Morgan Stanley Investment Funds

Global Infrastructure Fund

GLOBAL LISTED REAL ASSETS TEAM

Important Information

- The Fund invests primarily in equity securities issued by companies located throughout the world that are engaged in the infrastructure business.
- Investment involves risks. Key risks for this fund include Risk of Investment in the Infrastructure Industry, Risk of Investment in Equity, Exchange Rate Risk, Emerging Market Risk, Risk of Exposure to the Euro and Eurozone and Investments in REITs.
- There is a risk that you may potentially lose your entire investment in this Fund.
- The investment decision is yours but you should not invest unless the intermediary who sells it to you has advised you that it is suitable for you and has explained why, including how buying it would be consistent with your investment objectives. You should not make any investment decision solely based on this document. Please read the relevant offering document carefully for further fund details including risk factors.

Performance Review

In the one month period up until 31 January 2024, the Fund's A shares returned -3.01% (net of fees)[1], while the benchmark returned -3.06%.

The Fund slightly outperformed the benchmark in January, due to favorable bottom-up stock selection. Top-down allocation was largely neutral. From a bottom-up perspective, the Fund benefited from favorable stock selection in water & waste (GFL Environmental), energy infrastructure overall (both gas midstream and pipeline companies), and airports, which was only partially offset by adverse selection in electricity transmission & distribution (Consolidated Edison). From a top-down perspective, the Fund benefited from an underweight in electricity transmission & distribution and in ports, but this was offset by top-down positioning in other sectors.

Market Review

Infrastructure shares (as measured by the Dow Jones Brookfield Global Infrastructure Index, the "Index") declined 3.06% in January, giving back some of the positive performance realized in the last quarter of 2023. Meanwhile, the broader global equity market was positive at +1.20% (as represented by the MSCI World Net Index), outperforming the infrastructure sector for the period.

Overall for the month, diversified, pipeline companies, European regulated utilities, and gas midstream outperformed the Index, while ports, electricity transmission & distribution, toll roads, water & waste, airports, and gas distribution utilities underperformed. Other utilities (integrated utilities) performed relatively in line with the Index.

Despite a late-year 2023 rally in interest rates and subsequent strength in companies perceived to benefit from a lower interest rate environment, January 2024 saw markets pivot back to many of the themes driving performance for the majority of last year: tech/artificial intelligence (AI), cyclicals over defensives, and regional strength in markets like the U.S. and Japan. Alongside the view that markets were perhaps too premature in pricing in central bank policy easing, many of the strong December performers once again exhibited weakness in January, as interest rates also moderately increased (+8 basis points [bps] on the 10-year U.S. Treasury, +13 bps on 10-year German bunds, +26 bps on 10-year U.K. gilts).[2] Underscoring the potential of a "soft landing" in the U.S., however, U.S. gross domestic product growth came in strong and corporate bond spreads tightened.

For listed infrastructure, this return to a higher-rate level (even if temporary) and soft-landing narrative also brought weakness to late December performers in favor of 2023 full-year winners. More specifically, the communications sector, with its 20%+ rally late in 2023, retrenched in January, and U.S.-based utilities also performed poorly relative to the broader equity markets. By contrast, last year's winners like diversified companies Ferrovial and Vinci performed favorably, and energy infrastructure performed relatively well, assisted by uncertainty around shipping lanes in the Middle East and subsequent increases in crude oil prices. Certainly, this "more of the same" start to 2024 has not yet rewarded the underperformers of 2023 despite solid fundamentals and discounted valuations; however, we do anticipate some mean reversion as we progress throughout the year, consistent with our positive view on the listed infrastructure sector overall.

Portfolio Activity

Our portfolio activity in January continued to be a mix of purchases and sales, with a focus on the U.S. and a reshuffle of utility positions the primary activity. In addition, we also modestly added to our energy infrastructure holdings during the month.

1 Source: Morgan Stanley Investment Management Limited. Data as of 31 January 2024.
2 Source: Bloomberg L.P. One basis point = 0.01%

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 water & waste, other utilities, communications, airports, and gas distribution utilities sectors, and an underweighting to companies in electricity transmission & distribution, pipeline companies, gas midstream, European regulated utilities, diversified, toll roads, and ports. Finally, we continue to retain out-of-benchmark positions in renewables.

For further information, please contact your Morgan Stanley Investment Management representative.

Fund Facts

Launch date	14 June 2010
Base currency	U.S. dollars
Benchmark	Dow Jones Brookfield Global Infrastructure Index

Calendar Year Returns (%)

Past performance is not a reliable indicator of future results.

	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class A Shares	-3.01	2.49	-8.61	12.90	-2.59	26.11	-8.70	11.91	14.36	-15.25	14.93
Dow Jones Brookfield Global Infrastructure Index	-3.06	4.51	-6.62	19.87	-6.97	28.69	-7.87	15.79	12.52	-14.40	16.34

Investment involves risks. All performance data is calculated NAV to NAV, net of fees, and assume the reinvestment of all dividends and income. The sources for all performance and Index data is Morgan Stanley Investment Management. Please refer to the relevant offering documents for fund details, including risk factors.

INDEX INFORMATION

The **Dow Jones Brookfield Global Infrastructure Index:** is a 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.

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