

Morgan Stanley

Morgan Stanley Access Direct – Mutual Fund Features, Share Class Options and Compensation

This information is specific to mutual fund sales on our self-directed brokerage platform (Morgan Stanley Access Direct). Other available investment options feature different fees and charges, and may provide less compensation to Morgan Stanley.

Summarized below is 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 is compensated when you invest in mutual funds on the Morgan Stanley Access Direct platform. You should consider all of the available methods for purchasing and holding mutual fund shares, including through our affiliate, E*TRADE. Information on mutual fund transactions at E*TRADE is available at: <https://us.etrade.com/what-we-offer/investment-choices/mutual-funds> and for our full-service brokerage and advisory accounts at: <http://www.morganstanley.com/disclosures>.

You can also visit the websites sponsored by the U.S. Securities and Exchange Commission (www.sec.gov) and the Financial Industry Regulatory Authority (www.finra.org) to obtain additional educational information about mutual funds.

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 and consider its investment objectives, risks, charges and expenses. You can also request a copy of the fund's statement of additional information ("SAI") for additional details.

All mutual funds charge investment management fees and other ongoing expenses for operating the fund that you will pay while you are invested. These fees are described in each 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. Of course, in choosing a mutual fund investment, you should also consider the fund's investment objectives and policies, and its risks, which are also described in the prospectus. Determine if they match your own goals.

MUTUAL FUND SHARE CLASS BASICS AND AVAILABILITY

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. The key distinctions among share classes are the sales charges and ongoing fees and expenses you pay in connection with your investment in the fund. It is important to understand the costs associated with various share classes because they decrease the return on your investment (as is the case for all investment costs). As described below, Morgan Stanley Access Direct offers two types of share classes, but only one option for each available mutual fund. If you wish to purchase other types of shares, certain of which carry lower overall costs and

thereby would increase your investment return, you will need to do so directly with the fund or through an account at another financial intermediary.

12B-1 FEES

Certain mutual fund share classes charge 12b-1 fees (sometimes called “trails”), which take their name from the Securities and Exchange Commission rule under which they were created. The fees are charged against your mutual fund assets on a continuing basis to cover marketing, distribution and/or shareholder services costs. We receive these fees as long as you continue to hold fund shares in your Morgan Stanley account. The amount of the 12b-1 fee is charged as a percentage of the fund’s total assets attributable to the share class and is listed in a mutual fund’s prospectus fee table.

AVAILABLE SHARE CLASSES AND FEES

Morgan Stanley Access Direct offers clients a large selection of either “Load-Waived” mutual funds (i.e., funds that waive their front-end sales charges, but are subject to ongoing 12b-1 fees) and “Transaction Fee” mutual funds (i.e., funds that pay no 12b-1 fees, but are subject to a transaction fee for each purchase, sale and exchange). The amount of compensation we receive and the charges and expenses incurred by you will vary depending upon whether the fund you purchase is a 12b-1 paying Load-Waived fund or a Transaction Fee fund.

Please keep in mind that with respect to a given fund, only one option is available (i.e., Load-Waived or Transaction Fee). If a fund offers both a Load-Waived and Transaction Fee share class option, we will typically select and offer only the Load-Waived option. Our preference for the Load-Waived fund offering represents a conflict of interest for Morgan Stanley since, depending upon your trading activity, we will typically earn more from Load-Waived funds than Transaction Fee funds, particularly for less active accounts. Consequently, it is important to understand the distinctions between the available funds so that you can determine your most economical purchase option. The timing and amount of compensation we receive for selling you shares of the fund will be directly affected by the share class you purchase. Additional information regarding Load-Waived and Transaction Fee funds is included below.

Load-Waived Funds (12b-1 Fee Funds)

The Load-Waived funds offered on the Morgan Stanley Access Direct platform are generally Class A shares where the front-end sales charge that typically applies to Class A shares is waived at the time of purchase. However, Class A shares typically charge an annual 0.25% (25 basis point) 12b-1 fee (\$25 per \$10,000 investment) that is deducted from the fund’s assets and paid as compensation to Morgan Stanley during each year you hold the investment. Although no transaction fee is charged on the purchase, sale or exchange of the Load-Waived funds, the 12b-1 fee increases the fund’s internal expenses thereby reducing fund performance.

Transaction Fee Funds

No sales charges are applied to the Transaction Fee funds offered on the Morgan Stanley Access Direct platform. In addition, no 12b-1 fees are assessed against the fund’s assets. However, a transaction fee (currently \$19.95)* will apply to all purchases, sales and exchanges of Transaction Fee funds to compensate Morgan Stanley.

Transaction Assistance Fee

Morgan Stanley Access Direct offers investors access to mutual fund investments on a self-directed basis. In the event you instead place a trade with the assistance of the call center, you will be charged a Transaction Assistance Fee (currently \$25.00)*. This fee will replace the normal transaction fee assessed on Transaction Fee fund transactions and will be in addition to the 12b-1 fee assessed on Load-Waived funds.

CHOOSING A SHARE CLASS

Because of the differences in payment structure between Load-Waived (12b-1 fee funds) and Transaction Fee funds, the size of your investment and anticipated transaction frequency should be considered when investing. As a general guide, investors that anticipate buying and holding their fund investments over the long term will generally find Transaction Fee funds more economical than Load-Waived funds due to the assessment of 12b-1 fees applicable to the latter. This effect is more pronounced at higher investment levels (e.g., Example 1 below). On the other hand, investors who anticipate making more frequent purchases and sales, particularly at lower investment levels, may find Load-Waived funds more economical since they are not subject to transaction fees (e.g., Example 2 below).

To illustrate these variances, below are some example hypothetical comparisons. Please keep in mind that your actual costs will depend upon your specific investment pattern, as well as other expenses and fees that are specific to each fund (and not shown here). In addition, since we offer only one option for each available fund, your ability to control costs will be limited to a certain degree.

Example 1: Less Frequent Trading, Higher Account Value

(You make a \$25,000 investment in a fund and then sell that fund after three years).

TOTAL COST OVER INVESTMENT PERIOD

FUND TYPE	FEE	1 YEAR	2 YEARS	3 YEARS
Load-Waived (12b-1 Fee) Funds	Typically 0.25% of invested amount per year (\$62.50 per \$25,000 invested)	\$62.50	\$125.00	\$187.50
Transaction Fee Funds	\$19.95* per purchase, sale or exchange transaction	\$19.95	\$19.95	\$39.90

**Transaction fees are as of the date of this disclosure and are subject to change and exceptions.*

Example 2: More Frequent Trading, Lower Account Value

(You purchase two funds at the beginning of each year for a total investment of \$5,000. At the end of each year, you sell those two funds).

TOTAL COST OVER INVESTMENT PERIOD

FUND TYPE	FEE	1 YEAR	2 YEARS	3 YEARS
Load-Waived (12b-1 Fee) Funds	Typically 0.25% of invested amount per year (\$12.50 per \$5,000 invested).	\$12.50	\$25.00	\$37.50
Transaction Fee Funds	\$19.95* per purchase, sale or exchange transaction.	\$79.80	\$159.60	\$239.40

OTHER COMPENSATION

In addition to the compensation described above, Morgan Stanley also receives the following types of compensation related to mutual funds.

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).

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 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 select and promote funds that have higher management fees.

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Administrative Service Fees

Morgan Stanley and/or its affiliates receive compensation from funds or their affiliated service providers for providing recordkeeping and related services to the funds. For these services, funds pay 0.06% per year (\$6 per \$10,000) on fund assets held by our clients. We typically process transactions on an omnibus basis, which means we consolidate our clients' trades into one daily trade with the fund, and maintain all pertinent individual shareholder information for the fund. Trading in this manner requires that we maintain the transaction history necessary for ongoing tax reporting and other position maintenance purposes.

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.

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 funds from those fund families rather than funds from families that, in aggregate, pay us less administrative service fees.

Please note that some funds offer share classes that do not compensate financial intermediaries for providing administrative services, which generally make such share classes more economical than those that do. You should understand these costs because they decrease the return on your investment. If you wish to purchase a share class that does not compensate your financial intermediary for such services, you will need to do so directly with the fund or through an account at another financial intermediary that offers such shares.

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 for educational, marketing and other promotional efforts. Some fund representatives also work closely with our branch offices to develop business strategies and plan 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/or 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. 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 to the extent they lead us to promote funds from those fund families that commit significant financial and staffing resources to

promotional and educational activities and/or purchase data analytics instead of funds from fund families that do not.

Miscellaneous Compensation

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 on our platform. Our affiliates 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 sales, client holdings of the fund or to offset the revenue-sharing, administrative fees or expense reimbursements and data analytics fees described above.

In addition, we generally seek to be reimbursed for the associated operational and/or technology costs of adding and/or maintaining mutual funds on our platform. These flat fees are paid by fund sponsors or other affiliates (and not the funds).

AVAILABILITY OF AFFILIATED FUNDS

Our affiliates, including 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 mutual funds that are offered through Morgan Stanley Access Direct. These affiliated entities receive investment management fees and other fees from these funds. Therefore, Morgan Stanley has a conflict to promote these affiliated funds. Affiliated mutual fund companies have entered into the same administrative services and revenue-sharing arrangements with Morgan Stanley as described herein.

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. Further information regarding revenue-sharing and administrative service fees is available at:

<http://www.morganstanley.com/disclosures>.

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