

## MORGAN STANLEY INSTITUTIONAL FUND TRUST

# Discovery Portfolio

COUNTERPOINT GLOBAL | COMMENTARY | JUNE 30, 2021

## Performance Review

Counterpoint Global seeks high quality companies, which we define primarily as those with sustainable competitive advantages. We manage concentrated portfolios that are highly differentiated from the benchmark, with securities weighted on our assessment of the quality of the company and our conviction. The value added or detracted in any period of time will typically result from stock selection, given our philosophy and process. For the quarter, the Portfolio returned 9.79% (net of fees), the Russell Mid Cap Growth returned 11.07%, and the Lipper Mid Cap Growth returned 7.64%.

The long term investment horizon and conviction weighted investment approach embraced Counterpoint Global can result in periods of performance deviation from the benchmark and peers. The portfolio underperformed the benchmark this quarter due to unfavorable stock selection and sector allocations.

Mid cap growth equities, as measured by the Russell Mid Cap Growth Index, advanced during the quarter. Energy posted the largest gains in the Russell Mid Cap Growth index. All sectors advanced over the period, with the exception of Materials, which posted a small decline and was therefore the relative laggard. Against this backdrop, Counterpoint Global continued to focus on stock selection and the long-term outlook for companies owned in the portfolio.

Health Care was the top detractor in the portfolio this quarter, largely due to mixed stock selection. Covetrus, a leader in the animal health distribution, pharmacy medication fulfillment, and veterinary practice management software industries, was the greatest detractor in the sector and the fifth greatest across the portfolio. Despite solid fundamentals across its animal health and prescription management businesses, as well as a raised financial outlook, its shares drifted down over the period, perhaps due to some mean reversion. Guardant Health also detracted. Guardant is a commercial-stage diagnostic testing company that focuses on liquid biopsies. Although the company continued to execute well, its shares languished somewhat in May following the release of data related to the performance of its LUNAR-2 blood-based test which is being developed for the colorectal cancer screening market. Within the sector, the weakness in these holdings was partly offset by strength in Veeva Systems, which was the fourth greatest contributor in the portfolio. Veeva Systems provides cloud based software tools to the life sciences industry. Its shares advanced on strong billings, revenue growth, and profitability which exceeded expectations across both its Commercial Cloud and Vault businesses, as well as a healthy financial outlook.

Stock selection and sector allocations to Real Estate and Information Technology also weighed on relative results, as did stock selection in Energy. Fastly, which operates an edge cloud platform for processing, serving, and securing customers' applications was the top detractor in Information Technology and the third greatest across the portfolio. The company reported mixed financial results, characterized by strong revenue growth but lower than expected profitability and disappointing financial guidance which, along with the announcement of the departure of its CFO, weighed on its shares. Within Information Technology, the weakness in Fastly and several other holdings was partly offset by strength in Cloudflare, MongoDB, and Twilio. Cloudflare operates a global cloud platform that

provides security, performance, and reliability services to the applications of its customers; it was the second greatest contributor in the portfolio. The company reported solid results and has been benefiting from digital transformation initiatives among enterprises, a broadening portfolio of products, and overall greater market awareness of its products. MongoDB has built a modern, general purpose database that is used to store information in an efficient and cost effective manner; it was the third greatest contributor in the portfolio. The stock fared well as the company has been seeing increasing adoption of its Atlas database service, and a growing number of enterprises have been electing to standardize on its general purpose database rather than opt for multiple single-function databases. MongoDB's Atlas product also received a certification that can facilitate greater implementation with government related entities. Twilio, which provides a proprietary cloud communications platform that allows a large base of software developers to build voice and messaging capabilities into their applications, was also among the top contributors. After a broad sell-off in higher growth IT Services and Software companies last quarter, Twilio's stock rebounded this quarter on the back of solid fundamentals including strong demand for its core messaging capabilities, solid traction with its recent acquisition of Segment, and overall revenue and profit growth that beat Street expectations. Twilio has continued to benefit from the secular transition towards enterprises increasingly embracing digital transformation initiatives and seeking additional ways to engage with their customers.

Conversely, Consumer Discretionary was the top contributing sector in the portfolio this quarter, as strong stock selection more than offset the unfavorable impact of an average sector overweight position. Food delivery platform DoorDash was the top contributor in the sector and across the portfolio. Despite concerns that restaurant re-openings may impede its growth, the company continued to experience very strong consumer demand and solid growth in subscribers to DashPass, its loyalty program. Within the sector the strength in this and a number of other holdings was partly offset by poor performance of ContextLogic and Chewy. Mobile ecommerce platform ContextLogic was the top detractor across the portfolio. Its shares underperformed due to mixed reported results, characterized by strong revenue growth but lower than expected user and active buyer growth. Chewy, a leading online retailer of pet goods, was also among the top detractors. While the company's reported operating metrics largely met or exceeded market expectations, customer growth was slightly weaker than expected. This, along with general investor concerns regarding the company's ability to sustain high levels of growth as pandemic-related restrictions ease and consumers are able to shop again in stores, weighed on Chewy's shares.

Consumer Staples also helped relative results; the portfolio benefited from a lack of exposure to the sector, which was among the top laggards in the index.

Communication Services also contributed, as an average sector overweight position more than offset the adverse impact of stock selection. Stock selection in Industrials and an underweight in Materials also contributed.

Lastly, Financials and Utilities – sectors the portfolio has no exposure to – had a negligible impact on relative performance.

## Outlook

As a team, we believe having a market outlook can be an anchor. Our focus is on assessing company prospects over a five year horizon, and owning a portfolio of unique companies whose market value we believe can increase significantly for underlying fundamental reasons.

The views, opinions, forecasts and estimates expressed are those of the investment team at the time of writing and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. Portfolio holdings and sectors are subject to change daily. All information provided is for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the sectors referenced. Past performance is no guarantee of future results.

## INVESTMENT MANAGEMENT

## Performance (%) as of June 30, 2021

Class I Share at NAV

	MTD	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
MSIFT Discovery Portfolio	12.86	9.79	7.40	63.51	49.43	39.75	19.52
Russell Mid Cap Growth Index	6.80	11.07	10.44	43.77	22.39	20.52	15.13
Lipper Mid Cap Growth Index	4.43	7.64	8.78	40.83	21.00	20.42	14.04

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

The total expense ratio is 0.74% for Class I shares. Expenses are based on the fund's current prospectus. The minimum initial investment is \$5,000,000.

Returns are net of fees and assume the reinvestment of all dividends and income. They are compared to an unmanaged market index. Returns for less than one year are cumulative (unannualized). Performance for one year or more is based on average annual total returns. The returns are reported for Class I shares. Performance for other share classes will vary.

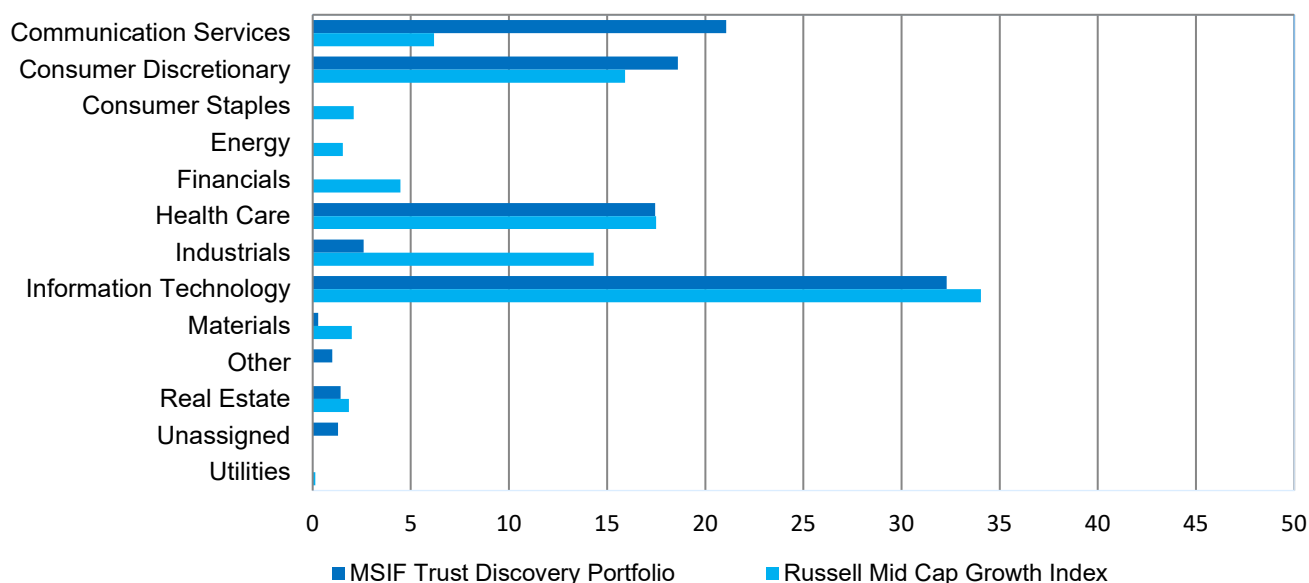
Please keep in mind that high double-digit returns are highly unusual and cannot be sustained. Investors should also be aware that these returns were primarily achieved during favorable market conditions.

The **Russell Mid Cap Growth Index** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index. The index does not include any expenses, fees or sales charges, which would lower performance. The index is unmanaged and not representative of any Morgan Stanley investment. It is not possible to invest directly in an index.

**Top Ten Holdings** % of Total Net Assets, as of June 30, 2021. Subject to change.

Twitter	5.1
Pinterest	5.1
Twilio	5.0
DoorDash	4.6
Cloudflare	4.4
Carvana	4.1
Veeva Systems	3.8
Okta	3.5
Fastly	3.4
MongoDB	3.4
<b>Total</b>	<b>42.4</b>

**Sector Allocation** As of June 30, 2021.



Source: FactSet Research Systems, Inc. / Morgan Stanley Investment Management. Numbers may not add to 100 due to rounding and the exclusion of cash.

The Portfolio closed to new investors effective April 5, 2021, to preserve the ability of the investment team to manage the Portfolio effectively for current shareholders. For more details, please visit: [//www.morganstanley.com/im/publication/mutualfund/material/notice\\_mf\\_inception\\_discovery.pdf](https://www.morganstanley.com/im/publication/mutualfund/material/notice_mf_inception_discovery.pdf)

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Certain information herein is based on data obtained from third party sources believed to be reliable. However, we have not verified this information, and we make no representations whatsoever as to its accuracy or completeness.

**Risk considerations**

There is no assurance that a mutual fund will achieve its investment objective. Funds 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. **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**). Investments in **medium capitalization companies** tend to be more volatile and less liquid than those of larger, more established, companies. **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. To the extent that the Fund invests in a limited number of issuers (**focused investing**), the Fund will be more susceptible to negative events affecting those issuers and a decline in the value of a particular instrument may cause the Fund's overall value to decline to a greater degree than if the Fund were invested more widely.

**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](https://morganstanley.com/im) or call 1.800.548.7786. Please read the prospectus carefully before investing.**

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