

## Revenue-sharing Fund Families

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The following information mainly pertains to mutual fund revenue sharing and fees for administrative services, expense payments and data analytics. For more information regarding mutual fund fees and how Morgan Stanley and your Financial Advisor are compensated when you purchase and hold mutual fund shares, please refer to the “Mutual Fund Features, Share Classes and Compensation” brochure available on our website at the address noted in the For More Information section below.

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called a revenue-sharing payment, on client account holdings in fund families based on a tiered rate which increases along with the management fee of the fund. This means that lower management fee funds pay lower rates than those with higher management fees. The rate ranges from 0.01% per year (\$1 per \$10,000 of assets) up to a maximum of 0.10% per year (\$10 per \$10,000 of assets).

The tiered rates are the same for commission-based brokerage and fee-based advisory client account holdings. However, for advisory accounts there are account type and program exceptions and the fees are rebated to offset an

advisory account platform fee. Please see the applicable Morgan Stanley ADV brochure for additional information.

Revenue-sharing payments are in addition to the sales charges, annual distribution and service fees (referred to as “12b-1 fees”), applicable redemption fees and deferred sales charges, and other fees and expenses disclosed in the fund’s prospectus Fee Table. Revenue-sharing payments are generally paid out of the fund’s investment adviser, distributor or other fund affiliate’s revenues or profits and not from the fund’s assets. However, fund affiliate revenues or profits may, in part, be derived from fees earned for services provided to and paid for by the fund. Morgan Stanley does not

receive any portion of these revenue-sharing payments through brokerage commissions generated by the fund.

Set forth below is a listing of the fund families from which we received revenue sharing payments of at least \$250,000 in 2017. Fund families are listed in descending order based on the total amount of revenue-sharing payments we recognized from each fund family. Although we seek to charge all fund families the same revenue sharing fee rate schedule, in aggregate Morgan Stanley receives significantly more revenue-sharing from the families with the largest client fund share holdings at our firm. This fact presents a conflict of interest for Morgan Stanley to promote and recommend funds from those fund families rather than funds from families that, in aggregate, pay us less revenue-sharing. In addition, since our revenue-sharing rates are higher for funds with higher management fees, this fact presents a conflict of interest for us to promote and recommend funds that have higher management fees. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation as a result of revenue-sharing payments received by Morgan Stanley. Moreover, for advisory account clients the fees are rebated to offset an advisory account platform fee.

### Administrative Service Fees

Morgan Stanley and/or its affiliates receive compensation from funds or their affiliated service providers for providing record keeping and related services to the funds. These charges are based on the aggregate value of client positions. Administrative fees may be viewed in part as a form of revenue-sharing if and to the extent the amounts paid by the fund exceed what the mutual fund would otherwise have paid for those services. However, they are not included in the revenue-sharing payments described above.

We typically process transactions with domestic fund families on an omnibus basis, which means we consolidate our clients' trades into one daily trade with the fund, and therefore maintain all pertinent individual shareholder information for the fund. Trading in this manner requires that we maintain the transaction history necessary to track and process sales charges, annual service fees, and applicable redemption fees and deferred sales charges for each position, as well as other transaction details required for ongoing position maintenance purposes. Offshore fund families, in

general, are traded on a networked basis, which means Morgan Stanley submits a separate trade for each individual client trade to the fund.

For these services, funds pay 0.06% per year (\$6 per \$10,000) on fund assets held by our clients in commission based brokerage accounts and fee-based advisory account programs. However, for advisory accounts there are account type and program exceptions, while the fees are rebated to offset an advisory account platform fee. Please see the applicable Morgan Stanley ADV brochure for additional information.

While all fund families are charged the same administrative service fee rates, in aggregate Morgan Stanley receives significantly more administrative service fees from the fund families with the largest client fund share holdings at our firm. This fact presents a conflict of interest for Morgan Stanley to promote and recommend funds from those fund families rather than funds from families that, in aggregate, pay us less administrative service fees. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation as a

result of these administrative service fee payments received by Morgan Stanley. Moreover, for advisory account clients, the fees are rebated, for which we generally expect to offset an advisory account platform fee, where applicable.

### Expense Payments and Data Analytics Fees

Morgan Stanley provides fund families with opportunities to sponsor meetings and conferences, and grants them access to our branch offices and Financial Advisors for educational, marketing and other promotional efforts. Fund representatives may also work closely with our branch offices and Financial Advisors to develop business strategies and plan promotional events for clients, prospective clients and educational activities. Fund families or their affiliates make payments to Morgan Stanley in connection with these promotional efforts, in order to reimburse Morgan Stanley for expenses incurred for sales events and training programs as well as client seminars, conferences and meetings. Although fund families independently decide if and what they will spend on these

## 2017 Revenue-sharing Fund Families

Legg Mason

Franklin Templeton

American Funds

BlackRock Funds

First Eagle Funds

PIMCO

Invesco

Lord Abbett Funds

Oppenheimer

JP Morgan

Nuveen Funds

Fidelity Advisors

Eaton Vance Group

MFS Investments

Thornburg

Alliance Bernstein Funds

Putnam Funds

Hartford Funds

Columbia Management

Janus Capital Group

Virtus

Prudential Investments

Natixis Funds

Morgan Stanley Funds

Wells Fargo

Principal Funds

Goldman Sachs

Federated Securities

Pioneer Funds

Delaware Investments

Mainstay Funds

John Hancock Funds

Oakmark Funds

Guggenheim

Ivy Funds

T Rowe Price Funds

Franklin Templeton Offshore

Davis Advisors

AIG Funds (formerly SunAmerica)

Legg Mason 529 Plans

Deutsche Asset Management

Dreyfus Premier Funds

Calamos Funds

MFS Offshore

Allianz

activities, some fund families agree to make annual dollar amount expense reimbursement commitments of up to \$300,000. In addition, fund families may provide support of up to \$100,000 for the development and maintenance of our internal Financial Advisor training and education e-learning platform. Fund families may also invite our Financial Advisors to attend fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

Morgan Stanley also provides fund families with the opportunity to purchase sales data analytics. The fee amount depends on the level of data and the number of products covered. The current range is \$100,000 per year for the most basic mutual fund data package up to \$750,000 per year for the most comprehensive mutual fund sales data package which may include customized data information. For an additional fee, fund families that sponsor products in addition to mutual funds (e.g., ETFs, UITs, SMAs and alternative investments) may purchase data analytics on other financial product sales at Morgan Stanley.

These facts present a conflict of interest for Morgan Stanley and our Financial Advisors to the extent they lead us to focus on funds from those fund families that commit significant financial and staffing resources to promotional and educational activities instead of on funds from fund families that do not purchase sales data analytics or do not commit similar resources to these activities. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending funds sponsored by fund families that purchase data analytics and/or provide significant sales and training support. Fund family representatives are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors (subject to an aggregate entertainment limit of \$1,000 per employee annually for each fund family). Morgan Stanley's non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving any sales target.

### Money Market and Money Market Sweep Funds

Money market funds are subject to different compensation arrangements than the revenue-sharing and administrative service fees outlined above for mutual funds.

#### NON-SWEEP MONEY MARKET FUNDS

We receive revenue sharing fees of up to 0.10% per year (\$10 per \$10,000 of assets) on money market funds available for direct purchase. However, unlike the compensation arrangements outlined above for non-money market mutual funds where Financial Advisors do not receive any portion of this compensation, all or a portion of these payments is allocated to the Morgan Stanley Financial Advisor that assisted with the sale of such funds in your brokerage account.

#### SWEEP MONEY MARKET FUNDS

Our affiliate, Morgan Stanley Investment Management, serves as the investment adviser to the money market fund assets that are available as cash management sweep options for Morgan Stanley

Harding Loevner Funds  
Cohen & Steers  
Liberty Funds  
American Century Investments  
Transamerica Funds  
Matthews International Funds  
Lazard Funds  
Victory Funds (Guardian)  
Gabelli Funds  
Neuberger Berman Management Inc.  
DoubleLine Capital LP  
BlackRock Offshore  
Touchstone Funds  
AQR Capital Management, LLC  
Royce Funds

JP Morgan Offshore  
Causeway Funds  
Fred Alger & Company  
Metropolitan West Funds  
Voya Funds  
LMM, LLC  
Alliance Bernstein Offshore  
Legg Mason Offshore  
Investec Asset Management Guernsey  
Cambiar Funds  
Pioneer Offshore  
IVA Funds  
Blackstone Funds  
Tortoise Funds  
Diamond Hill

Angel Oak Funds  
Henderson Global Investments  
Brandes  
Artisan Distributors LLC  
AMG Distributors, Inc.  
Lord Abbett Offshore  
Baron Funds  
Catalyst Capital Advisors, LLC  
LoCorr Funds  
Schroder Offshore  
Robeco Institutional Asset Mgmt B.V.  
Salient Advisors, L.P.  
American Beacon  
Highland Capital Management

client accounts. Morgan Stanley receives revenue-sharing compensation from Morgan Stanley Investment Management based on the amount of money market sweep fund assets held by our clients in brokerage accounts of up to 0.25% per year (\$25 per \$10,000 of assets). A portion of the fee is paid as compensation to your Financial Advisor. Morgan Stanley does not receive revenue sharing compensation on sweep money market fund positions held by clients in our fee-based advisory account programs.

**For More Information**

For additional information on a particular fund's payment and compensation practices, please refer to the fund's Prospectus and Statement of Additional Information. For further information regarding the fund fees and expenses borne by you and how Morgan Stanley and your Financial Advisor are compensated when you purchase and hold mutual fund shares,

please refer to "Mutual Fund Features, Share Classes and Compensation" available at: <http://www2.morganstanley.com/wealth/investmentsolutions/mutualfunds.asp>. You may also contact your Financial Advisor.

Morgan Stanley Smith Barney LLC, its affiliates and its Financial Advisors do not provide tax advice. Clients should speak with their own tax advisors regarding their personal situation.

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