

Global Infrastructure Securities Strategy

REAL ASSETS | GLOBAL LISTED REAL ASSETS TEAM | STRATEGY PROFILE | 2017

The Morgan Stanley Global Infrastructure Securities Strategy seeks attractive long-term, risk-adjusted returns by investing in the equity securities of publicly traded infrastructure companies worldwide. The investment team utilizes proprietary research to drive a value-oriented, fundamental investment process that combines bottom-up and top-down analyses.

Investment Philosophy

The Global Listed Real Assets team believes that the performance of infrastructure securities is most highly correlated with the underlying value of their assets. In aiming to achieve core infrastructure exposure in a cost-effective manner, the team utilizes proprietary research to invest in the equity securities of publicly listed infrastructure companies that it views as offering the best value relative to their underlying assets and growth prospects.

The investment team defines the core infrastructure securities universe as exhibiting certain characteristics. These companies:

- Serve an essential function in society or the economy;
- Have long, useful life spans;
- Hold a monopoly/quasi-monopoly market position or high barriers to entry;
- Operate in a regulated environment and/or are resistant to business cyclicality;
- Have the potential to produce stable, predictable cash flows, often linked to inflation; and
- Represent entities that are difficult to replicate due to high construction costs and/or scarcity of resources, such as land or planning restrictions.

Of these characteristics, the investment team in particular values: 1) barriers to entry, and 2) stability of cash flow. For the latter, this means seeking to eliminate or mitigate commodity price exposure to the greatest extent possible, particularly for those companies in the oil and gas, and electricity sectors.

As a result, the investment team seeks to invest in companies with direct exposure to infrastructure versus those that are exposed to the infrastructure “theme” but may not possess the structural attributes highlighted previously. Thus, the team focuses on companies with hard assets as opposed to those involved in service businesses.

Investment Process

The Global Infrastructure Securities Strategy is actively managed, utilizing internal proprietary research to implement a value-oriented, fundamental investment process that combines bottom-up and top-down research.

STRATEGY AT A GLANCE

Inception	September 2010
Benchmark	Dow Jones Brookfield Global Infrastructure Index ¹
Country Weight²	Generally no more than +/-20% to any country versus the benchmark
Security Weight²	Generally no more than 10% of portfolio market value or benchmark weight +10%
Sector Weight²	Generally no more than +/-20% to any sector versus the benchmark
Typical Turnover Range²	25 to 50 percent

This material is for Professional Clients use only, except in the U.S. where the material is for Institutional Investor use only. The material may not be redistributed or used with the general public.

BOTTOM-UP ANALYSIS

- **INFORMATION GATHERING:** Through a review of public information and meetings with company management, the team evaluates each company’s historical operating results, accounting practices, and business goals and strategies. In order to better understand a company’s portfolio, the team may visit selected company-owned and comparable assets.
- **SECURITY EVALUATION AND SELECTION:** Using proprietary valuation models, the investment team seeks to assemble a portfolio comprised of individual securities that it believes provide the best value relative to the companies’ underlying assets and growth prospects. The team maintains a disciplined focus on net asset value (NAV)³ or intrinsic value analysis as the primary valuation metric for evaluating companies within the investable universe. Results from this proprietary modeling are triangulated versus private infrastructure valuations and/or acquisition multiples to the extent available. The team believes that understanding private infrastructure value is vital, as publicly listed infrastructure assets represent only a small portion of the overall universe.

TOP-DOWN ANALYSIS

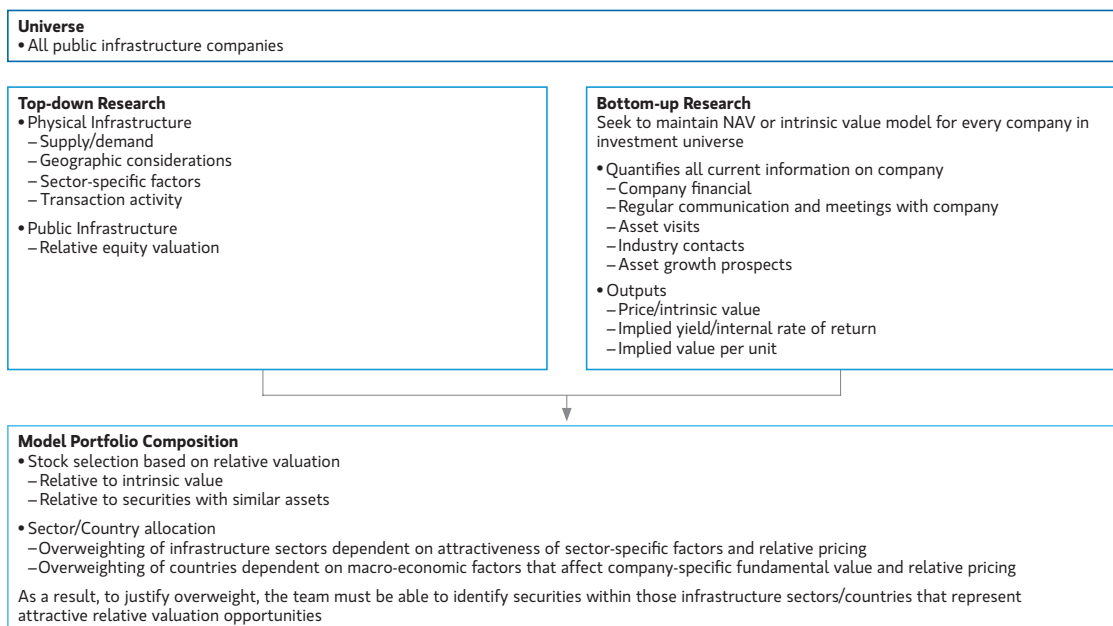
- **EVALUATION OF CYCLICAL FACTORS:** The team examines cyclical factors affecting infrastructure markets in order to determine which countries and sectors are most attractive on a relative basis. The supply and demand drivers of each physical infrastructure market within each country are analyzed to determine the potential risk/return characteristics of the companies’ underlying assets. The team also examines sector-specific factors and transaction activity.
- **GLOBAL ALLOCATION BY SECTOR AND COUNTRY:** The output of the team’s top-down research is an asset-allocation framework that provides a suggested optimal exposure to each major economic infrastructure sector and country, with an overweighting to sectors and countries that the team believes offer the best relative value.

RISK MANAGEMENT

The team seeks to manage sector and country risk by generally limiting portfolio allocation to no more than 20 percent overweight/underweight in either category versus the benchmark. At the same time, the team generally limits the maximum security weight to 10 percent of the portfolio per stock or benchmark weight plus 10 percent.

DISPLAY 1

Top-down macro analysis integrated with bottom-up fundamental analysis helps drive competitive performance



The diagram above represents how the portfolio management team generally applies its investment process under normal market conditions.

Competitive Advantages

ATTRACTIVE RISK/RETURN CHARACTERISTICS

- The global infrastructure securities market has historically provided strong risk-adjusted returns compared to the general equity markets⁴ while potentially providing portfolio diversification benefits.⁵

COST-EFFICIENT ACCESS TO A GROWING ASSET CLASS

- Public infrastructure securities can offer investors liquid, efficient access to an asset class that the investment team believes is poised for significant growth potential, and generally accepted as a distinct asset class within a multi-asset class portfolio.⁶

CONSISTENT ADHERENCE TO INVESTMENT PHILOSOPHY AND PROCESS

- The team remains committed to its investment philosophy irrespective of short-term trends, and pursues a disciplined, value-oriented investment process that utilizes proprietary research, which is designed to identify stocks that trade at discounts to underlying infrastructure value.

EXPERIENCED INVESTMENT TEAM

- The portfolio managers possess more than 45 years of combined experience. The team also leverages its real estate experience in managing the Global Infrastructure Securities Strategy and has implemented a similar investment philosophy and process to the strategy it has been utilizing for Real Estate Securities since 1995, as the team believes the analysis of both public real estate and infrastructure companies share many common characteristics.

Investment Team⁷

The Global Infrastructure Securities Strategy is managed by lead portfolio manager Ted Bigman and portfolio manager Matt King, who are supported by a team of fully dedicated research analysts. Bigman, a Managing Director at MSIM, joined the firm in 1995 and has 30 years of investment experience. King, a Managing Director, joined the firm in 2008 and has 17 years of financial industry experience.

¹ The Dow Jones Brookfield Global Infrastructure Index is a float-adjusted market capitalization weighted index that measures the stock performance of companies worldwide that exhibit strong infrastructure characteristics. The Index intends to measure all sectors of the infrastructure market. The index is unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

² Information provided represents typical ranges and are not a maximum number. The portfolio may exceed this from time to time due to market conditions and outstanding trades.

³ Net asset value (NAV) represents the underlying asset value of a company.

⁴ Source: Morgan Stanley Investment Management, FactSet, Dow Jones Brookfield, MSCI, Standard & Poors, Russell. Data for the period July 14, 2008 through December 31, 2016. **Past performance is not indicative of future results.** Investments involve risks including the possible loss of principal. Equity securities are more volatile than bonds and subject to greater risks. Companies within the infrastructure industry are subject to a variety of factors that may adversely affect their business or operations. Investments in foreign markets entail special risks such as currency, political, economic, and market risks. The risks of investing in emerging market are greater than the risks generally associated with foreign investments.

⁵ Diversification does not protect an investor against a loss in a particular market; however, it allows an investor to spread that risk across various asset classes.

⁶ Source: S&P, Dow Jones Brookfield. As of December 31, 2016.

⁷ Team members may change from time to time without notice.

This material is for Professional Clients only, except in the U.S. where the material is for Institutional Investor use only. The material may not be redistributed or used with the general public.

This communication is a marketing communication. The document has been prepared solely for information purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

Except as otherwise indicated herein, the views and opinions expressed herein are those of the portfolio management team, are based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date hereof. The views expressed do not reflect the opinions of all portfolio managers at Morgan Stanley Investment Management (MSIM) or the views of the firm as a whole, and may not be reflected in all the strategies and products that the Firm offers.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto.

All information contained herein is proprietary and is protected under copyright law.

This communication is not a product of Morgan Stanley's Research Department and should not be regarded as a research recommendation. The information contained herein has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

RISK WARNINGS

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. 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 risks 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. **Illiquid securities** may be more difficult to sell and value than public traded securities (liquidity risk). **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.

This communication is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Prior to investing, investors should carefully read the relevant offering document(s).

Explore our new site at
www.morganstanley.com/im

EMEA

This communication was issued and approved in the UK by Morgan Stanley Investment Management Limited, 25 Cabot Square, Canary Wharf, London E14 4QA, authorized and regulated by the Financial Conduct Authority, for distribution to Professional Clients only and must not be relied upon or acted upon by Retail Clients (each as defined in the UK Financial Conduct Authority's rules).

Financial intermediaries are required to satisfy themselves that the information in this document is suitable for any person to whom they provide this document in view of that person's circumstances and purpose. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this document by any such financial intermediary. If such a person considers an investment she/he should always ensure that she/he has satisfied herself/himself that she/he has been properly advised by that financial intermediary about the suitability of an investment.

U.S.

A separately managed account may not be suitable for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required. For important information about the investment manager, please refer to Form ADV Part 2.

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

HONG KONG

This document has been issued by Morgan Stanley Asia Limited for use in Hong Kong and shall only be made available to "professional investors" as defined under the Securities and Futures Ordinance of Hong Kong (Cap 571). The contents of this document have not been reviewed nor approved by any regulatory authority including the Securities and Futures Commission in Hong Kong. Accordingly, save where an exemption is available under the relevant law, this document shall not be issued, circulated, distributed, directed at, or made available to, the public in Hong Kong.

SINGAPORE

This document should not be considered to be the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under section 304 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), (ii) to a "relevant person" (which includes an accredited investor) pursuant to section 305 of the SFA, and such distribution is in accordance with the conditions specified in section 305 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In particular, for investment funds that are not authorized or recognized by the MAS, units in such funds are not allowed to be offered to the retail public; any written material issued to persons as aforementioned in connection with an offer is not a prospectus as defined in the SFA and, accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and investors should consider carefully whether the investment is suitable for them.

AUSTRALIA

This publication is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accept responsibility for its contents. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

Morgan Stanley is a full-service securities firm engaged in a wide range of financial services including, for example, securities trading and brokerage activities, investment banking, research and analysis, financing and financial-advisory services.

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