Closed-End Funds

Summarized below is important information that will help you understand various costs and considerations when investing in closed-end funds, as well as how Morgan Stanley is compensated when we sell closed-end funds to you.

A closed-end fund is an investment company registered under the Investment Company Act of 1940 (the “1940 Act”). Please review the prospectus for any closed-end fund you are considering, which describes in detail the investment strategies, risks and expenses for that fund, and discuss the fund with a member of your Morgan Stanley Team. With respect to closed-end funds for which a prospectus is no longer available, such as those purchased on the secondary market, please discuss these topics with a member of your Morgan Stanley team, who may be able to provide you with additional fund literature.

Closed-end funds, in contrast with other investment products registered under the 1940 Act, such as mutual funds and exchange-traded funds, have more flexibility to employ leverage and invest in illiquid securities. To the extent a closed-end fund utilizes these strategies, the fund will likely be more volatile and riskier than a fund that does not.

In addition, unlike mutual funds, closed-end fund shares are not continuously offered and they generally cannot be sold back to the fund. Rather, there is an initial public offering ("IPO") and once issued, shares of closed-end funds trade on a stock exchange. Shares of closed-end funds frequently trade at prices lower than (or a discount to) the net asset value ("NAV") of the fund’s shares, which means that the market price of the shares may be lower than the value of the securities and assets that the shares represent. This creates a risk of loss for investors when selling shares, particularly those sold shortly after purchase in an IPO. The risk that closed-end fund shares may trade at prices lower than NAV, however, is separate and distinct from the risk that a closed-end fund’s NAV can decrease due to the performance of its underlying investment portfolio.

Please consider whether to purchase shares of closed-end funds in an IPO or after the closed-end fund begins trading on a stock exchange. Each method will generally involve different costs and affect how your Financial Advisor/Private Wealth Advisor is compensated. You should discuss this with your Financial Advisor/Private Wealth Advisor.

There is no assurance that a closed-end fund will achieve its investment objective(s). A closed-end fund’s share price will fluctuate and, at the time of sale, may be worth more or less than the original investment. Investors should only consider purchasing shares as a portion of a diversified portfolio. A closed-end fund’s NAV will be reduced immediately following an offering by any offering expenses paid by a fund.
OUR COMPENSATION FOR CLOSED-END FUNDS PURCHASED IN AN IPO

Management and Underwriting Fee

Management and Underwriting fees are paid to our affiliate, Morgan Stanley & Co. LLC ("MS&Co.") for managing the syndicate and underwriting the transaction. Management and Underwriting fees are determined as a percentage of total sales by Morgan Stanley of a particular closed-end fund. This revenue is earned by MS&Co.; the fees generally fall within the range of 0.25%-1.00%.

Structuring Fee

Structuring Fees are paid to Morgan Stanley from our affiliate, MS&Co., for Morgan Stanley’s assistance in the marketing and structuring of new closed-end funds.

Structuring Fees are determined by fund managers as a percentage of the total sales of a particular closed-end fund by Morgan Stanley and generally range from 0.5% to 1.35%. MS&Co. generally pays Morgan Stanley 75% of the total Structuring Fee that it receives.

Syndication Selling Fee

The Syndication Selling Fee is a percentage paid to Morgan Stanley from our affiliate, MS&Co., for Morgan Stanley's assistance in the underwriting of new closed-end fund IPOs where MS&Co. is the lead underwriter.

Syndication Selling Fees are determined by fund managers as a percentage of total sales by the selling syndicate of a particular closed-end fund (excluding sales by Morgan Stanley) and generally range from 0.5% to 1.00%. MS&Co. generally pays Morgan Stanley 25% of the Syndication Selling Fee that it receives.

Success Fee

For certain IPOs, the fund manager does not pay a Syndication Selling Fee and instead pays a Success Fee. The fee is determined by the fund manager and generally varies between 0.05% to 5.00% of total sales during the IPO. The total amount of the Success Fee is shared by select members of the closed-end fund's selling syndicate. Revenue that MS&Co. receives is evenly split with Morgan Stanley.

Sales Credit

Although closed-end funds may charge a sales load, recent closed-end funds have not charged clients an upfront fee in primary offerings. Rather, fund managers have paid selling concessions directly to Morgan Stanley and Financial Advisors/Private Wealth Advisors. The selling concession generally ranges from 1.50% to 2.50%. IPOs typically include a “penalty bid period” of generally up to 45 days immediately following the IPO whereby selling concessions paid to a broker-dealer will be reclaimed by the lead underwriter of the syndicate if a customer of that broker-dealer sells their IPO shares during this penalty bid period. Under these circumstances, in order to retain their revenue, Financial Advisors/Private Wealth Advisors are incentivized to recommend that the client hold onto their IPO shares until after the penalty bid period expires, regardless of whether this would be in the best interest of the client. More information about the penalty bid period can be
found in the prospectus. The above information regarding selling concessions is subject to change.

**OUR COMPENSATION FOR CLOSED-END FUNDS PURCHASED IN THE SECONDARY MARKET**

*Trading Commission*

Clients with brokerage accounts will generally pay commissions on the purchase and sale of closed-end fund shares. The maximum commission amount charged to clients for equity trades, including closed-end funds, is a percentage of Principal Value (PV) ranging from 0.50% to 2.50%, depending on the Principal Value of the trade. The commission for a given equity trade is determined on a marginal basis, meaning clients will be charged progressively lower percentage rates at higher Principal Value amounts. Therefore, the higher the Principal Value of the equity trade, the lower the effective percentage rate that will be applied. Clients with advisory accounts do not pay such commissions, but the advisory account fee will be applied to the closed-end fund asset value.

**ADDITIONAL COMPENSATION WE RECEIVE**

Morgan Stanley provides fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors/Private Wealth Advisors for educational, marketing and other promotional efforts. Some fund representatives also work closely with our branch offices and Financial Advisors/Private Wealth Advisors to develop business strategies and support promotional events for clients and prospective clients, and educational activities. Some fund families or their affiliates reimburse Morgan Stanley for certain expenses incurred in connection with these promotional efforts, client seminars and 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 members of your Morgan Stanley team to attend fund family-sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

These facts present a conflict of interest for Morgan Stanley and our Financial Advisors/Private Wealth Advisors to the extent they lead us to focus on closed-end funds from those fund families that commit significant financial and staffing resources to promotional and educational activities instead of funds from fund families that do not.

Fund family representatives are allowed to provide funding for client/prospect seminars, employee education and training events, occasional meals 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.
AVAILABILITY OF AFFILIATED FUNDS

Certain of our affiliates, which include Morgan Stanley Investment Management, Eaton Vance, Boston Management and Research, Calvert Research and Management, Atlanta Capital Management Company and Parametric Portfolio Associates, serve as the investment adviser to certain closed-end funds we may offer. These affiliated entities receive investment management fees and other fees from these funds. Therefore, Morgan Stanley has a conflict to recommend these affiliated funds. In order to mitigate this conflict, Financial Advisors/Private Wealth Advisors and their Branch Managers do not receive additional compensation for recommending affiliated funds.

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