It’s important to understand how mutual fund fees and expenses, and your choice of share class, affect your investment and return. Of course, you also need to consider the fund’s investment objectives and policies, and its risks.

NOTE: Before buying any mutual fund, request a prospectus from your Financial Advisor and read it carefully. The prospectus contains important information on fees, charges and investment objectives which should be considered carefully before investing.
Summarized below is some important information about mutual fund share classes and the types of fees and expenses you may be required to pay depending upon the share class you select. This summary also explains how Morgan Stanley and your Financial Advisor are compensated when you invest in mutual funds. In general, the fees, expenses and payments described below are specific to mutual fund investments. Other available investment options feature different fees and charges, and may provide less compensation to Morgan Stanley and your Financial Advisor. You should speak with your Financial Advisor if you have any questions regarding the relative costs and compensation for available investment product alternatives.

You can also visit the websites sponsored by the U.S. Securities and Exchange Commission (www.SEC.gov), the Financial Industry Regulatory Authority (www.FINRA.org), the Securities Industry and Financial Markets Association (www.sifma.org) and the Investment Company Institute (www.ICI.org) to obtain additional educational information about mutual funds.

The following information principally pertains to mutual fund sales transacted through commission-based brokerage accounts. For more information on fees and expenses in our fee-based advisory account programs, please refer to the applicable Morgan Stanley ADV Brochure. You should consider all of the available methods for purchasing and holding mutual fund shares discussed in this booklet and in your program documents.

Each Mutual Fund Is Different
Mutual funds are securities that are offered for sale through a prospectus. Before investing in a mutual fund, you should read the fund’s prospectus carefully. You can also request a copy of the fund’s Statement of Additional Information (SAI), for additional details. All funds charge investment management fees and ongoing expenses for operating the fund that you will pay while you are invested. A fund’s prospectus describes, among other things, the fund’s investment objective and principal strategy, risks, share classes and expenses. The prospectus and SAI also describe how sales charges and expenses vary by share class, and how investors can qualify for sales charge waivers or reductions based upon the amount of their investments or other circumstances. Of course, in choosing a mutual fund investment, you should consider the fund’s investment objectives and policies, and its risks—in addition to the costs and expenses of investing in a particular fund and share class. Determine if they match your own goals. Your Financial Advisor can provide assistance if you have questions.

The Basics of Mutual Fund Share Classes
A single mutual fund usually offers different pricing arrangements or “classes” of its shares to meet investor preference and needs. Each share class represents an investment in the same mutual fund portfolio, but offers investors a choice of how and when to pay for fund distribution costs. Many funds also utilize “advisory” share classes—typically offered with no front-end or back-end sales charges—but Morgan Stanley generally makes these share classes available only in our fee-based advisory account programs. Please refer to the applicable Morgan Stanley ADV Brochure for more information on fees and expenses for these accounts. The most common mutual fund share classes available in commission-based brokerage accounts—A and C—are described below. Class A shares typically assess a front-end sales charge while Class C shares utilize a level sales charge structure. Some mutual funds also offer Class B shares, a deferred sales charge structure. In addition to the advisory share classes offered in our advisory programs, funds may also offer specialized share classes, such as those for eligible retirement plan accounts, share classes that do not compensate financial intermediaries for providing administrative services, and share classes that have no distribution-related expenses, but are subject to “transaction fees” charged by the
financial intermediary that sells them. However, Morgan Stanley generally offers only Class A and Class C shares in its commission-based brokerage accounts. If you wish to purchase other types of shares, which may carry lower overall costs, you will need to do so directly with the fund or through an account at another financial intermediary.

The key distinctions among share classes are the sales charges and ongoing fees and expenses you will pay in connection with your investment in the fund. The timing and amount of compensation received by your Financial Advisor for selling you shares of the fund also will be directly affected by the share class you purchase.

Morgan Stanley employs an order entry share class selection calculator designed to assist clients with selecting the least costly share class available in its commission-based brokerage accounts over the anticipated holding period of the investment. Your Financial Advisor is also available to help you with share class questions. The principal considerations are the size of your investment and the anticipated holding period. Investors generally should consider Class A shares (the front-end sales charge alternative) if they qualify for breakpoint discounts. Class C shares (the level sales charge alternative) are generally appropriate for shorter-term holding periods.

Investors anticipating large purchases should consider Class A shares since Class A shares typically offer sales-charge discounts (“breakpoints”) beginning at $25,000 that increase as the size of your investment increases. Shorter-term investors anticipating large purchases should also consider Class A rather than Class C shares due to the significant breakpoint discounts available at high investment levels.

When deciding which fund and which share class within a fund makes the most economic sense for you, you should ask your Financial Advisor about the effect of a number of factors on your costs, including:
- How long you plan to hold the fund;
- The size of your investment;
- Whether you will be adding to the investment in the future;
- The expenses you’ll pay for each class;
- Whether the amount of your initial or intended investment, together with other eligible fund investments, qualifies you for any sales-charge discounts (that is, whether you should execute a Letter of Intent, whether you are entitled to a Right of Accumulation, or whether you are entitled to a breakpoint discount); and
- Whether you qualify for any front-end sales charge waivers with respect to Class A shares, which are discussed in more detail herein.

12b-1 Fees and Other Fees
12b-1 fees take their name from the Securities and Exchange Commission rule under which they were created. They are fees charged against your mutual fund assets on a continuing basis that cover marketing, distribution and/or shareholder services costs. 12b-1 fees may also be used, in part, to offset the amounts payable by the fund’s principal distributor as compensation to selling firms where the fund share class does not have a front-end sales charge. The portion of the 12b-1 fee that is used for distribution expenses is effectively an asset-based sales charge paid over time instead of charged as a front-end sales charge.

The amount of the 12b-1 fee is charged as a percentage of the fund’s total assets attributable to the share class. A fund also deducts certain other ongoing fees from its assets to pay firms that provide various services to the fund, such as the fund’s investment adviser, transfer agent, custodian and administrator. 12b-1 fees, investment management fees and other ongoing expenses are described in the mutual fund’s prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help you compare the annual expenses of different funds.

Class A Shares
Purchasers of Class A shares are typically charged a front-end sales charge or commission (sales charges on mutual funds are also referred to as “loads”) that is included in the price of the fund shares. When you buy shares with a front-end sales charge, a portion of the money you invest is used to pay the sales charge. For example, if you invest $10,000 in a fund and the front-end load is 5%, you would be charged $500, and the remaining $9,500 would be invested in the chosen fund. Class A share 12b-1 fees (generally 0.25% or $25 per $10,000 of fund assets per year) typically are lower than those of Class C shares.

Class A Share Sales Charge Discounts (Breakpoints)
As noted above, funds may offer purchasers of Class A shares volume discounts — also called breakpoint discounts — on the front-end sales charge if the investor:
- Makes a large purchase;
- Commits to purchase additional shares of the fund (Letters of Intent);
- Holds other mutual funds offered by the same fund family and/or has family members (or others with whom they may link purchases according
Sample Breakpoint Schedule

CLASS A SHARES (FRONT-END SALES LOAD)

<table>
<thead>
<tr>
<th>Investment Amount</th>
<th>Sales Load</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td>5.75%</td>
</tr>
<tr>
<td>$25,000 or more but less than $50,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>$50,000 or more but less than $100,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>$100,000 or more but less than $250,000</td>
<td>3.50%</td>
</tr>
<tr>
<td>$250,000 or more but less than $500,000</td>
<td>2.50%</td>
</tr>
<tr>
<td>$500,000 or more but less than $750,000</td>
<td>2.00%</td>
</tr>
<tr>
<td>$750,000 or more but less than $1 million</td>
<td>1.50%</td>
</tr>
<tr>
<td>$1 million or more</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

LARGE PURCHASES
When you purchase Class A shares at or above a “breakpoint,” you are entitled to pay a reduced front-end sales charge. For example, suppose the prospectus says that a breakpoint occurs when you purchase $25,000 or more of Class A shares. If you buy less than $25,000 worth of shares, the sales charge is 5.75%. If you buy $25,000 or more worth of shares, the sales charge is 5.00%. Now, suppose you buy $24,500 worth of Class A shares. You would pay $1,408.75 in sales charges.

If you buy $25,000 of shares, you would pay only $1,250. In this example, by choosing to invest an additional $500 you would actually pay $158.75 less in the front-end sales charge, and those savings would increase your net investment in the fund.

Mutual funds typically offer multiple breakpoints, each at increasingly higher investment levels. Increasing your investment size, if you are able and willing to do so, can allow you to take advantage of higher breakpoints and further reduce the sales charges you pay. It is important that you understand how breakpoints work so that, consistent with your investment objectives, you can take advantage of the lowest possible front-end sales charge.

Below is a typical breakpoint discount schedule showing the front-end sales load applicable to a purchase of Class A shares at different levels of investment. Different funds and fund families have different breakpoint schedules. Please ask your Financial Advisor how a fund’s breakpoint schedule compares with those of other funds on our platform. For more information on sales charges, please see the section herein titled “How We Are Compensated for Mutual Funds Sales — Brokerage Accounts — Sales Charges.”

RIGHTS OF ACCUMULATION
A right of accumulation (ROA) generally permits you to accumulate or combine your existing fund family holdings with new Class A purchases of the same fund family’s funds for the purpose of qualifying for breakpoints and associated discounts. For example, if you are investing $10,000 in Class A shares of a fund today, and you already own $40,000 in Class A shares of that fund family, the fund may allow you to combine those investments to reach a $50,000 breakpoint, entitling you to a lower sales load on your $10,000 purchase today.

Please refer to the fund prospectus for details as rules vary from fund family to fund family.

RIGHTS OF ACCUMULATION — FAMILY AND RELATED ACCOUNT DISCOUNTS
Fund families typically permit you to aggregate fund family holdings in other accounts that you and your family may own, including fund assets held at other brokerage firms, for the purpose of achieving a breakpoint discount.
For example, a fund may allow you to qualify for a breakpoint discount by combining your fund purchases with those of your spouse or minor children. You also may be able to aggregate mutual fund transactions in certain retirement accounts, educational savings accounts or any accounts you maintain at other brokerage firms. In some instances, employer-sponsored retirement or savings-plan accounts may be aggregated. These features vary among fund families.

**More Information on Ways to Eliminate Sales Charges**

In addition to qualifying for front-end sales charge discounts through any of the above options, you may also qualify for a waiver, which would eliminate the front-end sales charge. Two common options available to investors are intra-fund family exchange privileges and sales charge waiver programs.

**Exchanges Between Funds Within the Same Fund Family**

Exchanges between the same share classes of funds within the same fund family typically may be made without sales charges. Funds often limit the number and frequency of transfers that can be made during a certain period of time. Certain funds may impose short-term exchange or redemption fees based on your holding period. Because these time parameters and the amount of any fees vary among mutual fund companies, please check the mutual fund prospectus for more information.

**Sales Charge Waivers**

Many mutual funds offer waivers that eliminate front-end sales charges on Class A shares to clients who meet various qualifying conditions. Because these waivers and conditions vary between fund families, we adopted a customized front-end sales charge waiver program. Since this program standardizes waivers across all fund families available for purchase at Morgan Stanley, these waivers will differ from and in some instances may be more limited than waivers available for purchases made directly with the fund family or through other financial intermediaries. Note, you should refer to the fund prospectus to see if by processing the transaction directly with the fund family or elsewhere you may benefit from such features not available at Morgan Stanley.

Under our program, Class A share purchases through a Morgan Stanley commission-based brokerage account will not be subject to a front-end sales charge if you:

- Purchase shares for an employer-sponsored retirement or savings-plan account, as described below;
- Sell Class A shares of a fund, and subject to certain requirements described below, use the proceeds from that sale to purchase Class A shares of a fund that is part of the same fund family; and
- Receive additional Class A shares through the reinvestment of dividends and capital gains distributions.

In addition, Morgan Stanley maintains a Class C Share Conversion Program (described below) under which we exchange eligible Class C shares for Class A shares of the same fund with the Class A sales charge waived.

**Class C Shares and Class C Share Conversions**

Investments in Class C shares usually are not subject to front-end sales charges. However, purchasers of Class C shares are typically required to pay a contingent deferred sales charge (CDSC) if the shares are sold within a short time of purchase, usually one year. The 12b-1 fees associated with Class C shares (generally up to 1.00% or $100 per $10,000 of fund assets per year) are typically higher than those of Class A shares. The portion of the 12b-1 fee that is used for distribution expenses, up to 0.75% per year of the fund’s assets, is effectively an asset-based sales charge paid over time rather than a front-end sales charge applicable to Class A share purchases.

These charges allow the fund’s distributor to recover its costs of distributing the fund (including compensation payable to Financial Advisor). Please ask your Financial Advisor how a fund’s 12b-1 fees compare with those of other funds, as a portion of those fees will be paid to your Financial Advisor. It is important to bear in mind that Class C shares typically are preferable for investors who have a shorter-term investment horizon, especially those who do not qualify for any breakpoints, because during those first years they will generally be cheaper to buy and sell than Class A shares. However, owning Class C shares over longer holding periods will typically be more expensive than owning Class A shares. Remember that higher ongoing expenses associated with Class C shares will mean reduced investment performance over time versus Class A shares.

To reduce the potential for investors to hold Class C shares beyond the point where the ongoing costs of ownership exceed those of Class A shares, Morgan Stanley has adopted a Class C Share Conversion Program. Under this program, eligible Class C shares held in Morgan Stanley accounts for six or more years are automatically converted into Class A shares of the same fund at net asset value without the imposition of the sales charge that typically
Many funds allow investors who have redeemed Class A shares from a fund within the same family to purchase Class A shares of another fund within the same fund family without a sales load. This feature is widely known as a “right of reinstatement.”

applies to Class A shares. The share class conversion will not be treated as a taxable event. This feature allows investors holding eligible aged-Class C shares to benefit from the lower ongoing costs of Class A shares.

Note, if you participate in any systematic investment sales/withdrawal programs, Morgan Stanley may modify the share class attached to your instructions following a conversion to ensure you receive uninterrupted service.

Retirement Account Shares and Sales Charge Waivers
Many mutual fund families offer one or more share class pricing options specifically for use by employer-sponsored retirement plans (“Retirement Shares”). Some fund companies offer Class A shares with the front-end sales load waived, while others offer a share class that is dedicated solely to employer-sponsored retirement plans and does not charge a front-end or back-end sales load (e.g., “R shares”). Class R shares, however, generally have higher 12b-1 fees than Class A shares. Not all fund families offer retirement plan account special pricing options, and where they are available, they are often accompanied by fund family specific eligibility criteria and/or plan asset size or participant number requirements.

As noted above, Morgan Stanley has adopted its own Class A share load waiver feature for eligible employer-sponsored retirement plan accounts. For purposes of this waiver, an employer-sponsored retirement plan includes 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans. Morgan Stanley’s program does not apply the waiver to SEP IRAs, Simple IRAs, SAR-SEPs or Keogh plan accounts, which is allowed by certain fund families. Such clients who previously received a waiver will cease to receive it for purchase transactions through Morgan Stanley accounts. In order to continue to receive the waiver, affected clients will need to purchase the fund directly from the fund family or through an account at another financial intermediary.

With the adoption of a standardized Class A share load waiver program for all fund families available at Morgan Stanley, we also closed all Class R share fund offerings on our platform. As noted above, the Class R shares previously available for sale on our platform typically have higher ongoing 12b-1 fees than Class A shares, making the latter the more economical choice for eligible retirement plan client accounts. Clients who wish to purchase Class R shares will need to do so directly from the fund family or through an account at another financial intermediary.

Fund Repurchases
Many funds allow investors who have redeemed Class A shares from a fund within the same family to purchase Class A shares of another fund within the same fund family without a sales load. As noted above, Morgan Stanley adopted a standardized fund repurchase waiver. Under this program, which may be more limited than otherwise available, you will receive load-waived Class A shares when you purchase Class A shares of a mutual fund with the proceeds of a sale of Class A shares from the same fund family, as long as the purchase was made within 90 days of the redemption, the redeemed shares were subject to a front-end or deferred
sales charge, and all of the transactions occurred in the same account.

**Advisory Account Shares**
Advisory shares do not have front-end or back-end sales charges, and their expenses may be the lowest of any share class. Morgan Stanley does not generally offer advisory shares in its brokerage client accounts where typically the only available share classes have a sales charge component. Morgan Stanley does offer advisory shares in many of its fee-based advisory programs. These accounts charge fees for the advice and services provided to clients based upon a percentage of billable assets held in the account. Please refer to the applicable Morgan Stanley ADV Brochure for more information on advisory shares, and the fees and expenses for these accounts.

**Single Share Class Funds**
Certain fund families may offer only one share class for investors who purchase the funds through commission-based brokerage accounts. These single share class funds are generally similar to the Class C shares offered by other fund families. Typically, the 12b-1 fees associated with these shares are higher than those of Class A shares and they continue indefinitely. In addition, these single share class funds do not typically offer sales-charge discounts on large individual or cumulative purchases. Because these discounts can be significant, investors should consider all factors when making such an investment, including the impact that the share class fees can have on performance and the fact that other fund families offer breakpoints. Speak with your Financial Advisor for more information, including whether other funds should be considered.

**Multiple Fund Families**
Sometimes investors may choose to invest in multiple fund families. These investors perceive benefits that may include diversification, the ability to select those funds that they believe will have the best opportunity to outperform other funds in specific fund categories, or the ability to invest in unique funds that may not be available in a single fund family. However, it is important to bear in mind this investment strategy reduces the opportunities to qualify for breakpoint discounts and can, as a result, increase the cost of investing in the funds selected. Also, there is no guarantee that a multifamily investment strategy will provide significant diversification or outperform a single-family strategy.

**Understand the Facts About Your Fee Structure**
When it comes to front-end sales charges, sales charge waivers, breakpoint discounts, CDSCs (including whether, and over what time period, they decline), 12b-1 fees and other share-class and pricing terms, each mutual fund follows its own policies, which are described in the fund’s prospectus or SAI. Here are some things to keep in mind when making a mutual fund investment:

**UNDERSTAND HOW BREAKPOINTS WORK**
Read the mutual fund prospectus. Consult the fund’s SAI, check the fund’s website or ask your Financial Advisor for additional information about the sales charges and other costs of owning the fund’s different share classes.

**REVIEW YOUR MUTUAL FUND HOLDINGS**
Before making a mutual fund purchase, review your account statements and those of your family to identify opportunities to achieve a breakpoint discount. Don’t limit your review to accounts at a single brokerage firm. You may have related mutual fund holdings in multiple accounts at different brokerage firms, or with the mutual fund company itself, that can be aggregated for the purpose of achieving a breakpoint discount.

**KEEP YOUR FINANCIAL ADVISOR INFORMED**
Be sure to tell your Financial Advisor about your mutual fund holdings and those of your family, including holdings at other brokerage firms or with the mutual fund company itself. Also, discuss any plans you may have for making any additional purchases in the future. Discuss your expected investment horizons with your Financial Advisor. With this information, your Financial Advisor can help you select a share class that may help minimize the fees that you will pay over the life of your investment.

**Fund Transfer Restrictions**
Certain mutual funds may not be transferable from an account at one brokerage firm to an account at other brokerage firms. A common factor limiting transferability is when a fund or its principal distributor does not have a selling or other agreement in place with the other brokerage firm. If a particular fund family’s funds are not transferable to another brokerage firm, you may have the following options: leave the position in an account at the original brokerage firm; or have the position re-registered in your name on the books and records of the fund company or its transfer agent. As an alternative, you may liquidate the position and transfer the proceeds. This option may have tax implications and/
or other costs. For further information regarding the transferability of a particular fund’s shares, please refer to the fund’s prospectus and SAI, or call your Financial Advisor.

**Our Relationship With Mutual Fund Families**
Morgan Stanley offers clients a large selection of mutual funds. We review and evaluate each fund family whose mutual funds we offer based upon various factors, including but not limited to:
- Investment opportunity;
- Number and variety of funds offered;
- Level of interest and demand;
- Length of track record and historical appeal to our clients and Financial Advisors;
- Short- and long-term performance of the funds offered;
- Size of assets under management;
- Agreement to uniform, levelized economic terms in relation to revenue-sharing and administrative service payments in support of our mutual fund business platform, which limit the availability of certain fund families on our platform; and
- Ability to support our Financial Advisors and clients through training, education and sales and marketing assistance.

Our Financial Advisors are not permitted to execute investments in funds that we have not reviewed and evaluated.

**How We Are Compensated for Mutual Fund Sales**

**BROKERAGE ACCOUNTS — SALES CHARGES**
Each time you purchase a mutual fund in a commission-based brokerage account, the fund family pays an amount to us as compensation based upon the amount of your investment and the share class you have selected. A portion of these payments is allocated to your Financial Advisor.

A fund’s dealer compensation practices are described in its prospectus and SAI. For front-end sales charge share classes, the fund families pay Morgan Stanley all or most of the initial sales charge you pay. For very large Class A share purchases that qualify for a complete waiver of their front-end sales charge, the fund’s distributor pays Morgan Stanley a selling fee at a rate set by the fund family.

Morgan Stanley also receives shareholder-servicing payments (sometimes called “trails”) as long as you continue to hold the shares in your Morgan Stanley account or directly at the fund if we act as your “broker of record.” These payments are generally made by the fund’s distributor from 12b-1 fee revenues charged against fund assets. Your Financial Advisor receives a portion of each of these payments.

The portion of these payments that we pay to your Financial Advisor is based upon Morgan Stanley standard compensation formulas, which are the same regardless of which mutual fund you purchase. Some funds, however, impose higher upfront sales charges and ongoing trails than others, which generally would increase the amount paid to your Financial Advisor. In order to mitigate this conflict of interest, Morgan Stanley has implemented caps on upfront sales charges and ongoing trails to limit and compress the range of payments your Financial Advisor may receive on these transactions.

In addition, because funds’ sales charges are different for their different share classes, the choice of share class can significantly affect the compensation your Financial Advisor receives. These inherent mutual fund product pricing discrepancies present a conflict of interest for Morgan Stanley and our Financial Advisors when recommending purchases of funds and fund share classes. To mitigate this conflict Morgan Stanley employs an order entry share class selection calculator designed to provide clients with the least costly share class available in its commission-based brokerage accounts over the anticipated holding period of the investment. Feel free to ask your Financial Advisor how he or she will be compensated for any mutual fund transaction.

**ADVISORY ACCOUNTS — PROGRAM FEES**
Mutual funds offered in our advisory account programs are not subject to front-end or ongoing transactional sales charges. Rather, these accounts charge fees for the advice and services provided to clients along with an advisory account platform fee based upon a percentage of billable assets held in the account. Please refer to the applicable Morgan Stanley ADV Brochure for more information on the fees and expenses for these accounts.

**REVENUE SHARING**
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 according to a tiered rate which increases along with the management fee of the fund so 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.
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 and prospective clients and educational activities.

However, for advisory accounts there are account type and program exceptions and the fees are rebated to clients. Please see the applicable Morgan Stanley ADV brochure for additional information.

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.

A list of revenue-sharing fund families, organized by size of payment, is available on our website at the address noted in the “For More Information” section below.

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 these conflicts, 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.

**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 upon 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 fund families on an omnibus basis, which means we consolidate our clients’ trades into one daily trade with the fund, and therefore maintain 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.

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 and the fees are rebated to clients. 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 families rather than funds from families that in aggregate pay us less administrative service fees. In order to mitigate these conflicts, Financial Advisors and their Branch Office Managers do not receive additional compensation as a result of administrative service fees received by Morgan Stanley. Moreover, for advisory account clients the fees are rebated.
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.

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. Some fund representatives 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. Some fund families or their affiliates reimburse Morgan Stanley for certain expenses incurred in connection with these promotional efforts, as well as training programs. Fund families independently decide if and what they will spend on these activities, with some fund families agreeing to make annual dollar amount expense reimbursement commitments of up to $300,000, although actual reimbursements may be higher. Some fund families 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 amount of the fees depends on the level of data and ranges up to $700,000 per year. For an additional fee, fund families may purchase supplemental 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 and/or purchase data analytics instead of on funds from fund families that do not. 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.

Fund family representatives are allowed to provide funding for client/prospect seminars, employee education and training events, an occasional meal and entertainment and gifts.

Morgan Stanley’s non-cash compensation policies set conditions for these types of payments, and do not permit any funding conditioned on achieving any sales target or awarded on the basis of a sales contest.

OTHER COMPENSATION RECEIVED FROM FUNDS

Morgan Stanley or its affiliates receive, from certain funds, compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities for fund portfolios. Our affiliate E*Trade also receives revenue sharing and other payments from some of the same fund families open on our platform.

We also receive other compensation from certain funds for financial services performed for the benefit of such funds, including but not limited to providing stand by liquidity facilities. Providing these services may give rise to a conflict of interest for Morgan Stanley or its affiliates to place their interests ahead of those of the funds by, for example, increasing fees or curtailing services, particularly in times of market stress.

Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and service fees charged to a fund to the aggregate values of our overall fund-share sales, client holdings of the fund or to offset the revenue-sharing or expense reimbursement and administrative fees described above. Financial Advisors and their Branch Office Managers receive no additional compensation as a result of these payments received by Morgan Stanley.

Availability of Affiliated Funds

Our affiliates, including Morgan Stanley Investment Management, Eaton Vance Management, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company, Eaton Vance Advisors International Ltd. and Parametric Portfolio Associates (and their affiliated entities, collectively referred to as the “Affiliated Advisers”), serve as the investment adviser or sub-adviser to certain mutual funds that our Financial Advisors may offer. The Affiliated Advisers receive additional investment management fees and/or other fees, including administrative service fees, from these funds. Therefore, Morgan Stanley has a conflict to recommend these affiliated funds. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending affiliated funds. The Affiliated Advisers
have entered into administrative services and revenue-sharing agreements with Morgan Stanley as described above.

**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, under certain circumstances, all or a portion of these payments is allocated to your Morgan Stanley Financial Advisor based upon Morgan Stanley’s standard compensation formulas. Note, for advisory accounts, the fees are rebated to clients.

In addition, for those money market funds that are available for direct purchase we seek or may have been reimbursed for the associated operational and/or technology costs of adding such funds to our platform. These one-time flat-fees are paid by fund sponsors or other affiliates (and not the funds) in connection with the onboarding process. Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending funds that have reimbursed Morgan Stanley for our onboarding costs.

**SWEEP MONEY MARKET FUNDS**
Our affiliate, Morgan Stanley Investment Management, serves and receives compensation as the investment adviser to the money market funds that are available as cash management sweep options for eligible client accounts. Morgan Stanley receives compensation from the funds 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). Under certain circumstances, a portion of such compensation is paid to your Financial Advisor based upon Morgan Stanley’s standard compensation formulas. Morgan Stanley either rebates to clients or does not receive compensation on sweep money market fund positions held by clients in our fee-based advisory account programs. Please ask your Financial Advisor if you have additional questions regarding your eligible sweep option.

**Money Market Fund Reform**
In 2016, the Securities and Exchange Commission adopted amendments to the rules that govern domestic money market funds. The changes are designed to provide investors with additional protection during times of market stress while preserving the benefits of the funds.

The rules classify money market funds into three basic types:

**GOVERNMENT MONEY MARKET FUNDS**
Defined as a money market fund that invests 99.5% (formerly 80%) or more of its total assets in cash, government securities and/or repurchase agreements that are collateralized solely by government securities or cash.

**RETAIL MONEY MARKET FUNDS**
Defined as a money market fund that has policies and procedures reasonably designed to limit all beneficial owners of the money market fund to natural persons.

**INSTITUTIONAL PRIME MONEY MARKET FUNDS**
Defined as all other money market funds, including nonretail municipal (or tax-exempt) funds.

The rules require a floating net asset value (NAV) for institutional prime money market funds. As a result, the daily share prices of these funds are no longer fixed at $1.00 per share. Rather, since October 2016 the prices for these funds fluctuate along with changes in the market-based value of the fund’s assets. Retail funds and government money market funds are permitted to continue utilizing a stable NAV of $1.00 per share. However, retail funds along with institutional prime funds are, and government money market funds may be, subject to liquidity fees and redemption gates to address potential runs on the funds in times of market stress. In general, the rules allow money market fund boards to impose liquidity fees (of up to 2% of the redemption amount) and redemption gates (for up to 10 days) in certain circumstances. Please see your applicable money market fund prospectus for more information, as well as the money market fund’s website, which is required to contain important information regarding fund liquidity and daily net asset value, among other items.

**Offshore Mutual Funds and Offshore Exchange-Traded Funds**

**KEY INVESTOR INFORMATION DOCUMENTS (KIIDS)**
Please be advised that there is a Key Investor Information Document (KIID) available for each offshore mutual fund, exchange-traded fund and money market fund offered by offshore (non-U.S. domiciled) investment companies regulated as Undertaking for Collective
Their domestic counterparts. Instead, based on asset or trade amounts as do sales charge discounts or breakpoints offshore fund Class A share does not offer mutual funds. For example, a typical in how share classes work in offshore and needs. There are, however, differences share classes to meet investor preferences domestic counterparts, may offer different in how share classes work in offshore and needs. There are, however, differences share classes to meet investor preferences offshore investor wishes to purchase other types of share classes, they will need to do so directly with the fund or through an account at another financial intermediary.

For More Information
For additional information on a particular fund’s payment and compensation practices, please refer to the fund’s prospectus and SAI. Further information regarding revenue-sharing and administrative service fees is available at: https://www.morganstanley.com/wealth/insolutions/mutualfunds.asp or by calling your Financial Advisor.

Important Note
Some of the information in this disclosure has been adapted in part from information available on FINRA’s website. We invite you to examine the wealth of information provided on FINRA’s website (www.FINRA.org) and the SEC’s website (www.SEC.gov). In particular, FINRA’s website also contains a fund calculator to assist you in determining which fund share class offers the least expensive fee structure. FINRA’s “Fund Analyzer” is located at: https://apps.finra.org/fundanalyzer/1/fa.aspx.

Mutual funds are sold by prospectus only. You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. You can obtain a prospectus from your Financial Advisor or the fund company’s website. Please read the prospectus carefully before investing.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees. Bond mutual funds are subject generally to interest rate, credit liquidity and market risks to varying degrees. These risks are more fully described in the fund’s prospectus.
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