

Morgan Stanley Institutional Fund

Global Infrastructure Portfolio

GLOBAL LISTED REAL ASSETS TEAM

Performance

In the one month period ending July 31, 2024, the Fund's I shares returned 6.01% (net of fees)¹, while the benchmark returned 6.73%.

The Fund underperformed the benchmark in the month, predominantly due to bottom-up stock selection. From a bottom-up perspective, the Fund benefited from favorable stock selection in other utilities, pipeline companies, airports, gas midstream, and toll roads, and was offset by unfavorable stock selection in water & waste and diversified. From a top-down perspective, the Fund benefited from its overweights to water & waste and other utilities, as well as its underweight to toll road, but this was more than offset by positioning in other areas, with our overweight to airports and underweights to electricity transmission & distribution and communications the largest drags on performance.

Market Review

Infrastructure shares (as measured by the Dow Jones Brookfield Global Infrastructure Index) increased by 6.73% in July, bringing the year-to-date performance to 5.86% in U.S. dollar (USD) terms. Infrastructure outperformed global equities for the month, with the MSCI World Net Index increasing by 1.76%. However, global equities remain a material relative outperformer for the year-to-date (+13.72% for the MSCI World versus 5.86% for the Dow Jones Brookfield Global Infrastructure Index). In July, communications, European regulated utilities, water & waste, electricity transmission & distribution, other utilities, and pipeline companies outperformed the index, while transportation-focused areas (i.e., ports, airports, toll roads, and diversified) were the primary sources of underperformance from an index perspective.

During the month of July, equity markets witnessed a notable shift in market leadership, with disappointing earnings relative to high expectations for technology stocks and a material move lower in interest rates on the back of soft inflation data and a more tepid labor market in the U.S. driving a strong rotation into "defensives" and small-cap equities. As a result, within infrastructure, utilities and communications performed very well in July (e.g., +11.4% for communications and +9.0% for electricity transmission & distribution for the month), even with ongoing fundamental challenges for U.S. tower operators. Specifically within Europe, while the interest rate setup also helped to broadly drive infrastructure share prices higher (European regulated utilities +10.6% in USD terms), select stocks were bolstered by the removal of political/regulatory overhang, with U.K. and French infrastructure companies benefiting from the conclusion of national elections, and U.K. water utilities benefiting from the release of U.K. regulator Ofwat's "Draft Determination" decision on future allowed returns and company expenditures. Strength in listed infrastructure for July was very broad, with ports (-4.5% in July) and airports (nearly flat in July) the only notable areas of absolute weakness.

From a quarterly earnings perspective, second quarter reports announced in July have broadly met expectations or beat them, highlighting the resilient fundamental picture for infrastructure in the context of a decelerating global economy. The one primary area of softness remains U.S. tower operator fundamentals excluding American Tower (i.e., SBA Communications and Crown Castle),² but as mentioned above, share price performance post earnings has been largely driven by lower interest rates, muting any negative impact of lackluster leasing/growth trends.

Portfolio Activity

Trading was two-way in July, with a mix of purchases and sales to marginally shift the positioning of the portfolio toward a more defensive orientation. Consistent with this, we added to a number of utility positions, with U.K. water a primary focus given the publication of Ofwat's Draft Determinations. We also added modestly to our U.S. tower holdings, given our view that interest rates are likely to be the more powerful driver of returns for this group in the short run, despite the muted fundamental picture. In terms of sales, our largest sales were focused on energy infrastructure, which has realized strong year-to-date performance, as well as waste company GFL Environmental,³ which has performed well on the back of merger and acquisition speculation.

¹ Source: Morgan Stanley Investment Management. Data as of July 31, 2024. Performance for other share classes will vary.

² As of July 31, 2024, American Tower 7.8% of the portfolio, SBA Communications 1.0% of the portfolio, Crown Castle 1.3% of the portfolio.

³ As of July 31, 2024, GFL Environmental 4.6% of the portfolio.

This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent advice should be sought before any decision to invest.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

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, European regulated utilities, water & waste, airports, and power purchase agreement (PPA) contracted renewables sectors, and an underweighting to pipeline companies, electricity transmission & distribution, toll roads, gas midstream, diversified, communications, gas distribution utilities, and ports. 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, in effect as of the date of this commentary. For information on the applicable fund's current fees and expenses, please see the fund's current prospectus.

Performance (%)

As of July 31, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	6.01	6.01	5.56	6.74	1.42	4.11	4.31
Class A Shares at NAV	6.04	6.04	5.50	6.49	1.18	3.87	4.05
Class A Shares (With Max 5.25% Sales Charge)	0.48	0.48	0.00	0.88	-0.62	2.75	3.50
Dow Jones Brookfield Global Infrastructure Index	6.73	6.73	5.86	7.84	2.86	4.28	4.43

Performance (%)

As of June 30, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	-0.42	0.51	-0.42	0.61	-0.41	2.69	3.57
Class A Shares at NAV	-0.51	0.43	-0.51	0.34	-0.65	2.43	3.31
Class A Shares (With Max 5.25% Sales Charge)	-5.69	-4.85	-5.69	-4.93	-2.43	1.33	2.75
Dow Jones Brookfield Global Infrastructure Index	-1.93	-0.41	-0.82	2.26	1.01	2.85	3.62

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.

* Share class availability may vary by platform. For more information, please visit the specified fund page on the website.

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 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 (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this commentary), download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

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