Morgan Stanley
INVESTMENT MANAGEMENT

COMMENTARY
May 31, 2024

Morgan Stanley Institutional Fund

Global Infrastructure Portfolio

GLOBAL LISTED REAL ASSETS TEAM

Performance

In the one month period ending May 31, 2024, the Fund's I shares returned 4.40% (net of fees)[1], while the benchmark returned 4.61%.

The Fund underperformed the benchmark in the month, predominantly due to top-down sector allocation. From a bottom-up perspective, the Fund benefited from favorable stock selection in other utilities, electricity transmission & distribution, gas distribution utilities, pipeline companies, communications and diversified, and this was offset by unfavorable stock selection in water & waste, European regulated utilities, gas midstream, airports and toll roads. Mexican airport operator Grupo Aeroportuario del Pacifico and China Resources Gas Group were standout performers.[2] From a top-down perspective, the Fund benefited from its overweights in airports and water & waste and its underweights in European regulated utilities, electricity transmission & distribution, gas midstream, gas distribution utilities and toll roads. This was offset by the overweight in other utilities and the underweights in communications, diversified and pipeline companies. Our out-of-benchmark position in railroads was also a detractor during the month. In particular, our underweight to U.S.-based tower operators and lack of exposure to satellites negatively impacted relative top-down returns during the month, given the strong performance of both.

Market Review

Infrastructure shares (as measured by the Dow Jones Brookfield Global Infrastructure Index) increased by 4.61% in May, bringing year-to-date performance to 1.13% in U.S. dollar terms. Such performance was modestly better than global equities for the month, with the MSCI World Net Index increasing by 4.47% (leading to the second period of relative outperformance for infrastructure for 2024). Despite this relative infrastructure outperformance for the month, global equities remain a material relative outperformer for the year (9.52% the MSCI World vs. 1.13% for the Dow Jones Brookfield Global Infrastructure Index). In May, communications, diversified, airports, and pipeline companies outperformed the index, while European regulated utilities, other utilities, toll roads, gas distribution utilities, electricity transmission & distribution, water & waste, and gas midstream underperformed.

The broader equity markets continued their strong year-to-date run in May, bolstered by favorable corporate earnings reports and a macroeconomic backdrop that still allowed for central bank easing later in the year. In the U.S., sticky inflation rates for April were not enough to deter the Federal Reserve from reversing its position, with Chairman Powell effectively taking further rate hikes of the table, and in the European Union, expectations remained for a rate cut during the European Central Bank's meeting in June. From an economic perspective, releases for the month showed pockets of moderation but a still healthy trend in most developed markets.

Within infrastructure, all subsectors posted gains with the exception of European regulated utilities, which declined on the back of National Grid's[3] poor performance following its announcement of a rights offering to fund future growth. Most notable was the strong performance of the communications sector and utilities outside of the U.K., with U.S.-based utilities ending the month as the best performing sector in the S&P 500 Index year-to-date, outside of communications services. For the communications infrastructure sector (not to be confused with the communications services sector of the S&P 500), we attribute the strong performance in the month to oversold conditions and a modest decline in U.S. 10-year Treasury yields. First quarter earnings results from SBA Communications,[4] reported at the end of April, were actually very cautious, with the company focusing on debt reduction for the remainder of the year (and thus not justifying the May move from a fundamental perspective). For utilities, while the short-term interest rate trend may have influenced the favorable performance somewhat, we would note much of the recent investor interest has related to the topic of artificial intelligence (AI) and data centers, with investors acknowledging the need to develop additional power and transmission infrastructure to meet the AI/data center power load over the next several years.

1 Source: Morgan Stanley Investment Management. Data as of May 31, 2024. Performance for other share classes will vary.
2 As of May 31, 2024, Grupo Aeroportuario del Pacifico 3.9% of the portfolio, China Resources Gas Group 0.4% of the portfolio.
3 As of May 31, 2024, National Grid 6.1% of the portfolio.
4 As of May 31, 2024, SBA Communications 0.5% of the portfolio.

Portfolio Activity

Trading was elevated in the month of May. In particular, we focused on raising cash for purchases, with a focus on buying National Grid (funding for rights offering), American Tower (repositioning within U.S. towers), data center operator Equinix (following completion of an internal audit review), and Mexican airport operator Grupo Aeroportuario del Pacífico (in advance of upcoming master development program approval).[5] Sales were executed across a number of sectors, with the largest sales associated with Australian toll road operator Transurban and European infrastructure conglomerate Vinci.[6]

Strategy and Outlook

We remain committed to our core investment philosophy as an infrastructure value investor. As a value-oriented, bottom-up driven investor, our investment perspective is that over the medium and long term, the key factor in determining the performance of infrastructure securities will be underlying infrastructure asset values. Given the large and growing private infrastructure market, we believe that there are limits as to the level of premium or discount at which the public sector should trade relative to its underlying private infrastructure value. These limits can be viewed as the point at which the arbitrage opportunity between owning infrastructure in the private versus public markets becomes compelling. In aiming to achieve core infrastructure exposure in a cost-effective manner, we invest in equity securities of publicly listed infrastructure companies we believe offer the best value relative to their underlying infrastructure value and growth prospects.

Our research currently leads us to an overweighting in the Fund to a group of companies in the other utilities, water & waste, and airports sectors, and an underweighting to companies in the electricity transmission & distribution, diversified, pipeline companies, toll roads, communications, gas distribution utilities, gas midstream and European regulated utilities sectors. Finally, we continue to retain out-of-benchmark positions in railroads.

Fund Facts

Inception Date	September 20, 2010
Minimum Initial Investment ($)*	A Shares - 1,000
	I Shares - 1,000,000
Benchmark	Dow Jones Brookfield Global Infrastructure Index
Class I expense ratio	**Gross 1.20 %**
	Net 0.97 %
Class A expense ratio	**Gross 1.42 %**
	Net 1.21 %

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 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.

5 As of May 31, 2024, American Tower 7.4% of the portfolio, Equinix 0.6% of the portfolio.
6 As of May 31, 2024 Transurban 0.9% of the portfolio, Vinci 2.8% of the portfolio.
***** Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

Performance (%)

As of May 31, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	4.40	0.94	0.00	4.22	-0.27	3.50	3.99
Class A Shares at NAV	4.42	0.94	0.00	3.95	-0.49	3.26	3.73
Class A Shares (With Max 5.25% Sales Charge)	-1.09	-4.37	-5.21	-1.51	-2.26	2.15	3.18
Dow Jones Brookfield Global Infrastructure Index	4.61	1.55	1.13	7.63	1.84	4.02	4.26

Performance (%)

As of March 31, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	2.71	-0.93	-0.93	-1.37	1.29	3.58	4.43
Class A Shares at NAV	2.72	-0.93	-0.93	-1.63	1.05	3.33	4.18
Class A Shares (With Max 5.25% Sales Charge)	-2.66	-6.09	-6.09	-6.80	-0.75	2.22	3.62
Dow Jones Brookfield Global Infrastructure Index	2.95	-0.41	-0.41	1.56	3.42	3.81	4.73

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. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

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). Performance for one year or more is based on average annual total returns. The returns are reported for Class I and A 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.

INDEX INFORMATION

The **Dow Jones Brookfield Global Infrastructure Index** is a free float-adjusted market capitalization weighted index that measures the stock performance of companies that exhibit strong infrastructure characteristics. The Index intends to measure all sectors of the infrastructure market.

The **MSCI World Net Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed 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 performance of 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.

The **Standard & Poor's 500® Index (S&P 500®)** measures the performance of the large cap segment of the U.S. equities market, covering approximately 80% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy.

The Indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an Index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor.

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, **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 the risks generally associated with investments in foreign developed countries. Companies within the **infrastructure industry** are subject to a variety of factors that may adversely affect their business or operations, including high interest, leverage and regulatory costs, difficulty raising capital, the effect of an economic slowdown or recession and surplus capacity, and increased competition. Other risks include technological innovation, significant changes in the number of end-users, an increasing deregulatory environment, natural and environmental risks, and terrorist attacks. 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. **Non-diversified portfolios** often invest in a more limited number of issuers so changes in the financial condition or market value of a single issuer may cause greater volatility in the portfolio. **Real estate investments**, including **real estate investment trusts (REITs)**, 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.

IMPORTANT INFORMATION

The views and opinions and/or analysis expressed are those of the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates (collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

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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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