

Morgan Stanley Institutional Fund Trust Strategic Income Portfolio

4Q18
FACTSHEET

Investment Approach

The Strategic Income Portfolio invests in fixed income securities across a spectrum of asset classes including high yield bonds, investment-grade bonds, mortgage- and asset-backed securities and convertibles. The Portfolio's unconstrained approach provides the flexibility to allocate across these fixed income sectors and seek the best ideas through bottom-up security selection globally. The aim is also to construct a portfolio with less sensitivity to interest rate movements and the potential to capture positive returns across varying interest rate environments.

Objective

Seeks total return comprised of income and capital appreciation.

Lipper Category

Alternative Credit Focus

Morningstar Category

Nontraditional Bond

Portfolio Managers

	Joined Firm	Years of Investment Experience
Jim Caron, Managing Director	2006	27
Richard Ford, Managing Director	1991	28
Michael B. Kushma, Managing Director	1987	31
Christian G. Roth, Managing Director	1991	32

Investment Performance - Class I (% net of fees)

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception		
Fund	0.94	3.98	-	-	2.79		
ICE BofAML 3-Month T-Bill Index ¹	1.87	1.02	-	-	0.77		
Lipper Category Average	-1.43	3.09	-	-	-		
Morningstar Category Average	-1.12	2.81	-	-	-		
% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	-1.08	0.94	0.94	7.17	3.92	-0.71	-
ICE BofAML 3-Month T-Bill Index	0.56	1.87	1.87	0.86	0.33	0.05	-
Lipper Category Average	-1.60	-1.43	-1.43	4.26	5.51	-2.23	-
Morningstar Category Average	-1.58	-1.12	-1.12	4.06	5.28	-1.41	-

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.

Performance and fund information is as of December 31, 2018, unless otherwise noted. 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.

Short-term returns may not be indicative of the fund's long-term performance potential. A fund's performance, especially for very short time periods, should not be the sole factor in making your investment decision.

Expense Ratios	Symbol	Cusip	Gross (%)	Net (%)
Class A	MSADX	617455605	9.96	1.35
Class C	MSPDX	617455738	13.41	2.10
Class I	MSIDX	617455506	21.19	1.00
Class IS	MSTCX	617455860	3.79	0.95

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. The minimum initial investment is \$5,000,000 for Class I shares.



WINNER OF THE 2018
THOMSON REUTERS
LIPPER FUND AWARDS
UNITED STATES

Morgan Stanley Investment Management, Inc.

BEST GROUP OVER 3 YEARS
FIXED INCOME LARGE COMPANY

2018 Best Fixed Income Large Company Group over 3 years

Lipper Fund Awards are based upon risk adjusted return. For additional information refer to the disclosures on page 2.

Morningstar Overall Rating

Class I shares



Out of 271 Funds. Based on Risk Adjusted Return. Class I Shares Fund ratings out of 5 Stars: 3 Yrs. 4 Stars.

Morningstar Rankings - Class I Nontraditional Bond Category

	Percentile	Rank/Total in Category
1 Year	21	54/307
3 Year	28	71/271

Source: Morningstar, Inc. Rankings are based on total returns, are historical and do not guarantee future results.

Fund Facts

Inception date	December 30, 2014
Total net assets (\$MM)	\$ 9.9
Benchmark	ICE BofAML 3-Month T-Bill Index
Distribution frequency	Quarterly

Portfolio Characteristics

	Fund
Number of holdings	204
Duration (years)	0.72
Turnover (%)*	75

Risk/Return Statistics (3 Year)

	Fund
Standard deviation (%)	2.87
Beta (vs. benchmark)	-2.03
R squared	0.02
Sharpe ratio	1.04
Information ratio	1.02

Quality Distribution (% of Total Net Assets)

	Fund
Treasury	9.32
AAA	3.91
AA	2.67
A	11.70
BBB	22.50
BB	15.63
B or Below	17.74
Not Rated	16.52

Sector Allocation (% of Total Net Assets)

	Fund
Investment Grade Corporates	23.92
RMBS	21.88
High Yield Corporates/Bank Loans	13.12
US Government/Agency	9.32
CMBS	9.05
Emerging Market Debt	6.84
Developed Markets Sovereign	5.81
Convertible Bonds	4.61
ABS	3.45
Cash	2.00

Geographic Allocation (% of Total Net Assets)

	Fund
U.S.	62.87
Australia	3.43
Spain	3.17
Germany	2.95
Netherlands	2.69
France	2.28
Poland	2.14
United Kingdom	1.85
Greece	1.76
Portugal	1.68

Currency Allocation (% of Total Net Assets)

	Fund
US Dollar	97.22
South African Rand	0.63
Brazilian Real	0.55
Indonesian Rupiah	0.53
British Pound	0.50
Egyptian Pound	0.25
Euro	0.11
Australian Dollar	0.09
New Zealand Dollar	0.07
Polish Zloty New	0.06

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Past performance is not indicative of future results. Subject to change daily. Fund information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security or securities in the regions, countries, and sectors presented.

PORTFOLIO CHARACTERISTICS DEFINITIONS

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **SEC yield** is a measure of the income generated by the portfolio's underlying asset over the trailing 30 days, relative to the asset base of the portfolio itself. The SEC 30-day yield - Subsidized (Sub.) reflects current fee waivers in effect. Absent such fee waivers, the yield would have been lower. The SEC 30-Day yield - Unsubsidized (Unsub.) does not reflect the fee waivers currently in effect. **Quality distribution** refers to the rating given by a Nationally Recognized Statistical Rating Organization ("NRSRO") and is the rating firms' subjective opinion concerning the ability and willingness of an issuer to meet its financial obligations in full and on time. Ratings apply only to portfolio holdings and do not remove the Fund's market risk. Quality distribution data for securities is sourced from Fitch, Moody's and S&P. Where the credit ratings for individual securities differ between the three ratings agencies, the 'highest' rating is applied. The rating of credit default swaps is based on the 'highest' rating of the underlying reference bond. 'Cash' includes investments in short term instruments, including investments in Morgan Stanley liquidity funds.

RISK/RETURN DEFINITIONS

Beta is a measure of the relative volatility of a security or portfolio to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The Beta of the Market is always equal to 1. **Information ratio** is the portfolio's alpha or excess return per unit of risk, as measured by tracking error, versus the portfolio's benchmark. **R squared** measures how well an investment's returns correlate to an index. An R squared of 1.00 means the portfolio performance is 100% correlated to the index's, whereas a low R squared means that the portfolio performance is less correlated to the index's. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance. **Standard deviation** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value.

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. Accordingly, you can lose money investing in this strategy. Please be aware that this strategy may be subject to certain additional risks. **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 the current 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. **High yield securities ("junk bonds")** are lower rated securities that may have a higher degree of credit and liquidity risk. **Foreign securities** are subject to currency, political, economic and market risks. The risks of investing in **emerging market countries** are greater than risks associated with investments in foreign developed markets. **Sovereign debt securities** are subject to default risk. The use of leverage may increase volatility in the Portfolio. **Derivative instruments** can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on the portfolio's performance. **Restricted and illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). **Mortgage- and asset-backed securities** 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 Strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future.

Lipper Fund Awards. Source: Lipper Inc. Lipper awards are not intended to predict future results. The Thomson Reuters Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. For more information, see www.lipperfundawards.com. The Asset Class fund groups with at least five equity, five bond, or three mixed-asset portfolios in the respective asset classes are eligible for a group award. The lowest average decile rank of the three years' Consistent Return measure of the eligible funds per asset class and group will determine the asset class group award winner over the three-year period. In cases of identical results, the lower average percentile rank will determine the winner. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Other share classes may have different performance and expense characteristics.

Morningstar: Rankings and ratings as of December 31, 2018. **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. **Ratings:** 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. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. 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. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account sales loads.

© 2019 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.** Morningstar information is based on quarter-end data. Please visit morganstanley.com/im for the latest month-end Morningstar information.

OTHER CONSIDERATIONS

¹ The BofA Merrill Lynch 3-Month T-Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income. The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

* Turnover is sourced from the fund's current prospectus.

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.

Morgan Stanley Investment Management (MSIM) is the asset management division of Morgan Stanley.