

MORGAN STANLEY INSTITUTIONAL FUND TRUST (MSIFT) Global Strategist Portfolio



Morningstar Overall Rating

CLASS I SHARES – SYMBOL: MPBAX

Out of 390 funds; Based on Risk Adjusted Returns

Morningstar Category: World Allocation

Data as of August 31, 2020

SOLUTIONS & MULTI ASSET | GLOBAL MULTI-ASSET TEAM | BI-WEEKLY FUND ANALYSIS | September 15, 2020

Commentary as of September 15, 2020

- U.S. equities sold off by -2.7% and global markets fell -1.3% (MSCI ACWI in local FX) in the first two weeks of September (S&P 500 Index), as trade tensions with China increased and U.S. politicians argued over the details of a new COVID-19 relief package. Bond yields were slightly lower and 10-year U.S. inflation breakevens came in by -13 basis points to 1.68%, implying the market does not believe the Fed can achieve its 2% inflation target in the next decade. In our view, the market is underpricing inflation risks.
- Commodities fell by -5.0% (S&P GSCI Index), driven by declining oil prices (-10% Brent, spot). 2020 forecasts for oil demand were revised down and supply was revised higher based on reports from the IEA, the EIA, and OPEC. We remain bullish on oil prices given attractive valuations, and our expectations for continued OPEC compliance and recovering demand as global economic growth picks up.
- The renminbi rose 1% to its highest level in a year, as both hard economic data for August and surveys beat consensus expectations. The Caixin manufacturing PMI reached its highest level since 2011. We believe that the RMB can further appreciate versus the U.S. dollar, as valuation is cheap (REER is 0.7 standard deviations below the average since 2014) despite China's stronger fundamentals, monetary policy is more balanced, and the overall economic outlook is strong relative to the rest of the world.
- In the first two weeks of September, MSIFT Global Strategist Portfolio fund outperformed its multi-asset index by 60 basis points. Contributors to performance were overweight positions in global auto stocks vs. global equities and U.S. industrials and U.S. homebuilders vs. U.S. equities. Detractors included overweights in global energy stocks vs. global equities, in defensive currencies vs. the U.S. dollar and a directional overweight in U.S. equities.
- We have initiated an underweight in tech stocks relative to U.S. equities and an overweight in global iron ore stocks relative to global equities. We believe that many COVID-induced disruptions are temporary and that by the end of 2021, vaccinations, in combination with existing seroprevalence, will allow the economy to return to some semblance of normalcy. We increased an overweight position in U.S. industrials relative to U.S. equities. While the industrials sector typically underperforms going into a recession, it has consistently outperformed as the U.S. economy exits the recession and capex recovers. We have decreased our overweight in a basket of defensive currencies relative to the U.S. dollar and added a curve steepener to our hedge (overweight U.S. 10-year Treasury paired to our directional underweight in U.S. 30-year Treasuries).

Morningstar Rankings¹ - Class I as of August 31, 2020

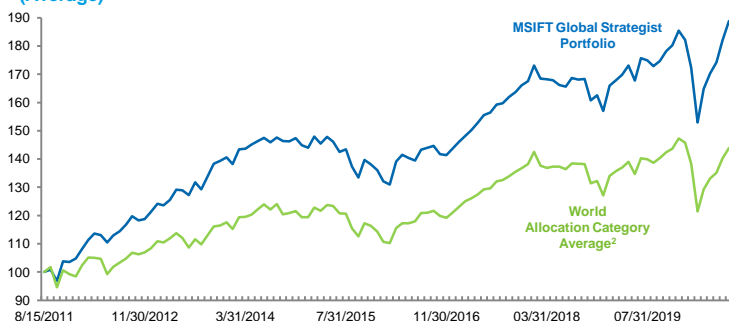
| | Percentile | Rank/Total In Category |
|-------|------------|------------------------|
| 1 Yr | 28 | 135/474 |
| 3 Yr | 18 | 82/390 |
| 5 Yr | 22 | 75/337 |
| 10 Yr | 14 | 27/207 |

Source: Morningstar, Inc. Rankings are based on total returns, are historical and do not guarantee future results. For additional Morningstar information, refer to the disclosures on the next page.

Investment Performance (% Net of Fees: Annualized Total Returns)
As of September 15, 2020

| | MTD | QTD | YTD | Since Team Change ² | Since Inception |
|--|-------------|------------|------------|--------------------------------|-----------------|
| MSIFT - Global Strategist Portfolio - I (Net) | -0.3 | 8.1 | 1.6 | 7.2 | 7.2 |
| Morningstar World Allocation (Average) ¹ | -0.3 | 6.0 | -2.7 | 4.0 | 6.6 |
| Global Multi-Asset Index ³ | -0.9 | 7.3 | 4.8 | 7.3 | 7.5 |

MSIFT Global Strategist Portfolio I Shares (Net) vs. Morningstar Category (Average)²



Asset Allocation⁴ (%) as of September 15, 2020

| | Net Portfolio (%) | Benchmark (%) | Active Weight (%) |
|--|-------------------|---------------|-------------------|
| GLOBAL EQUITY | 61.1 | 59.7 | 1.4 |
| Developed Markets | 54.0 | 52.2 | 1.8 |
| U.S. & Canada | 36.2 | 36.1 | 0.1 |
| Europe | 10.6 | 10.1 | 0.5 |
| Japan | 5.0 | 4.1 | 0.9 |
| Asia ex-Japan | 2.2 | 1.9 | 0.3 |
| Emerging Markets | 7.1 | 7.5 | -0.4 |
| GLOBAL FIXED INCOME⁵ | 40.3 | 40.3 | 0.0 |
| Developed Markets | 31.8 | 36.1 | -4.3 |
| U.S. & Canada | 10.8 | 13.9 | -3.1 |
| Europe | 12.0 | 13.8 | -1.8 |
| Japan | 7.4 | 7.6 | -0.2 |
| Asia ex-Japan | 1.6 | 0.8 | 0.8 |
| Emerging Markets | 8.5 | 4.2 | 4.3 |
| COMMODITIES | 1.5 | 0.0 | 1.5 |
| Gold | 1.0 | 0.0 | 1.0 |
| Crude Oil | 0.5 | 0.0 | 0.5 |
| CASH | -2.9 | 0.0 | -2.9 |

Past performance is not indicative of future results. Growth of Investment illustration is based on an initial investment of \$100, assumes reinvestment of dividends and capital gains and application of fees. Results are hypothetical. Tables may not sum to 100%. Information shown is subject to change daily, is provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security. Asset allocation does not eliminate the risk of loss. The views, opinions, forecasts and estimates expressed are those of the Global Multi-Asset Team and are subject to change based on economic or market conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole.

Contribution to Gross Excess Return (%) as of September 15, 2020

| | MTD | QTD | YTD | Since Team Change ² |
|-----------------|-----|-----|------|--------------------------------|
| Equity | 0.6 | 0.5 | -2.6 | -0.4 |
| Fixed Income | 0.0 | 0.2 | -0.1 | 0.5 |
| Commodities | 0.0 | 0.2 | 0.5 | 0.4 |
| Cash / Currency | 0.1 | 0.2 | -0.3 | 0.4 |

Top Fixed Income Positions⁽²⁾ (%) as of September 15, 2020

| | Rating ⁽⁹⁾ | Gross OW ⁽⁷⁾ | Gross UW ⁽⁷⁾ | Net ⁽⁸⁾ |
|--|-----------------------|-------------------------|-------------------------|--------------------|
| UW U.S. 30-Year Treasuries / OW U.S. 10-Yr Treasuries | NR / NR | 4.8 | -4.8 | 0.0 |
| U.S. 10-Year Inflation Swaps: OW U.S. TIPS / UW U.S. 10-Year Treasuries | NR | 3.0 | -3.0 | 0.0 |
| OW Greek 10-Year Bonds / UW Italy, France, and Spain 10-Yr Bonds | B+ / NR | 1.8 | -1.8 | 0.0 |
| OW Mexican 10-Yr Bonds / UW U.S. 10-Yr Treasuries | BBB+ / NR | 1.5 | -1.5 | 0.0 |
| OW Argentina 10-Yr Bonds / UW EM CDX & U.S. 10-Yr Treasuries | B / NR | 0.2 | -0.2 | 0.0 |
| TOTAL EXPOSURE | | 11.3 | -11.3 | 0.0 |

Top Thematic Equity Positions (%) as of September 15, 2020

| | Gross OW ⁽⁷⁾ | Gross UW ⁽⁷⁾ | Net ⁽⁸⁾ |
|--|-------------------------|-------------------------|--------------------|
| OW U.S. Value Equities / UW U.S. Low-Volatility Equities | 5.3 | -5.3 | 0.0 |
| OW U.S. Industrials / UW U.S. Equities | 4.2 | -4.2 | 0.0 |
| OW Global Autos / UW Global Equities | 2.8 | -2.8 | 0.0 |
| OW U.S. Value Equities / UW U.S. Anti-Value Equities | 2.4 | -2.4 | 0.0 |
| OW U.S. Homebuilders / UW U.S. Equities | 2.1 | -2.1 | 0.0 |
| OW U.S. Housing / UW U.S. Equities | 1.5 | -1.5 | 0.0 |
| OW Hotel Stocks / UW Global Equities | 1.4 | -1.4 | 0.0 |
| OW Global Tires / UW Global Equities | 1.2 | -1.2 | 0.0 |
| OW U.S. Equities | 1.2 | 0.0 | 1.2 |
| OW Eurozone Value Equities / UW Eurozone Anti-Value Equities | 0.8 | -0.8 | 0.0 |
| TOTAL EXPOSURE | 22.9 | -21.7 | 1.2 |

Top Currency Active Weights^{(8),(10)} as of September 15, 2020



Performance (%) as of June 30, 2020 (Class I Shares at NAV)*

| | MTD | QTD | YTD | 1 YEAR | 5 YEAR | 10 YEAR | SINCE INCEPTION 12/31/1992 |
|--|-----|------|------|--------|--------|---------|----------------------------|
| MSIFT Global Strategist Portfolio | 2.4 | 13.9 | -6.0 | -0.8 | 4.1 | 7.0 | 6.9 |
| MSCI All Country World Index ¹⁰ | 1.6 | 11.4 | -8.2 | -3.5 | 2.3 | 4.4 | 6.4 |
| Global Multi-Asset Index ³ | 2.3 | 12.7 | -2.3 | 3.4 | 5.2 | 7.3 | 7.3 |

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.

The gross expense ratio is 0.84%. The net expense ratio is 0.74% for the Class I shares. The net expense ratio is lower than the gross expense ratio because 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 Directors 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. The minimum initial investment is \$5,000,000.

Table / Chart Footnotes:

*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 (not annualized). The returns are reported for Class I shares. Performance for other share classes will vary.

- Category Average : Morningstar World Allocation. Fund Ratings out of 5 Stars: 3 Yrs. 4 Stars (390 funds rated); 5 Yrs. 4 Stars (337 funds rated); 10 Yrs. 5 Stars (207 funds rated). Ratings as of August 31, 2020. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. Ratings do not take into account sales loads. **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. Please visit morganstanley.com/im for the latest month-end Morningstar information.
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- Since Investment team change on August 31, 2011, when current portfolio management team took over management of this strategy.
- Global Multi-Asset Index performance is a performance linked benchmark of the old and new benchmark of the Portfolio, the old represented by 60% MSCI All-Country World Index, 30% Bloomberg Barclays Global Aggregate Bond Index, 5% S&P GSCI Light Energy Index, and 5% ICE BofAML U.S. Dollar 1-Month LIBID Average Index prior to 5/31/2017 and the new Blended Index which consists of 60% MSCI All-Country World Index and 40% Bloomberg Barclays Global Aggregate Bond Index for periods thereafter. The composition of the Customized MSIM Global Allocation Index (Blended Index), the secondary benchmark index of the Global Strategist Portfolio, has been changed effective May 31, 2017. The investment team manages the Portfolio relative to this Blended Index. It is not possible to invest directly in an index.
- Holdings and weightings are subject to change daily. Portfolio compositions may change depending on market conditions and objectives. Provided for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the regions or asset classes referenced.

5. Fixed income net and gross exposure is duration adjusted into benchmark duration equivalent exposures; the duration of the portfolio benchmark as of 09/15/2020 is approximately 7.2 years. Cash has been adjusted to reflect the impact of duration-adjusting the fixed income positions.
6. Gross exposure % calculated as $[(MV \text{ of overweight cash security and derivative positions}) + (\text{absolute value of MV in underweight derivative positions})] / (\text{portfolio MV})$. Fixed income gross exposure has been duration adjusted (10-Year U.S. Treasury equivalents).
7. Net exposure % calculated as $[(MV \text{ of overweight cash security and derivative positions}) - (\text{absolute value of MV in an underweight derivative positions})] / (\text{portfolio MV})$. Fixed income net exposure has been duration adjusted (10-Year U.S. Treasury equivalents).
8. Ratings for cash bonds have been obtained from Standard & Poor's Ratings Group. S&P's credit ratings express its opinion about the ability and willingness of an issuer to meet its financial obligations in full and on time. 'AAA' is the highest rating. Any rating below 'BBB-' rating is considered non-investment grade. Ratings are relative and subjective and are not absolute standards of quality. Ratings apply only to the underlying holdings of the portfolio and does not remove market risk. "NR" or "Not Rated" indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy. Futures, swaps, and credit default swaps (CDS/CDX) are not rated (NR).
9. Currency exposure is relative to the Portfolio's base currency (USD).
10. The **MSCI All Country World Index** is a free float-adjusted market capitalization weighted index designed to measure developed and emerging equity market performance. The index is listed in U.S. dollars and assumes reinvestment of net dividends. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

Commentary Footnotes:

All performance figures are for the two-week period ending September 15, 2020. Source: Bloomberg; the indices are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an index. **Basis point** One basis point = 0.01%

The **Bloomberg Barclays U.S. Corporate High Yield Index (LF98TRUU)** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The **EURO STOXX 50 Index (SX5E)**, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of super sector leaders in the region. The index covers 50 stocks from 11 Eurozone countries.

The **JPMorgan Emerging Market Currency Index (EMCI)** is a tradable benchmark for emerging market currencies vs. the U.S. dollar. The index is comprised of 10 currencies: BRL, CLP, CNH, HUF, INR, MXN, RUB, SGD, TRY and ZAR.

The **MSCI All Country World Index (MSCI ACWI)** is a free-float, market-capitalization weighted index designed to measure the equity market performance of emerging and developed world markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors.

The **MSCI Emerging Markets (MXEF)** is a free-float weighted equity index that captures large and mid-cap representation across emerging market countries.

The **S&P GSCI Industrial Metals Index (SPGSIN)** provides investors with a publicly available benchmark for investment performance in the industrial metals market.

The **S&P GSCI Precious Metals Index (SPGSPMTR)** provides investors with a publicly available benchmark for investment performance in the precious metals market.

The **S&P 500 Index (SPX)** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The **U.S. Dollar Index (DXY)** is an index of the value of the U.S. dollar relative to a basket of foreign currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

RISK CONSIDERATIONS

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. 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, **equity securities'** values also fluctuate in response to activities specific to a company. 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. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. **Longer-term securities** may be more sensitive to interest rate changes. In a declining interest-rate environment, the portfolio may generate less income. **Mortgage- and asset-backed securities (MBS and ABS)** are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (liquidity risk). They are also subject to credit, market and interest rate risks. Certain **U.S. government securities** purchased by the Portfolio, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the United States. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Sovereign debt securities.** The issuer or governmental authority that controls the repayment of **sovereign debt** may not be willing or able to repay the principal and/ or pay interest when due in accordance with the terms of such obligations. Investments in **foreign markets** entail special risks such as currency, political, economic, and market risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed countries. **Real estate investment trusts** are subject to risks similar to those associated with the direct ownership of real estate and they are sensitive to such factors as management skills and changes in tax laws. **Restricted and illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the Portfolio's performance. Trading in, and investment exposure to, the **commodities** markets may involve substantial risks and subject the Portfolio to greater volatility. **Non-diversified portfolios** often invest in a more limited number of issuers. As such, changes in the financial condition or market value of a single issuer may

cause greater volatility. By investing in **investment company securities**, the portfolio is subject to the underlying risks of that investment company's portfolio securities. In addition to the Portfolio's fees and expenses, the Portfolio generally would bear its share of the investment company's fees and expenses. **Subsidiary and Tax Risk** The Portfolio may seek to gain exposure to the commodity markets through investments in the Subsidiary or commodity index-linked structured notes.

The Subsidiary is not registered under the 1940 Act and is not subject to all the investor protections of the 1940 Act. Historically, the Internal Revenue Service ("IRS") has issued private letter rulings in which the IRS specifically concluded that income and gains from investments in commodity index-linked structured notes or a wholly-owned foreign subsidiary that invests in commodity-linked instruments are "qualifying income" for purposes of compliance with Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). The Portfolio has not received such a private letter ruling, and is not able to rely on private letter rulings issued to other taxpayers. If the Portfolio failed to qualify as a regulated investment company, it would be subject to federal and state income tax on all of its taxable income at regular corporate tax rates with no deduction for any distributions paid to shareholders, which would significantly adversely affect the returns to, and could cause substantial losses for, Portfolio shareholders..

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

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