

### Morgan Stanley Institutional Fund

# Global Infrastructure Portfolio

GLOBAL LISTED REAL ASSETS TEAM | COMMENTARY | CLASS I SHARES | JULY 31, 2021

## Performance

In the one month period ending July 31, 2021, the Fund's I shares returned 0.38% (net of fees)<sup>1</sup>, while the benchmark returned 1.09%.

The Fund underperformed the benchmark in July. From a bottom-up perspective, the Fund benefited from stock selection in the airports sector, which was offset by stock selection in the communications and toll roads sectors. From a top-down perspective, the Fund benefited from positioning in select out-of-benchmark utilities and an underweight to pipeline companies, which was offset by out-of-benchmark positioning in railroads, an underweight to European regulated utilities, and an overweight to toll roads.

## Market Review

Infrastructure shares (as measured by the Dow Jones Brookfield Global Infrastructure Index) increased 1.09% in July, continuing to boost the overall performance of the asset class on the year (+13.81% year-to-date). Relative to the broader equity market, infrastructure securities also performed well, with modest relative outperformance on a year-to-date basis (+0.44% in July and +13.32% year-to-date for global equities as represented by the S&P Global BMI over the same period). Overall for the month, water & waste, European regulated utilities, communications, gas distribution utilities, and airports outperformed the index, while gas midstream, pipeline companies, toll roads, ports, diversified, and electricity transmission & distribution underperformed.

Despite ongoing overall equity market appreciation in July, investors were exposed to increased volatility within the month as concerns over the potential impact of the delta variant and heightened U.S.-China tensions dampened sentiment. Within infrastructure, this translated to outperformance by more defensively oriented sectors such as utilities and communications, at the expense of energy and transportation. The one exception to this was in airports, where the buyout offer for Sydney Airport<sup>2</sup> bolstered overall sector performance.

## Portfolio Activity

Portfolio activity in July was focused primarily on adding to companies with weak year-to-date share price performance but robust fundamental trends. In particular, we added to underperforming, renewable-exposed utilities in North America and Europe, and broadly added to our Chinese infrastructure exposure. Outside of these areas, we repositioned some of our North American tower exposure as well as some of our exposure in energy infrastructure. Purchases were funded with cash and sales of outperforming companies.

## 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

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<sup>1</sup> Source: Morgan Stanley Investment Management. Data as of July 31, 2021.

<sup>2</sup> As of July 31, 2021, 0.9% of the portfolio.

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 communications, toll roads, and airports sectors, and an underweighting to companies in the electricity transmission & distribution, pipeline companies, gas distribution utilities, European regulated utilities, diversified, gas midstream, water & waste, and ports sectors. Finally, we continue to retain out-of-benchmark positions in renewables, railroads, and certain other utilities that are not contained in the index.

#### FUND FACTS

##### Launch date

September 20, 2010

##### Base currency

U.S. dollars

##### Index

Dow Jones Brookfield Global Infrastructure Index

#### Performance (%)

As of date July 31, 2021 (Class I Share at NAV)

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
MSIF Global Infrastructure Portfolio - I Shares	0.38	0.38	10.15	17.33	8.61	6.99	9.31	9.95
Dow Jones Brookfield Global Infrastructure Index	1.09	1.09	13.81	17.72	7.68	6.83	8.47	9.36

#### Performance (%)

As of date June 30, 2021 (Class I Share at NAV)

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION
MSIF Global Infrastructure Portfolio - I Shares	0.00	5.72	9.74	20.71	9.17	7.08	9.07	10.00
Dow Jones Brookfield Global Infrastructure Index	0.49	6.88	12.58	18.75	7.95	6.84	8.22	9.33

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](http://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.

The gross expense ratio is 1.18% for Class I shares and the net expense ratio is 0.97%. 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. The minimum initial investment is \$5,000,000.

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 shares. Performance for other share classes will vary.

Effective December 31, 2020, Ted Bigman is no longer serving as a portfolio manager on the Fund. The Fund continues to be managed by Matt King.

## 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.

## 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 **S&P Global BMI Index** is a broad market index designed to capture exposure to equities in all countries in the world

that meet minimum size and liquidity requirements. The index includes developed and emerging market countries.

Indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an Index.

## IMPORTANT INFORMATION

The views and opinions expressed are those of the investment team at the time of writing and are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass. These comments are not representative of the opinions and views of the firm as a whole. Holdings and sectors/region weightings are subject to change daily. All information provided is for informational purposes only and should not be deemed as a recommendation to buy or sell securities in the sectors and regions referenced.

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Certain information herein is based on data obtained from third party sources believed to be reliable. However, we have not verified this information, and we make no representations whatsoever as to its accuracy or completeness.

**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](https://morganstanley.com/im) or call 1-800-548-7786. Please read the prospectus carefully before investing.**

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

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