That combination is compelling. Then there’s the company culture, Jeff Bezos’ willingness to constantly experiment that led to other great business developments like Amazon Web Services.

Its competitive advantage makes its future bright, just less bright than when it was much smaller.

IBD: Veeva Systems’ software helps clients manage sales and operations as well as comply with regulations. It’s expanding beyond life sciences.

Lynch: Veeva’s software enables customers to track everything from their customer relationships (CRM) to their drug development process. The regulatory component means you need strong and constant data management.

This company has a culture of innovation. They started in CRM in pharmaceuticals and life sciences. They’re expanding into areas like cosmetics. Ultimately they may go into the financial services world.

Their business has a lot of recurring revenue. Customers are sticky and face high switching costs if they wanted to make a change. Veeva will continue to increase their total addressable market.

IBD: Shopify provides small- and medium-size businesses with an alternative to selling their goods as third parties on Amazon. Shopify provides them with their own websites, right?

Lynch: Tobias Lutke, their founder and largest shareholder, refers to what Shopify does as arming the rebels.

Having your own website means you control the customer experience and loyalty. And like Veeva, it’s almost hard for businesses to not join Shopify, given their value proposition.

Also, Lutke has lots of skin in the game. We like that. He has a culture focused on reinvestment and experimentation vs. generating lots of earnings right now. We want companies that can grow much bigger.

IBD: Covetrus is a relatively low-profile stock. What do you like about it?

Lynch: It formed out of the merger of Henry Schein Animal Health, a pharmaceuticals distribution business, and Vets First Choice, which enables veterinarians to better manage prescriptions to their clients.

The combined company is similar to Amazon. It’s a distribution and technology platform. It lets you cross-sell new products to the old Henry Schein clients. And it accelerates adoption of Vets First Choice through the veterinarian industry. It’s increasingly becoming the standard for pet care and drug compliance.

IBD: Zoom Video Communications has benefited from the work-from-home dynamic of the coronavirus pandemic. Does the prospect of Covid-19 vaccines mean that Zoom is vulnerable to a sharp pullback in usage?

Lynch: CEO Eric Yuan took an enterprise product and released it to the world to help during a crisis. He deserves credit for that. He also got a lot of feedback about how they could make the product better, especially for consumers, and more secure.

It’s hard to know what will happen if we get back to some normalcy with vaccines and the ability to convene groups of people the way we used to. But we believe the wide adoption of Zoom not just by corporations but also individuals makes it almost a standard (for teleconferencing). With the opening of their API (Application Programming Interface, which is software that lets two applications talk to each other) and their events store, we suspect a lot more business will be done in this manner.

It’s far more efficient to use Zoom than to be spending time and money to fly across the country to meet someone.

IBD: Coupa Software produces cloud-based spending management software that tells enterprises where they can cut spending and how to use their financial resources more efficiently, right?

Lynch: You’re right. Clients can access existing and new suppliers, and the platform makes it easier to manage expenses and look for alternative suppliers and costs.

We believe there is a network effect. And Coupa takes a small percentage fee of each transaction, so there’s potential to be more profitable.

There’s also potential for facilitating actual payments themselves between companies.

IBD: Is Twilio another company that is making itself into the dominant operator of a platform that’s becoming the leader in its niche — in this case, a platform for real-time communications?

Lynch: They’ve created an API that’s a software standard for point-to-point communications. Like when you order a pizza: In the past you had no idea when it would arrive. Now you get alerts about it being made, leaving the house, getting near your house.

Twilio’s core product enables that texting and interaction both ways. As that communications grows, Twilio gets bigger and bigger.

And they provide data and consumer insights to some companies and advice about how to use that data.

IBD: I gather that more and more investors think of Overstock as more than just an online-retail also-ran. Why is that?

Lynch: The company has a subsidiary, Medici Ventures, that has a large portfolio of venture-capital type investments in blockchain technologies. (Blockchain is a digital ledger that keeps records of transactions in virtual currencies.)

Medici’s largest asset is tZero. That’s an SEC-regulated alternative trading system and marketplace for trading digital security tokens. Those trades settle immediately (without an intervening settlement period, which can be as long as days). Theoretically, all assets can be tokenized and exchanged in this way.

There’s a lot of value in owning this sort of platform if this asset class takes off.
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There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the Portfolio will decline and that the value of Portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this portfolio may be subject to certain additional risks. In general, equities securities' values also fluctuate in response to activities specific to a company. Investments in foreign markets entail special risks such as currency, political, economic, market and liquidity risks. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries. Stocks of small- and medium-capitalization companies entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. Illiquid securities may be more difficult to sell and value than publicly traded securities (liquidity risk). Derivative instruments may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. Privately placed and restricted securities may be subject to resale restrictions as well as a lack of publicly available information, which will increase their illiquidity and could adversely affect the ability to value and sell them (liquidity risk).

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On February 11, 2019, the MS Multi Cap Growth Trust was renamed to the MS Insight Fund and there were no changes made to the investment objective.

Morgan Stanley Insight Fund – Class I Shares

<table>
<thead>
<tr>
<th>Top Ten Holdings (% of Total Net Assets)</th>
<th>Sector Allocation (% of Total Net Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com Inc.</td>
<td>7.42 Information Technology</td>
</tr>
<tr>
<td>Square Inc.</td>
<td>5.06 Communication Services</td>
</tr>
<tr>
<td>Shopify Inc.</td>
<td>4.93 Health Care</td>
</tr>
<tr>
<td>Uber Technologies Inc.</td>
<td>4.77 Consumer Discretionary</td>
</tr>
<tr>
<td>Spotify Technology S.A.</td>
<td>4.71 Industrials</td>
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</tbody>
</table>
As of December 31, 2020. Subject to change daily and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown or securities within sectors shown above.

Assets under management for Insight Fund Class I are $7.5 Bn as of 12/31/2020.

<table>
<thead>
<tr>
<th>Stock Name</th>
<th>Value</th>
<th>Sector</th>
<th>Adjusted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoom Video Communications Inc.</td>
<td>4.04</td>
<td>Real Estate</td>
<td>0.97</td>
</tr>
<tr>
<td>Twitter Inc.</td>
<td>3.88</td>
<td>Consumer Staples</td>
<td>0.78</td>
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<tr>
<td>Snap Inc.</td>
<td>3.86</td>
<td>Energy</td>
<td>0.20</td>
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<tr>
<td>Intuitive Surgical Inc.</td>
<td>3.82</td>
<td>Materials</td>
<td>0.11</td>
</tr>
<tr>
<td>Veeva Systems Inc.</td>
<td>3.72</td>
<td>Other</td>
<td>0.06</td>
</tr>
</tbody>
</table>

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

Please keep in mind that double and triple-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions. The minimum initial investment is $5,000,000 for Class I shares.

The gross expense ratio for the Insight Fund (Class I shares) is 0.91% and the net expense ratio is 0.91%. Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of the applicable fund’s current prospectus (unless otherwise noted in the applicable prospectus) or until such time as the fund’s Board of Trustees acts to discontinue all or a portion of such waivers and/or reimbursements. Absent such waivers and/or reimbursements, returns would have been lower. Expenses are based on the fund’s current prospectus.

Returns are net of fees and assume the reinvestment of all dividends and income. Returns for less than one year are cumulative (not annualized). Performance of other share classes will vary.

Morningstar: Rankings as of December 31, 2020 for Class I shares in the Large Growth Category. Percentile rank/absolute rank total in category for the 1-year: 1/11/1289, 3-year: 1/7/1197, 5-year: 1/4/1070, 10-year: 1/1/789. Rankings: The percentile rankings are based on the average annual total returns for the periods stated and do not include any sales charges, but do include reinvestment of dividends and capital gains and Rule 12b-1 fees. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

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The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

Please consider the investment objective, risks, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund. To obtain a prospectus, download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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