

## Morgan Stanley Investment Funds

# Global Infrastructure Fund

**GLOBAL LISTED REAL ASSETS TEAM**

### Performance Review

In the one month period ending 30 April 2024, the Fund's Z shares returned -2.56% (net of fees)<sup>1</sup>, while the benchmark returned -2.93%.

The Fund performed better than the benchmark in April, driven by positive top-down allocation. From a bottom-up perspective, the Fund benefited from favorable stock selection in airports (e.g., Mexican airport operator Grupo Aeroportuario del Pacifico) and diversified, but this was more than offset by unfavorable stock selection in water & waste (GFL Environmental) and gas distribution utilities. From a top-down perspective, the Fund benefited from its underweight positioning in communications, diversified, and the pipeline companies portion of energy infrastructure, with other top-down positioning having a largely net neutral impact.

### Market Review

Infrastructure shares (as measured by the Dow Jones Brookfield Global Infrastructure Index) declined 2.93% in April, bringing year-to-date performance to -3.33% in U.S. dollar (USD) terms. Such performance was modestly better than global equities for the month, with the MSCI World Net Index declining 3.71% (leading to the first period of relative outperformance for infrastructure for 2024). Despite this infrastructure relative outperformance for the month, however, global equities remain a material relative outperformer for the year (+4.84% the MSCI World vs. -3.33% for the Dow Jones Brookfield Global Infrastructure Index). In April, ports, electricity transmission & distribution, gas distribution utilities, other utilities, gas midstream, water & waste, European regulated utilities, and airports outperformed the index, while communications, diversified, toll roads, and pipeline companies underperformed.

Financial markets (both equities and rates) witnessed a broad pullback in April, driven predominantly by higher interest rates in the U.S. and elsewhere. Specifically relating to the U.S., high inflation readings for March and favorable labor market data (both employment levels and wages) drove the rate increase, with investors pushing out the timing of Federal Reserve rate cuts to late 2024, if at all. The timing of European Central Bank (ECB) rate cuts is anticipated to be sooner; however, economic releases for gross domestic product and purchasing manager's indexes (PMIs) showed healthy trends, underscoring the ability for the ECB to be patient.

Interestingly, despite the focus on interest rates for the month, not all of infrastructure suffered on this rationale in April. Notably, most utility sectors performed well, and U.S. utilities were actually the best performing sector of the S&P 500 Index for the month. This favorable performance did not translate to the communications sector, however, with the tower companies suffering double-digit declines in some instances. It is important to recall that while utilities have explicit adjustments for cost of debt, tower companies generally do not, creating a "double negative" for tower companies when rates rise (i.e., an impact both to cash flow and the overall cost of capital). Rounding out the sectors, transportation broadly declined on profit-taking in April and energy infrastructure was mixed, with gas midstream roughly flat for April and pipeline companies down. Both transportation and energy infrastructure remain areas of strong fundamental trends within infrastructure, although in some instances have come off the torrid pace witnessed in 2022 and 2023.

### Portfolio Activity

Portfolio activity was elevated for April, with the goal of repositioning in a number of areas. In particular, we reduced our exposure to the communications sector, both in the U.S. and in Europe. Interest rates have dominated the narrative for both regions, despite strong underlying fundamental trends for European tower operators. We also modestly reduced our positioning in select U.S.-based energy infrastructure names, given strong year-to-date outperformance. In terms of purchases, we initiated purchases in two Asian utility companies during the month and added selectively to underperforming U.S.-based utilities. We also offset some of the U.S. energy infrastructure sales by adding to a Canada-based gas midstream company.

### 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.

<sup>1</sup> Source: Morgan Stanley Investment Management Limited. Data as of 30 April 2024.

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

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 Z Shares	-3.59	3.28	-7.89	13.75	-1.86	27.06	-8.02	12.71	15.23	-14.61	15.84
Dow Jones Brookfield Global Infrastructure Index	-3.33	4.51	-6.62	19.87	-6.97	28.69	-7.87	15.79	12.52	-14.40	16.34

All performance data is calculated NAV to NAV, net of fees, and does not take account of commissions and costs incurred on the issue and redemption of units. The sources for all performance and Index data is Morgan Stanley Investment Management. **Please visit our website [www.morganstanley.com/im](http://www.morganstanley.com/im) to see the latest performance returns for the fund's other share classes.**

## Share Class Z Risk and Reward Profile

- The fund may be impacted by movements in the exchange rates between the fund's currency and the currencies of the fund's investments.
- There are additional risks associated with investing in infrastructure.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- Sustainability factors can pose risks to investments, for example: impact asset values, increased operational costs.
- There may be an insufficient number of buyers or sellers which may affect the fund's ability to buy or sell securities.
- There are increased risks of investing in emerging markets as political, legal and operational systems may be less developed than in developed markets.
- Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations. The value of investments and the income from them can go down as well as up and investors may lose all or a substantial portion of his or her investment.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.
- Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Please refer to the Prospectus for full risk disclosures. All data as of 30 April 2024 and subject to change daily.

Applications for shares in the Fund should not be made without first consulting the current Prospectus and the Key Information Document ("KID") or Key Investor Information Document ("KIID"), which are available in English and in the official language of your local jurisdiction at [morganstanleyinvestmentfunds.com](http://morganstanleyinvestmentfunds.com) or free of charge from the Registered Office of Morgan Stanley Investment Funds, European Bank and Business Centre, 6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

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## 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.

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.

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Applications for Fund interests in the sub-fund mentioned

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