
MORGAN STANLEY LIQUIDITY FUNDS

Société d'Investissement à Capital Variable
organised under the laws of the Grand Duchy of Luxembourg

RCS Number: B 174 137

Annual Report

31 March 2018

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MORGAN STANLEY LIQUIDITY FUNDS

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Directors and Service Providers

Board of Directors of the Company

Michael Griffin, Chairman
Non-Executive Director
Ireland

Andrew Mack
Non-Executive Director
United Kingdom

William Jones
Non-Executive Director
Grand Duchy of Luxembourg

Henry Kelly
Non-Executive Director
Grand Duchy of Luxembourg

Judith Eden (resigned effective 1 October 2017)
Non-Executive Director
United Kingdom

Management Company

Morgan Stanley Investment Management (ACD) Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Directors of the Management Company

Judith Eden (resigned effective 1 July 2017)
Non-Executive Director
United Kingdom

Andrew Mack
Non-Executive Director
United Kingdom

Eimear Cowhey (appointed effective 14 March 2018)
Non-Executive Director
Ireland

Andrew Onslow
Managing Director
Morgan Stanley Investment Management Limited
London
United Kingdom

Ruairi O'Healai
Managing Director,
Morgan Stanley Investment Management Limited
London
United Kingdom

Diane Jane Hosie
Managing Director
Morgan Stanley Investment Management Limited
London
United Kingdom

Depository

The Bank of New York Mellon (International) Limited Luxembourg Branch
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

**Registrar and Transfer Agent*,
Administrative Agent* and Paying Agent***
The Bank of New York Mellon (International) Limited Luxembourg Branch
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Grand Duchy of Luxembourg

Domiciliary Agent

Morgan Stanley Investment Management Limited, Luxembourg Branch
6B, route de Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

Investment Adviser*

Morgan Stanley Investment Management Inc.
522 Fifth Avenue
New York, New York, 10036
United States of America

Sub-Investment Adviser**

Morgan Stanley & Co International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Distributor*

Morgan Stanley Investment Management Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Independent Auditor of the Company

Ernst & Young S.A.
35E, avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Legal Adviser

Arendt & Medernach S.A.
41A, avenue J. F. Kennedy
L-2082 Luxembourg
Grand Duchy of Luxembourg

*Delegated by the Management Company.

**Delegated by the Investment Adviser.

MORGAN STANLEY LIQUIDITY FUNDS

Board of Directors' Report

The Board of Directors of the Company (the "Board") is pleased to present the Audited Financial Statements and Annual Report for the year ended 31 March 2018.

Directors

Michael Griffin

Independent Director and Chairman. A member of the Board since December 2012.

Mr. Griffin has over 35 years of experience in the financial sector. For the past 18 years he has been a non-executive director of fund companies in Dublin & Luxembourg where he worked with some of the leading sponsors in the sector. Most of his executive experience was with the wholesale arm of the Ulster Bank Group in Dublin where he served on the board and management committee of Ulster Investment Bank Limited for twelve years. In this role, Mr. Griffin managed the Treasury trading of the bank which included sovereign debt, money markets and foreign exchange. Mr. Griffin was Chairman of the Irish Bankers' Federation EMU Capital Markets Committee from 1996 to 1999. Mr. Griffin is a fellow of the Institute of Bankers in Ireland.

William Jones

Independent Director. A member of the Board since December 2012.

Mr. Jones is the founder of ManagementPlus Group which was established in 2006 and provides directorship and management company services from Luxembourg, Cayman Islands, Singapore, New York and Geneva. Mr. Jones has 26 years' experience in the hedge fund industry and has held senior positions with Goldman Sachs Asset Management International and Bank of Bermuda/HSBC. Mr. Jones completed the first cohort of the INSEAD International Directors Program (IIDP) in 2011 and is a member of the IIDP Advisory Board and served as its first President. Mr. Jones has been certified as a director by IIDP and the Institut Luxembourgeois des Administrateurs (ILA). Mr. Jones serves the Board of Directors of ILA and its Fund Governance Committee and co-chaired the Alternative Investment Task Force of ILA's Fund Governance Committee which issued the "ILA Guide for Board Members in the Context of AIF and AIFM" in July 2014. Mr. Jones serves multiple committees of ALFI, the Luxembourg fund industry association. Mr. Jones was co-vice chair of the Alternative Investment Management Association's (AIMA) working group which issued "AIMA's Fund Director Guide" in April 2015. Mr. Jones served on the Board of Governors of the International School of Luxembourg from 2011 to 2015 and was its Chairman during the 2014-15 school year.

Andrew Mack

Director (Director of Morgan Stanley Investment Management (ACD) Limited). A member of the Board since December 2012.

Mr. Mack joined Morgan Stanley in 1996 and has 31 years of investment experience. Mr. Mack joined Morgan Stanley as a portfolio manager in the asset management business, where he launched and co-managed a global equity arbitrage fund. He subsequently headed the global market risk oversight team for all of Morgan Stanley before taking over as market risk manager of the European equities business. Mr. Mack was appointed as European head of multi asset class prime brokerage in 2004 and took over prime brokerage sales for Europe in 2006 before running the European listed derivative business. Mr. Mack re-joined Morgan Stanley Investment Management (MSIM) in 2008 as global chief risk officer, taking over as head of MSIM EMEA at the beginning of 2009. Mr. Mack was an employee of Morgan Stanley until 30 June 2010. Mr. Mack provided services as a consultant and senior adviser to Morgan Stanley between 1 July 2010 and 31 December 2013. Mr. Mack assumed a non-Executive Director role in Morgan Stanley Investment Management (ACD) Limited which became the Management Company on 1st April 2014. Mr. Mack has been involved in taking and managing risk for most of his investment career, his previous experience includes portfolio management, trading and risk management positions at Cargill, Bankers Trust and Black River Asset Management, a Minneapolis based hedge fund.

Henry Kelly

Independent Director. A member of the Board since February 2013.

Henry Kelly is an independent board member of several investment funds and investment management companies domiciled in Luxembourg and internationally. He is the Managing Director of the Luxembourg-based consultancy firm that he founded in 1999, KellyConsult Sàrl, which provides advisory services to the investment fund sector. He is Chairman of the Fund Governance Forum for the Association of the Luxembourg Fund Industry (ALFI) since its establishment in 2011 and is a founding member of the Investment Funds Committee of the Luxembourg Institute of Directors (ILA). He is a member of the European Fund and Asset Management Association (EFAMA) Corporate Governance Working Group.

MORGAN STANLEY LIQUIDITY FUNDS

Board of Directors' Report (continued)

From 1993 – 1999 he was a Managing Director of Flemings Luxembourg (now JP Morgan Asset Management) following 5 years' experience in the capital markets division of BNP Paribas based in Paris. Prior to these posts he acquired seven years' experience with Price Waterhouse in Paris, Frankfurt and New York. He has a master's degree in Modern Languages from Cambridge University, is a Member of the Institute of Chartered Accountants in England & Wales and holds the INSEAD Certificate in Corporate Governance. He obtained the qualification of ILA certified director in 2013.

Judith Eden

Resigned effective 1 October 2017.

Director (Director of Morgan Stanley Investment Management (ACD) Limited up to 30 June 2017). A member of the Board since July 2015.

Prior to retiring from Morgan Stanley in 2015, Ms. Eden was Chief Executive Officer of Morgan Stanley Investment Management's (MSIM's) European Fund Management Company (MSIM ACD Ltd) and Chief Administrative officer of MSIM's international businesses. Ms. Eden originally joined Morgan Stanley in 1992 and has over 25 years of financial industry experience spanning Strategy, Finance, Operational Management and Audit. Prior to joining Investment Management (IM) in 2006, Ms. Eden held senior positions in Operations and Finance within the Morgan Stanley group. Within IM she was previously a founding member and Chief Operating Officer of the Quantitative and Structured Solutions (QSS) team within MSIM's Alternative Investments Unit.

Prior to joining Morgan Stanley, Ms. Eden worked in Price Waterhouse's (now PWC) Audit and Business Advisory practice specialising in Financial Services. Ms. Eden is a Fellow of the Institute of Chartered Accountants of England and Wales, a member of the UK Institute of Directors and hold INSEAD's Corporate Governance Certificate (IDP-C). Ms. Eden serves on a number of boards, audit and risk committees in both public and private sector organisations.

Distribution of the Sub-Funds

Sub-Funds may be offered for sale in European Union Member States, subject to registration. In addition, applications to register the Company and its Sub-Funds may be made in other countries.

All of the Sub-Funds and Share Classes are registered for distribution in the Grand Duchy of Luxembourg and a number of the Sub-Funds and Share Classes are registered for distribution in the following jurisdictions: Denmark, France, Germany, Ireland, Italy, the Netherlands, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Role and Responsibility of the Board

The responsibility of the Board is governed exclusively by Luxembourg law. With respect to the annual accounts of the Company, the duties of the Directors are governed by the law of 10 December 2010, as amended, on, inter alia, the accounting and annual accounts of undertakings for collective investment and by the law of 17 December 2010, as amended, relating to undertakings for collective investment.

The matters reserved for the Board include determination of each Sub-Fund's investment objective and policies, investment restrictions and powers, amendments to the Prospectus, reviewing and approving key investment and financial data, including the annual accounts, as well as the appointment of, and review of the services provided by, the Investment Adviser, the Depositary, the Administrator, the Distributor, the Auditor, and other service providers.

Prior to each Board meeting, the Directors receive detailed and timely information allowing them to be prepared for the items under discussion during the meeting. For each quarterly meeting the Board requests, and receives, reports from, amongst others, the Investment Adviser, the Depositary, the Administrator, the Distributor, Risk Management as well as proposals for changes to the Fund structure as appropriate. Senior representatives of each of these functions attend Board meetings to present relevant information and address any matters arising.

The Directors take decisions in the interests of the Company and its shareholders as a whole, where conflicts of interest arise, any conflicted Director will refrain from taking part in any related deliberation or decision. A description of the Company's policy on conflicts of interest is available for inspection at the registered office.

The Board can take independent professional advice if necessary and at the Company's expense.

MORGAN STANLEY LIQUIDITY FUNDS

Board of Directors' Report (continued)

Board Composition

The Board as a whole has a breadth of investment knowledge, financial skills, as well as legal and other experience relevant to the Company's business. Directors are elected annually by shareholders at the Annual General Meeting. The Board takes into account the nature and requirements of the fund industry and of the Company's business when making recommendation to shareholders that Directors be elected.

Board Meetings and Committees

The Board meets regularly on a quarterly basis but if necessary additional ad hoc meetings will be arranged.

At the quarterly Board meetings, the agenda includes, amongst other matters, those items highlighted under the section above called "Role and Responsibility of the Board" and the approval of the annual report and accounts.

In certain circumstances, when it may not be appropriate to wait until the next Board meeting to discuss a particular issue, authority may be delegated to one or more Board member to deal with particular business issues.

The following table captures the Directors' attendance of Board Meetings throughout the year.

Director	Number of board meetings attended
Henry Kelly	5 of 6
William Jones	5 of 6
Michael Griffin	6 of 6
Andrew Mack	6 of 6
Judith Elizabeth Eden*	3 of 3

* Ms. Eden attended all meetings that took place up to the point of her resignation.

Internal Control

The Board is responsible for the oversight of the design, implementation and maintenance of internal controls comprising monitoring the services provided by the Management Company and the Custodian, including the operational and compliance controls established by them to meet the Company's obligations to shareholders as set out in the Prospectus, Articles of Incorporation as well as all relevant regulations. The Management Company formally reports to the Board on a quarterly basis on the various activities it is responsible for and in addition shall inform the Board without delay of any material administrative or accounting matters.

Corporate Governance and ALFI Code of Conduct

The Board is responsible for ensuring that a high level of corporate governance is met and considers that the Company has complied with the best practices in the Luxembourg funds industry.

The Board has adopted the principles set out in the ALFI Code of Conduct (the "Code"). These principles were amended in August 2013 and are set out below:

1. The Board should ensure that high standards of corporate governance are applied at all times;
2. The Board should have good professional standing and appropriate experience and ensure that it is collectively competent to fulfill its responsibilities;
3. The Board should act fairly and independently in the best interests of the investors;
4. The Board should act with due care and diligence in the performance of its duties;
5. The Board should ensure compliance with all applicable laws, regulations and with the Company's constitutional documents;
6. The Board should ensure that investors are properly informed, are fairly and equitably treated, and receive the benefits and services to which they are entitled;
7. The Board should ensure that an effective risk management process and appropriate internal controls are in place;
8. The Board should identify and manage fairly and effectively, to the best of its ability, any actual, potential or apparent conflict of interest and ensure appropriate disclosure;
9. The Board should ensure that shareholder rights are exercised in a considered way and in the best interests of the Company;
10. The Board should ensure that the remuneration of the Board members is reasonable and fair and adequately disclosed

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Board of Directors' Report (continued)

Role and Responsibility of the Board (continued)

Corporate Governance and ALFI Code of Conduct (continued)

The Board considers that the Company has been in compliance with the principles of the Code in all material aspects throughout the year ended 31 March 2018. The Board undertakes an annual review of ongoing compliance with the principles of the Code.

Directors and Officers Indemnity Insurance

The Company has taken out Directors and Officers Indemnity Insurance which indemnifies the Directors against certain liabilities arising in the course of their duties and responsibilities but does not cover against any fraudulent or dishonest actions on their part.

Independent Auditor

Ernst & Young S.A. has been the Company's Independent Auditor since inception in 2012.

Annual General Meeting

The next Annual General Meeting of the Company will be held on 17 July 2018 at the Registered Office of the Company to consider matters relating to the year ended 31 March 2018. At this meeting shareholders will, amongst other matters, be requested to consider the usual matters at such meetings including:

1. the adoption of the financial statements and approval of the allocation of the results;
2. the approval of Directors fees;
3. the election of the Directors, all of whom wish to stand for election;
4. the election of the Auditor.

On behalf of the Board of the Company:

Director

Director

Luxembourg, 25 June 2018

MORGAN STANLEY LIQUIDITY FUNDS

Morgan Stanley Liquidity Funds Euro Liquidity Fund Investment Sub-Advisers Report for the year ended 31 March 2018

Market Review

In the year to 31 March 2018, the European Central Bank (ECB) has continued with its accommodative monetary policies. Excess liquidity in the system continued upwards, reaching a new record high of €1.9tn. The scale of the excess liquidity continues to push cash rates lower against money market benchmarks. The main policy change in the period came at the central bank's October meeting, where the Governing Council extended the asset purchase programme by nine months to September 2018 (at a reduced rate of €30bn a month). Comments suggested that policy will remain accommodative (possibly extended after September 2018) until policymakers see a sustained pick-up in inflation. President Draghi also reaffirmed that interest rates will remain 'at the present levels for an extended period of time and well past the horizon of our net asset purchases'. At the start of 2018 this message was reiterated by Draghi, who at the January meeting stated that there were 'very few chances at all for a rate hike' in 2018. At the end of the period, the market had not priced in a 10bps rate until mid 2019.

In February, euro zone finance ministers chose Spanish Economy Minister de Guindos to succeed European Central Bank Vice President Constancio at the end of his term in May 2018. The choice of a Southern European for vice president increases the likelihood that a northerner such as German Bundesbank governor Weidmann will be elected to replace Draghi as President of the ECB in 2019.

Money market rates in EUR have been broadly unchanged throughout the entire reporting period, although more volatility was seen in March 2018 as technical factors impacted, with USD funding levels for European banks spiking. 3 month EURIBOR fixed within a 1bps range between -0.332% to -0.325% over the period, however 3 month EUR LIBOR trended lower through the period, falling from -0.36% to -0.39% before jumping 2bps on the short term market stress. The deposit rate was again constant throughout the period at -0.40%. As a consequence of this decline, LIBOR – OIS swap spreads in 3 month have inched into negative territory before moving back towards flat. The lack of premium is partly a base effect of the more diverse funding abilities in the Euro Overnight Index Average (EONIA) panel banks, the fact that there is little credit risk in the panel of LIBOR banks and partly due to the zero probability of interest rate movements in the EUR market in the immediate future. Excess liquidity in the EUR market is also having an impact. Euro swap levels in longer dates have showed a degree of volatility through the period, however trended lower in early 2018 as the run of positive data surprises came to an end. As a result 1 year swap levels ended the period slightly lower, from -0.335% to -0.353%.

Positive momentum in the euro zone continued at the start of the period, with Q1 2017 Gross Domestic Product (GDP) printing at 0.6% quarter-on-quarter, its fastest rate in two years and setting the stage for a strong 2017. The expansion picked up speed in Q2 2017, with GDP growing at 0.7%, driven mostly by higher domestic demand and investment. There was a slight moderation in Purchasing Managers Index (PMI) data at the start of the third quarter, as the composite PMI fell to 55.7 in July, with Germany and France dragging on activity. However, this was still well above the 50 mark that divides growth from contraction, as it had been since mid-2013. The euro zone went on to finish 2017 strongly, growing 0.7% quarter-on-quarter in both the period from July to September and September to December. This resulted in a year-on-year growth rate of 2.5% for 2017, the strongest growth since the 3% rate seen in 2007. However, the euro zone's economic momentum slowed at the start of 2018, with the composite PMI falling in both February and March. The March reading of 55.2 was the weakest level in more than a year, adding to warning signs that the region's upswing had passed its peak. This did not deter the ECB, who raised their forecast for real GDP growth in 2018 from 2.3% set in December to 2.4% at their March meeting.

Despite the euro area undergoing its robust economic expansion in 2017, wages and prices did not follow suit. Headline inflation peaked at 1.9% year-on-year in April but fell to 1.4% in May and remained between 1.1% and 1.5% for the rest of the period. Similarly, core inflation was subdued in the year to 31 March 2018, staying between 0.7% and 1.2%. This has been problematic for the ECB as they bid to boost inflation back to their target level of just under 2%.

MORGAN STANLEY LIQUIDITY FUNDS

Morgan Stanley Liquidity Funds Euro Liquidity Fund (continued) Investment Sub-Advisers Report for the year ended 31 March 2018 (continued)

Market Review (continued)

The first major political event of the period was French elections, where progressive centrist candidate Macron faced far right populist National Front leader Marine Le Pen in the second round of voting. Macron went on to secure a decisive victory, defeating Le Pen by 66.06% to 33.94%. This was viewed as the market friendly outcome, significantly reducing the potential for 'Frexit' and a domino effect of breaking up the EU. The theme of elections continued throughout the period, with Germany next to go to the polls. As expected, German Chancellor Merkel was re-elected for a fourth term. After four weeks, 'Jamaica' coalition talks between the CDU/CSU, the FDP and the Green party fell apart, opening the door for another 'Grand Coalition' between the CDU/CSU and SPD. After nearly 6 months of political uncertainty, the SPD membership voted in favour of the deal on 4 March 2018. In October 2017, the Italian Senate approved a new voting system, paving the way for elections to be held at the beginning of March 2018. Three main factions competed for power; the anti-establishment Five Star Movement, a center-left coalition led by the ruling Democratic Party and a center-right coalition largely comprised of Silvio Berlusconi's Forza Italia and the right-wing League. Despite the fact that the Forza-Italia and Lega Nord center-right coalition won the most votes, no single faction won enough to govern, resulting in a hung parliament. Coalition talks between the larger parties are ongoing. The Catalonian independence issue also came to a head during the period, with the devolved Catalonian government holding an 'illegal' independence referendum on 1 October. Circa 90% of voters backed independence, albeit on a turnout of just 40%, and the regional Catalan Parliament voted in favour of a unilateral declaration of independence. Shortly after, the Spanish Senate approved a removal of the Catalonian President and centralization of control over the region in Madrid.

MORGAN STANLEY & CO INTERNATIONAL PLC.
May 2018

MORGAN STANLEY LIQUIDITY FUNDS

Morgan Stanley Liquidity Funds US Dollar Liquidity Fund & Morgan Stanley Liquidity Funds US Dollar Treasury Liquidity Fund Investment Advisers Report for the year ended 31 March 2018

Market Review

Economic conditions and expectations for U.S. central bank policy were the primary drivers of market dynamics in the short-term fixed income space for the reporting period. Rebounding from a weak first quarter 2017 gross domestic product (GDP) print of 1.2%, second-quarter 2017 rose 3.1%, led by strong business equipment spending, which rose the most in almost two years. The improvement in the second quarter confirmed that the slowdown at the start of 2017 was temporary. Third-quarter 2017 GDP continued its positive momentum from the prior quarter, rising 3.2%, led by strong investment from business and government agencies. Outperformance in the third quarter reinforced that sluggish results in the first quarter of 2017 were temporary and that the economy was on solid footing as it entered the final stretch of the year. Fourth-quarter GDP ended the year at 2.9% as consumer spending, the largest component of the economy, continued to be the main driver of growth in the economy. A widening trade deficit kept GDP growth below 3%, as imports rose at double the pace of exports.

Hiring remained strong in the second quarter of 2017, averaging 190,000, highlighted by the outperformance in June with payrolls beating analysts' expectations and rising 239,000 throughout the month. Payroll gains were broad based but boosted by the biggest jump in government jobs in almost a year. Hiring in the third quarter of 2017 slowed substantially, averaging 141,000, due to major disruptions from Hurricanes Harvey and Irma.¹ The unemployment rate ended the quarter at 4.2%, the lowest level since February 2001. Hiring in the fourth quarter 2017 picked up noticeably, averaging 220,000, highlighted by an increase of 271,000 in October, where there was broad growth across industries. The unemployment rate ended the year at 4.1%, the lowest since 2000. The participation rate ended the fourth quarter at 62.7 percent, holding steady for the third consecutive month, consistent with the fact that those leaving the workforce due to retirement are being offset by those joining the labor force. Hiring in the first quarter of 2018 continued to show positive growth momentum, averaging 202,000. February payrolls surprised the most to the upside, beating analyst expectations by over 100,000 and rising 326,000 on the month, due to additions in industries that have long complained of labor shortages, such as trucking and factories. The unemployment rate ended the reporting period at 4.1% for the 6th consecutive month.

In April 2017, minutes from the prior month's Federal Open Market Committee (FOMC or Committee) meeting were released, where officials raised the benchmark lending rate a quarter point from 0.75% to 1%. Notably, most Fed officials backed a policy that would begin shrinking the central bank's \$4.5 trillion balance sheet later in the year, while also reiterating their outlook for gradual interest rate increases going forward. The minutes showed that nearly all officials thought the economy was at or near full employment, while inflation remained below their 2% target.

As widely expected, the FOMC decided to leave interest rates unchanged at its May 2017 meeting. Committee members signaled that a slowing in growth during the first quarter of 2017 was likely transitory, and that near-term risks to the economic outlook remained balanced. Even with an FOMC meeting, May 2017 was dominated by political headlines from France, where pro-European Union candidate Emmanuel Macron won a decisive victory over far-right candidate Marine Le Pen. Macron's victory sent the VIX volatility index to its lowest levels since 1993, removing additional uncertainty from the global market.

Despite growing concerns over weak inflation, the FOMC decided to raise rates by 25 basis points for the third time in six months at its June 2017 meeting (prior to the start of the reporting period), increasing the target for the federal funds rate to a range of 1% to 1.25%. Committee members maintained their outlook for one more hike in 2017 and spelled out details of how they intended to shrink the Fed's \$4.5 trillion balance sheet later in 2017 by allowing a fixed amount of assets to roll off on a monthly basis. The timing of implementation was not specified, leading some in the market to believe the Fed might opt for balance sheet reduction in lieu of an additional rate hike in upcoming months.

The July 2017 FOMC meeting fell fairly in line with market expectations, with no change in interest rates. The Fed said it would start winding down its balance sheet "relatively soon," which the markets interpreted as likely to be announced at the September 2017 FOMC meeting. The Committee also indicated concern that inflation remains below the 2% target. Despite the weakness in inflation, the FOMC believed inflation would eventually rebound and stabilize to its target, albeit more slowly than expected.

As widely expected, the Fed left its benchmark policy rate unchanged at the conclusion of its September 2017 FOMC meeting, while announcing that it will begin shrinking its balance sheet starting in October 2017. The "dot plot" indicated that policy makers expected one more rate increase in 2017 and three more in 2018. The Fed said the balance-sheet runoff would follow the framework released in June 2017: reducing \$6 billion in Treasuries and \$4 billion in mortgage-backed

MORGAN STANLEY LIQUIDITY FUNDS

Morgan Stanley Liquidity Funds US Dollar Liquidity Fund & Morgan Stanley Liquidity Funds US Dollar Treasury Liquidity Fund (continued) **Investment Advisers Report for the year ended 31 March 2018 (continued)**

Market Review (continued)

securities per month, with the cap rising every three months until the amounts reach \$30 billion and \$20 billion per month, respectively.

In early October 2017, minutes from the September FOMC meeting were released, indicating that while many participants were concerned that transitory factors might not be the only contributors to low inflation readings, the majority thought that another rate increase this year would be warranted unless the medium-term outlook changed noticeably.

In line with market expectations, Fed officials voted unanimously to leave interest rates unchanged at the October 31-November 1 FOMC meeting. Officials gave no sign that their expectations for a third rate hike this year had been adjusted, sending the market-implied odds of a rate hike at the December 2017 FOMC meeting to over 90%. Participants also acknowledged that hurricane-related disruptions will continue to impact economic data points in the near term but that they are unlikely to have a material impact in the medium term. Later in November, minutes from the FOMC were released and reiterated expectations for an interest-rate increase in the near term. Participants continued to observe that low inflation might not only reflect transitory factors and that recent developments could prove more persistent.

Fed officials followed through on expectations of an interest rate hike at the December 2017 FOMC meeting, raising the benchmark lending rate by 25 basis points to a target range of 1.25% to 1.50%. The Fed confirmed that monthly roll-offs from the central bank's balance sheet would step up as anticipated, from \$10 billion to \$20 billion beginning in January 2018. The updated "dot plot" showed that policy makers expect three rate increases in 2018, based on median estimates. The FOMC continued to use language from prior releases, indicating that "near-term risks to the economic outlook appear roughly balanced, but that the Committee is monitoring inflation developments closely."

The January 2018 FOMC meeting was Janet Yellen's final as Fed Chair, and as the market expected, the FOMC maintained interest rates and reiterated the gradual approach to tightening monetary policy. The committee emphasized their plans for more hikes going forward, stating that "economic conditions will evolve in a manner that will warrant further gradual increases in the federal funds rate."

Jerome Powell took over as Chairman of the Federal Reserve's board of governors on 5 February 2018, becoming the 16th individual to hold the title. In his testimony to the House Financial Services Committee later in the month, Chair Powell indicated that the central bank will continue gradually raising interest rates as the outlook for growth remains strong. He also highlighted the opinion that recent volatility in the stock market and rising rates on U.S. government debt should not hamper growth, paving the way for future gradual increases in the Federal Funds rate.

In their first meeting under Chairman Powell, the committee unanimously raised the benchmark lending rate a quarter point at the March 2018 FOMC, to a range of 1.5% to 1.75%. Officials repeated previous language that they anticipate "further gradual adjustments in the stance of monetary policy." The dot plot indicated that policy makers expect two additional rate increases this year, based on median estimates, and a steeper path for hikes in 2019 and 2020. The upward revision in their projected rate path indicates that officials are looking past weak first quarter economic reports and expect a boost due to tax cuts passed by Republicans last year. Three month Libor ended the month at 2.32%, a level last seen in 2008.

MORGAN STANLEY INVESTMENT MANAGEMENT INC.
May 2018

¹ Source for employment data: Bureau of Labor Statistics and Bloomberg L.P.

MORGAN STANLEY LIQUIDITY FUNDS

Morgan Stanley Liquidity Funds Sterling Liquidity Fund Investment Sub-Advisers Report for the year ended 31 March 2018

Market Review

In the 12 month period ending 31 March 2018, the Bank of England raised interest rates for the first time since July 2007. Following weeks of hawkish communications, at its 2 November meeting the Monetary Policy Committee voted in favour of increasing the Bank rate from 0.25% to 0.5%, reversing the post-Brexit vote rate cut in August 2016. The decision was passed by a majority of 7-2, with Ramsden and Cunliffe dissenting. Both the Asset Purchase and Corporate bond purchase targets were left unchanged at £435bn and £10bn throughout the period. Changes of personnel on the Monetary Policy Committee (MPC) were the hawkish Kirstin Forbes being replaced by Silvana Tenreyro, a professor at the London School of Economics and Charlotte Hogg being replaced by Sir David Ramsden as Deputy Governor for Markets and Banking.

At the start of the period, Prime Minister May surprised the markets by calling a snap general election for June, a move that was approved by parliament by a large majority. The reasoning she gave was to strengthen her hand in negotiations with the EU over Brexit. This backfired spectacularly as a disastrous election campaign for the Conservatives unfolded. The Conservatives lost their slim majority, whilst Jeremy Corbyn's Labour made a number of gains. This led to the minority Conservative government agreeing a supply and confidence arrangement with Northern Ireland's Democratic Unionist Party (DUP) to form a working majority.

Following the election, PM May is attempting to placate both the hard line brexiteers and the remainers in her party who are looking for closer ties with Europe. This has been reflected in May's Brexit negotiations, where her statements have often been criticised by the EU as being light on detail. However, some progress has been made and on 8 December 2017 the UK and EU reached a breakthrough in negotiations, as Prime Minister May and European Commission president Juncker met to sign off a 'progress report'. It was agreed that sufficient progress had been reached on the three key issues of Britain's Brexit 'divorce' bill, the rights of EU citizens in the UK after Brexit and the Northern Irish border. This allowed EU leaders at the EU's December 2017 summit to confirm that Brexit negotiations could move to phase two, which will address Britain's future relationship with the bloc. In March 2018, a technical agreement was reached between negotiators regarding broad terms of the Brexit transition period. This will last 21 months, ending in December 2020. Michel Barnier and David Davis said the deal was a 'decisive step' in the Brexit process however there are a number of issues still to be resolved, including the tricky Northern Ireland border and customs union.

Money market rates reached their highest levels in almost 6 years as the rate hike in November followed by expectation of further hikes, and technical impacts related to the USD market drove yields higher. After spending the first 5 months of the period drifting gradually lower, from 0.337% to 0.277% in September 2017, the hawkish Monetary Policy Committee (MPC) comments in September 2017 started to drive levels higher, peaking at 0.712% at the end of the period. While much of the move higher has been driven by MPC activity, there was also an impact from USD LIBOR moves. As the scale of US T-Bill issuance increased following the debt ceiling impasse, the risk free rate was pushed higher. When the impact of repatriation and the Fed reducing its balance sheet is added this meant USD funding levels increased dramatically. The knock on impact of this was seen in GBP markets as bank USD funding levels swapped into GBP at attractive rates. As a result 3 month GBP LIBOR steepened by 10bps in the last 2 weeks of March 2018, which in addition to the rate hike expectations for May, meant a higher than expected LIBOR level. OIS curves in contrast have been a closer predictor of base rate activity. 1 year swaps moved sharply higher in September following the hawkish comments from the MPC, and continued to trend higher after similar comments in February which appeared to point towards a rate rise in May. Overall levels moved from a low of 0.225% in mid-June 17 to a high of 0.766% at the end of March 18. Sterling Overnight Index Average (SONIA) levels consistently tracked 3-4bps below base rate for the entire period, falling only at quarter ends as market capacity weakened.

The period started with a disappointing GDP print for Q1 2017. The UK grew at just 0.2% quarter-on-quarter, down from 0.7% in Q4 2016, making it the worst-performing advanced economy in the world. The UK economy did not fare much better in second quarter, growing at 0.3% quarter-on-quarter. This took the annual rate its slowest since 2013 at 1.5%. This had been indicated by PMI data, with the composite PMI trending lower over the course of the year (although never breaching the 50 mark that divides growth from contraction). There was a slight increase in GDP growth in Q3 2017, supported by a rebound in consumer spending, as the economy grew by 0.4% quarter-on-quarter.

MORGAN STANLEY LIQUIDITY FUNDS

Morgan Stanley Liquidity Funds Sterling Liquidity Fund (continued) Investment Sub-Advisers Report for the year ended 31 March 2018 (continued)

Market Review (continued)

Whilst this was an improvement, the UK still had the lowest rate of growth in the G7. The UK also grew at 0.4% quarter-on-quarter in the final quarter of 2017, taking the rate for 2017 to 1.8%, down from 1.9% in 2016. Among the G7, the UK was the only economy to see a deceleration in growth between 2016 and 2017. A key factor in the UK's poor economic performance was the squeeze on households, who are traditionally one of the main drivers of UK economic growth. Inflation remained elevated for the majority of the period and whilst unemployment was on a downward trend, wage growth did not significantly pick up. A combination of these factors led to a fall in real core wages, which dampened real household spending power and impacted on retail sales. Uncertainty surrounding Brexit has also played a part, with companies delaying investment decisions.

MORGAN STANLEY & CO INTERNATIONAL PLC.
May 2018

Independent auditor's report

To the Shareholders of
Morgan Stanley Liquidity Funds
6B, route de Trèves
L-2633 Senningerberg
Luxembourg

Opinion

We have audited the financial statements of Morgan Stanley Liquidity Funds (the "Company") and of each of its sub-funds, which comprise the statement of net assets and the schedule of investments as at 31 March 2018, and the statement of operations and changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and of each of its sub-funds as at 31 March 2018, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law and standards are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Company and those charged with governance for the financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Company either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Company.
- Conclude on the appropriateness of Board of Directors of the Company use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Michael Ferguson

Luxembourg, 25 June 2018

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Net Assets As of 31 March 2018

ASSETS	Euro Liquidity Fund EUR	US Dollar Liquidity Fund USD	US Dollar Treasury Liquidity Fund USD	Sterling Liquidity Fund GBP	Combined USD
Investment in securities at amortised cost (Note 2a)	4,552,462,158	17,631,317,156	3,826,343,705	1,774,646,371	29,545,984,096
Time deposits (Note 9)	1,162,572,371	3,684,000,000	–	448,488,413	5,742,930,122
Reverse repurchase agreements (Note 8)	275,000,000	–	–	–	338,208,870
Interest receivable (Note 2c)	4,515,144	6,142,781	2,767,619	1,270,198	16,245,187
Cash at bank (Note 2d) ⁽¹⁾	45	–	15,114,978	1,446	15,117,062
Operating fee reimbursement	518,272	2,870,246	780,065	136,482	4,479,165
Other assets	372,821	201	8,825	–	467,540
TOTAL ASSETS	5,995,440,811	21,324,330,384	3,845,015,192	2,224,542,910	35,663,432,042
LIABILITIES					
Payable for investment purchased	120,023,403	–	–	50,000,000	217,750,883
Bank overdraft (Note 2d) ⁽¹⁾	–	562,027	–	–	562,027
Dividends payable (Note 3)	–	26,556,725	4,364,883	703,063	31,907,866
Expense payable	2,128,356	10,913,532	1,830,271	993,571	16,755,145
TOTAL LIABILITIES	122,151,759	38,032,284	6,195,154	51,696,634	266,975,921
NET ASSET VALUE	5,873,289,052	21,286,298,100	3,838,820,038	2,172,846,276	35,396,456,121

⁽¹⁾ Cash is held at the Depositary.

On behalf of the Board of the Company:

Director

Director

25 June 2018

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Net Assets As of 31 March 2017

ASSETS	Euro Liquidity Fund EUR	US Dollar Liquidity Fund USD	US Dollar Treasury Liquidity Fund USD	Sterling Liquidity Fund GBP	Combined USD
Investment in securities at amortised cost (Note 2a)	5,172,371,367	17,362,579,040	2,089,616,748	2,061,576,205	27,562,207,742
Time deposits (Note 9)	993,659,997	1,993,000,000	–	144,606,039	3,236,592,436
Reverse repurchase agreements (Note 8)	340,000,000	400,000,000	465,000,000	200,000,000	1,478,737,286
Interest receivable (Note 2c)	7,682,877	11,223,919	4,319,694	1,732,783	25,927,599
Cash at bank (Note 2d) ⁽¹⁾	42,439	1,099,634	35,172,196	2,639	36,320,520
Operating fee reimbursement	399,206	2,512,909	689,234	91,955	3,744,099
Other assets	264,084	10,160	22,802	9,419	327,191
TOTAL ASSETS	6,514,419,970	19,770,425,662	2,594,820,674	2,408,019,040	32,343,856,873
LIABILITIES					
Payable for investment purchased	145,122,757	209,418,239	–	–	364,634,392
Dividends payable (Note 3)	–	15,844,310	1,149,944	469,269	17,581,052
Expense payable	1,762,968	7,762,438	1,416,483	846,790	12,123,373
TOTAL LIABILITIES	146,885,725	233,024,987	2,566,427	1,316,059	394,338,817
NET ASSET VALUE	6,367,534,245	19,537,400,675	2,592,254,247	2,406,702,981	31,949,518,056

(1) Cash is held at the Depositary.

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Net Assets Statistics As of 31 March 2018

	Currency	Outstanding Shares as at 31 March 2018	Outstanding Shares as at 31 March 2017	Outstanding Shares as at 31 March 2016
Euro Liquidity Fund				
Institutional Shares	EUR	4,449,515,461	5,195,468,206	2,619,231,047
Institutional Accumulation Shares	EUR	5,490,506	5,052,534	292,742
Institutional Select Shares (Note 1)	EUR	75,245,166	–	1,891,776
Institutional (+1) Accumulation Shares	EUR	21,102	1	–
MS Reserve Shares	EUR	751,087,841	621,384,136	461,601,715
US Dollar Liquidity Fund				
Advantage Accumulation Shares	USD	1,915	1,915	1,915
Advisory Shares (Note 1)	USD	247,789,213	50,000	–
Institutional Shares	USD	13,998,783,215	11,444,903,889	5,678,343,980
Institutional Accumulation Shares	USD	1,308,386	3,920,026	434,384
Institutional Select Shares	USD	2,787,473	9,730,272	96,411,194
Master Shares	USD	4,612,665,260	5,527,514,738	4,162,860,364
MS Reserve Shares	USD	464,369,975	294,745,484	254,905,289
Qualified Accumulation Shares (Note 1)	USD	17,833,849	18,266,991	157,900
US Dollar Treasury Liquidity Fund				
Advisory Shares (Note 1)	USD	50,000	50,000	–
Institutional Shares	USD	2,628,900,943	1,734,597,405	956,120,649
Institutional Select Shares	USD	50,481,806	50,088,298	50,010,000
MS Reserve Shares	USD	1,159,387,289	807,518,544	533,246,611
Sterling Liquidity Fund				
Institutional Shares	GBP	2,167,262,234	2,373,899,407	2,364,122,971
Institutional Accumulation Shares	GBP	8,891	8,887	163,548
Institutional Select Shares	GBP	1,350,201	25,000,000	7,000,000
MS Reserve Shares (Note 1)	GBP	–	–	24,195,694
Qualified Shares	GBP	3,221,142	6,793,742	9,022,300

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Net Assets Statistics As of 31 March 2018 (continued)

	Currency	Net Asset Value per Share as at 31 March 2018	Net Asset Value per Share as at 31 March 2017	Net Asset Value per Share as at 31 March 2016
Euro Liquidity Fund				
Institutional Shares	EUR	1.00	1.00	1.00
Institutional Accumulation Shares	EUR	108.43	108.99	109.48
Institutional Select Shares (Note 1)	EUR	1.00	–	1.00
Institutional (+1) Accumulation Shares	EUR	99.81	100.00	–
MS Reserve Shares	EUR	1.00	1.00	1.00
US Dollar Liquidity Fund				
Advantage Accumulation Shares	USD	102.51	101.51	101.13
Advisory Shares (Note 1)	USD	1.00	1.00	–
Institutional Shares	USD	1.00	1.00	1.00
Institutional Accumulation Shares	USD	108.88	107.54	106.85
Institutional Select Shares	USD	1.00	1.00	1.00
Master Shares	USD	1.00	1.00	1.00
MS Reserve Shares	USD	1.00	1.00	1.00
Qualified Accumulation Shares (Note 1)	USD	101.90	100.66	100.02
US Dollar Treasury Liquidity Fund				
Advisory Shares (Note 1)	USD	1.00	1.00	–
Institutional Shares	USD	1.00	1.00	1.00
Institutional Select Shares	USD	1.00	1.00	1.00
MS Reserve Shares	USD	1.00	1.00	1.00
Sterling Liquidity Fund				
Institutional Shares	GBP	1.00	1.00	1.00
Institutional Accumulation Shares	GBP	113.91	113.64	113.25
Institutional Select Shares	GBP	1.00	1.00	1.00
MS Reserve Shares (Note 1)	GBP	–	–	1.00
Qualified Shares	GBP	1.00	1.00	1.00

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Net Assets Statistics As of 31 March 2018 (continued)

	Currency	Net Assets as at 31 March 2018	Net Assets as at 31 March 2017	Net Assets as at 31 March 2016
Euro Liquidity Fund				
Institutional Shares	EUR	4,449,515,461	5,195,468,206	2,619,231,047
Institutional Accumulation Shares	EUR	595,334,534	550,681,803	32,049,835
Institutional Select Shares (Note 1)	EUR	75,245,166	–	1,891,776
Institutional (+1) Accumulation Shares	EUR	2,106,050	100	–
MS Reserve Shares	EUR	751,087,841	621,384,136	461,601,715
US Dollar Liquidity Fund				
Advantage Accumulation Shares	USD	196,296	194,388	193,653
Advisory Shares (Note 1)	USD	247,789,213	50,000	–
Institutional Shares	USD	13,998,783,215	11,444,903,889	5,678,343,980
Institutional Accumulation Shares	USD	142,451,717	421,553,492	46,413,168
Institutional Select Shares	USD	2,787,473	9,730,272	96,411,194
Master Shares	USD	4,612,665,260	5,527,514,738	4,162,860,364
MS Reserve Shares	USD	464,369,975	294,745,484	254,905,289
Qualified Accumulation Shares (Note 1)	USD	1,817,254,951	1,838,708,412	15,793,425
US Dollar Treasury Liquidity Fund				
Advisory Shares (Note 1)	USD	50,000	50,000	–
Institutional Shares	USD	2,628,900,943	1,734,597,405	956,120,649
Institutional Select Shares	USD	50,481,806	50,088,298	50,010,000
MS Reserve Shares	USD	1,159,387,289	807,518,544	533,246,611
Sterling Liquidity Fund				
Institutional Shares	GBP	2,167,262,234	2,373,899,407	2,364,122,971
Institutional Accumulation Shares	GBP	1,012,699	1,009,832	18,521,138
Institutional Select Shares	GBP	1,350,201	25,000,000	7,000,000
MS Reserve Shares (Note 1)	GBP	–	–	24,195,694
Qualified Shares	GBP	3,221,142	6,793,742	9,022,300

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Operations and Changes in Net Assets For the year ended to 31 March 2018

	Euro Liquidity Fund EUR	US Dollar Liquidity Fund USD	US Dollar Treasury Liquidity Fund USD	Sterling Liquidity Fund GBP	Combined USD
INCOME					
Interest (Note 2c)	(29,459,633)	305,669,416	31,187,832	9,718,341	315,318,874
Total Positive/(Negative) Income	(29,459,633)	305,669,416	31,187,832	9,718,341	315,318,874
EXPENSES					
Management fees (Note 4,6)	12,079,557	31,867,527	3,915,764	5,229,744	56,823,968
Less: Management fees waived	(6,957,639)	–	–	(1,675,500)	(10,347,946)
Management fees - Net	5,121,918	31,867,527	3,915,764	3,554,244	46,476,022
Taxe d'Abonnement (Note 5)	–	693,129	–	327	693,562
Legal fees (Note 6c)	38,090	43,824	43,824	33,584	176,643
Director's fees, director's liability insurance premium and expenses (Note 6b)	49,677	57,530	57,530	43,988	231,376
Ratings fees (Note 6c)	56,052	68,854	46,893	47,048	243,565
Tax charges (excluding Taxe d'Abonnement) (Note 5)	18,901	24,193	27,521	17,942	97,567
Other fees (Note 6c)	24,050	28,295	28,396	22,327	114,369
Audit fees (Note 6c)	10,166	17,717	11,642	9,053	53,230
Professional fees (Note 6c)	8,910	23,626	11,085	6,716	54,018
Distribution fees (Note 6c)	8,622	10,637	10,637	7,656	41,490
Less: Operating fee reimbursement	(214,536)	(275,010)	(237,563)	(188,341)	(1,012,742)
Total Expenses	5,121,850	32,560,322	3,915,729	3,554,544	47,169,100
Net Investment Income/(Expense)	(34,581,483)	273,109,094	27,272,103	6,163,797	268,149,774
Less: Distribution paid from income (Note 3)	–	(245,643,814)	(27,272,103)	(6,161,379)	(281,079,577)
Receipt from the Compulsory Redemption of shares (Note 3)	32,388,276	–	–	–	37,836,170
Net Increase/(Decrease) in Net Assets resulting from operations	(2,193,207)	27,465,280	–	2,418	24,906,367
Proceeds from issuance of shares	36,232,873,164	132,510,873,666	21,560,209,150	18,116,383,071	220,402,251,432
Shares redeemed	(36,724,925,150)	(130,789,441,521)	(20,313,643,359)	(18,350,242,194)	(218,318,928,472)
Increase/(Decrease) in Net Assets from share transactions	(492,051,986)	1,721,432,145	1,246,565,791	(233,859,123)	2,083,322,960
Increase/(Decrease) in Net Assets	(494,245,193)	1,748,897,425	1,246,565,791	(233,856,705)	2,108,229,327
Net Assets at the beginning of the year	6,367,534,245	19,537,400,675	2,592,254,247	2,406,702,981	31,949,518,056
Foreign exchange adjustment on translation	–	–	–	–	1,338,708,738
NET ASSETS AT THE END OF THE YEAR	5,873,289,052	21,286,298,100	3,838,820,038	2,172,846,276	35,396,456,121

On behalf of the Board of the Company:

Director

Director

25 June 2018

MORGAN STANLEY LIQUIDITY FUNDS

Statement of Operations and Changes in Net Assets For the year ended to 31 March 2017

INCOME	Euro Liquidity Fund EUR	US Dollar Liquidity Fund USD	US Dollar Treasury Liquidity Fund USD	Sterling Liquidity Fund GBP	Combined USD
Interest (Note 2c)	(20,027,884)	133,912,823	8,638,932	11,960,782	136,206,569
Total Positive/(Negative) Income	(20,027,884)	133,912,823	8,638,932	11,960,782	136,206,569
EXPENSES					
Management fees (Note 4,6)	9,157,195	20,135,622	2,988,440	5,124,470	39,870,957
Less: Management fees waived	(5,949,952)	(212,827)	(62,748)	(2,044,373)	(9,477,067)
Management fees – Net (Note 6a)	3,207,243	19,922,795	2,925,692	3,080,097	30,393,890
Taxe d'Abonnement (Note 5)	–	643,006	–	797	644,048
Legal fees (Note 6c)	30,341	32,645	32,645	26,042	132,624
Director's fees, director's liability insurance premium and expenses (Note 6b)	56,214	61,374	61,270	48,638	247,904
Ratings fees (Note 6c)	61,028	75,728	47,897	53,521	260,550
Tax charges (excluding Taxe d'Abonnement) (Note 5)	15,571	16,527	934	12,276	50,594
Other fees (Note 6c)	19,187	22,771	17,685	15,711	82,046
Audit fees (Note 6c)	13,778	14,859	14,859	11,719	60,155
Professional fees (Note 6c)	13,556	22,426	–	8,129	47,927
Distribution fees (Note 6c)	6,316	6,994	6,993	5,116	27,605
Less: Operating fee reimbursement	(215,749)	(290,421)	(181,861)	(181,079)	(945,720)
Total Expenses	3,207,485	20,528,704	2,926,114	3,080,967	31,001,623
Net Investment Income/(Expense)	(23,235,369)	113,384,119	5,712,818	8,879,815	105,204,946
Less: Distribution paid from income (Note 3)	–	(102,491,846)	(5,712,818)	(8,864,975)	(119,791,533)
Receipt from the Compulsory Redemption of shares (Note 3)	22,385,524	–	–	–	24,565,645
Net Increase/(Decrease) in Net Assets resulting from operations	(849,845)	10,892,273	–	14,840	9,979,058
Proceeds from issuance of shares	26,441,306,498	89,208,789,774	16,720,381,500	18,556,711,055	159,199,936,144
Shares redeemed	(23,187,696,782)	(79,937,202,369)	(15,667,504,512)	(18,572,885,016)	(145,326,133,787)
Increase/(Decrease) in Net Assets from share transactions	3,253,609,716	9,271,587,405	1,052,876,988	(16,173,961)	13,873,802,357
Increase/(Decrease) in Net Assets	3,252,759,871	9,282,479,678	1,052,876,988	(16,159,121)	13,883,781,415
Net Assets at the beginning of the year	3,114,774,374	10,254,920,997	1,539,377,259	2,422,862,102	18,826,125,022
Foreign exchange adjustment on translation	–	–	–	–	(760,388,381)
NET ASSETS AT THE END OF THE YEAR	6,367,534,245	19,537,400,675	2,592,254,247	2,406,702,981	31,949,518,056

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Euro Liquidity Fund

Schedule of Investments

As of 31 March 2018

(Expressed in EUR)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
COMMERCIAL PAPER 37.71%						
AGENCE CENTRALE DES ORGANISMES	EUR	100,000,000	-	06-Apr-18	100,003,667	1.70
AGENCE CENTRALE DES ORGANISMES	EUR	100,000,000	-	17-Apr-18	100,018,675	1.70
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	20,000,000	-	11-Apr-18	20,001,558	0.34
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	15,000,000	-	11-Apr-18	15,001,152	0.26
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	25,000,000	-	03-May-18	25,007,304	0.43
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	25,000,000	-	09-May-18	25,008,765	0.43
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	65,500,000	-	01-Jun-18	65,543,528	1.12
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	30,000,000	-	11-Jun-18	30,019,584	0.51
BANQUE FEDERATIVE DU CREDIT MUTUEL	EUR	50,000,000	-	02-Jul-18	50,051,306	0.85
BAYERISCHE MOTOREN WERKE AG	EUR	50,000,000	-	30-Apr-18	50,017,069	0.85
DEKABANK DEUTSCHE GIROZENTRALE	EUR	50,000,000	-	09-Apr-18	50,003,504	0.85
DEKABANK DEUTSCHE GIROZENTRALE	EUR	20,000,000	-	09-May-18	20,008,609	0.34
DEKABANK DEUTSCHE GIROZENTRALE	EUR	50,000,000	-	15-May-18	50,025,256	0.85
DEKABANK DEUTSCHE GIROZENTRALE	EUR	50,000,000	-	11-Jun-18	50,040,293	0.85
DEKABANK DEUTSCHE GIROZENTRALE	EUR	50,000,000	-	14-Jun-18	50,043,047	0.85
DEKABANK DEUTSCHE GIROZENTRALE	EUR	50,000,000	-	03-Jul-18	50,051,877	0.85
HSBC FRANCE	EUR	50,000,000	-	09-Oct-18	50,094,724	0.85
ING BANK NV	EUR	50,000,000	-	04-Jun-18	50,031,892	0.85
ING BANK NV	EUR	75,000,000	-	20-Jun-18	75,061,869	1.28
NORDEA BANK AB	EUR	50,000,000	-	26-Jul-18	50,066,641	0.85
OP CORPORATE BANK PLC	EUR	27,500,000	-	13-Aug-18	27,542,440	0.47
OP CORPORATE BANK PLC	EUR	22,500,000	-	15-Aug-18	22,535,249	0.38
OP CORPORATE BANK PLC	EUR	11,000,000	-	22-Aug-18	11,018,133	0.19
OP CORPORATE BANK PLC	EUR	38,000,000	-	31-Aug-18	38,066,643	0.65
OP CORPORATE BANK PLC	EUR	43,000,000	-	24-Sep-18	43,087,480	0.73
PACCAR FINANCIAL EUROPE BV	EUR	20,000,000	-	06-Apr-18	20,000,667	0.34
PACCAR FINANCIAL EUROPE BV	EUR	10,000,000	-	09-Apr-18	10,000,650	0.17
PROCTER & GAMBLE COMPANY	EUR	20,000,000	-	03-Apr-18	20,000,000	0.34
PROCTER & GAMBLE COMPANY	EUR	11,000,000	-	06-Apr-18	11,000,339	0.19
PROCTER & GAMBLE COMPANY	EUR	6,000,000	-	20-Apr-18	6,001,049	0.10
PROCTER & GAMBLE COMPANY	EUR	20,000,000	-	23-Apr-18	20,004,115	0.34
PROCTER & GAMBLE COMPANY	EUR	10,000,000	-	08-May-18	10,003,698	0.17
PROCTER & GAMBLE COMPANY	EUR	13,000,000	-	10-May-18	13,005,082	0.22
PROCTER & GAMBLE COMPANY	EUR	23,000,000	-	25-May-18	23,012,637	0.39
PROCTER & GAMBLE COMPANY	EUR	20,000,000	-	03-Jul-18	20,019,736	0.34
SKANDINAVISKA ENSKILDA BANKEN AB	EUR	10,000,000	-	10-Aug-18	10,015,074	0.17
SOCIETE DE FINANCEMENT LOCAL SA	EUR	20,000,000	-	23-Apr-18	20,005,260	0.34
SOCIETE GENERALE	EUR	30,000,000	-	31-Aug-18	30,039,438	0.51
SUMITOMO MITSUI BANKING CORPORATION	EUR	50,000,000	-	19-Jun-18	50,044,965	0.85
SVENSKA HANDELSBANKEN AB	EUR	25,000,000	-	03-Apr-18	25,000,000	0.43
SVENSKA HANDELSBANKEN AB	EUR	49,000,000	-	05-Jun-18	49,033,509	0.84
SVENSKA HANDELSBANKEN AB	EUR	100,000,000	-	06-Jun-18	100,070,363	1.71
SVENSKA HANDELSBANKEN AB	EUR	50,000,000	-	23-Jul-18	50,059,469	0.85
SVENSKA HANDELSBANKEN AB	EUR	23,000,000	-	24-Sep-18	23,042,334	0.39
TOYOTA KREDITBANK GMBH	EUR	25,000,000	-	09-Apr-18	25,001,876	0.43
TOYOTA KREDITBANK GMBH	EUR	38,000,000	-	23-Jul-18	38,049,869	0.65
UBS AG	EUR	50,000,000	-	10-May-18	50,019,566	0.85
UBS AG	EUR	50,000,000	-	11-May-18	50,019,042	0.85
UBS AG	EUR	48,000,000	-	18-Jun-18	48,038,585	0.82
UBS AG	EUR	65,000,000	-	13-Aug-18	65,094,319	1.11
UNILEVER NV	EUR	50,000,000	-	11-Jun-18	50,038,373	0.85
UNILEVER NV	EUR	50,000,000	-	11-Jun-18	50,041,255	0.85
UNITED PARCEL SERVICE INC	EUR	20,000,000	-	20-Apr-18	20,004,346	0.34
ZUERCHER KANTONALBANK	EUR	115,000,000	-	11-May-18	115,052,240	1.96

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Euro Liquidity Fund

Schedule of Investments (continued)

As of 31 March 2018

(Expressed in EUR)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
COMMERCIAL PAPER 37.71%						
ZUERCHER KANTONALBANK	EUR	75,000,000	-	27-Jun-18	75,079,869	1.28
Total Commercial Paper					2,215,147,990	37.71
CERTIFICATES OF DEPOSIT 32.08%						
BNP PARIBAS	EUR	50,000,000	-	21-Jun-18	50,047,232	0.85
BNP PARIBAS	EUR	50,000,000	-	21-Sep-18	50,085,658	0.85
CITIBANK NA	EUR	50,000,000	-	04-Jun-18	50,035,335	0.85
CITIBANK NA	EUR	50,000,000	-	14-Jun-18	50,043,047	0.85
CREDIT AGRICOLE SA	EUR	50,000,000	-	29-May-18	50,030,364	0.85
CREDIT AGRICOLE SA	EUR	25,000,000	-	05-Jun-18	25,017,080	0.43
CREDIT SUISSE AG	EUR	115,500,000	-	24-Apr-18	115,527,607	1.97
CREDIT SUISSE AG	EUR	50,000,000	-	09-May-18	50,020,036	0.85
CREDIT SUISSE AG	EUR	50,000,000	-	22-Jun-18	50,041,746	0.85
CREDIT SUISSE AG	EUR	30,000,000	-	10-Sep-18	30,046,751	0.51
DANSKE BANK A/S	EUR	50,000,000	-	05-Apr-18	50,001,335	0.85
HSBC FRANCE	EUR	50,000,000	-	30-Oct-18	50,105,248	0.86
ING BANK NV	EUR	50,000,000	-	22-Jun-18	50,042,263	0.85
KBC BANK NV	EUR	75,000,000	-	09-Apr-18	75,005,256	1.28
KBC BANK NV	EUR	50,000,000	-	14-May-18	50,023,942	0.85
KBC BANK NV	EUR	50,000,000	-	31-May-18	50,033,870	0.85
KBC BANK NV	EUR	15,000,000	-	04-Jun-18	15,010,862	0.26
KBC BANK NV	EUR	50,000,000	-	20-Jun-18	50,045,549	0.85
MIZUHO BANK LTD	EUR	50,000,000	-	04-Apr-18	50,000,500	0.85
MIZUHO BANK LTD	EUR	50,000,000	-	08-Jun-18	50,035,786	0.85
MIZUHO BANK LTD	EUR	50,000,000	-	14-Sep-18	50,075,294	0.85
NATIXIS SA	EUR	50,000,000	-	05-Apr-18	50,001,140	0.85
NORDEA BANK AB	EUR	25,000,000	-	08-May-18	25,009,986	0.43
NORDEA BANK AB	EUR	50,000,000	-	01-Jun-18	50,033,667	0.85
NORINCHUKIN BANK	EUR	50,000,000	-	20-Apr-18	50,010,511	0.85
NORINCHUKIN BANK	EUR	50,000,000	-	14-May-18	50,024,219	0.85
NORINCHUKIN BANK	EUR	70,000,000	-	25-May-18	70,042,508	1.19
OP CORPORATE BANK PLC	EUR	30,750,000	-	12-Jul-18	30,787,652	0.53
RABOBANK NEDERLAND NV	EUR	20,500,000	-	04-Apr-18	20,500,245	0.35
RABOBANK NEDERLAND NV	EUR	26,000,000	-	06-Apr-18	26,000,975	0.44
RABOBANK NEDERLAND NV	EUR	50,000,000	-	12-Apr-18	50,004,885	0.85
RABOBANK NEDERLAND NV	EUR	50,000,000	-	29-May-18	50,030,393	0.85
RABOBANK NEDERLAND NV	EUR	50,000,000	-	01-Jun-18	50,032,021	0.85
RABOBANK NEDERLAND NV	EUR	50,000,000	-	21-Jun-18	50,043,978	0.85
SUMITOMO MITSUI TRUST BANK LTD	EUR	50,000,000	-	07-Jun-18	50,036,600	0.85
SUMITOMO MITSUI TRUST BANK LTD	EUR	50,000,000	-	28-Aug-18	50,071,586	0.85
TORONTO DOMINION BANK	EUR	50,000,000	-	13-Sep-18	50,095,288	0.86
TORONTO DOMINION BANK	EUR	50,000,000	-	24-Sep-18	50,099,294	0.86
TORONTO DOMINION BANK	EUR	50,000,000	-	20-Dec-18	50,138,151	0.86
Total Certificates of Deposit					1,884,237,860	32.08
CORPORATE BONDS 4.09%						
BAYERISCHE MOTOREN WERKE AG	EUR	22,373,000	1.50%	05-Jun-18	22,446,459	0.38
BNZ INTERNATIONAL FUNDING LTD	EUR	29,071,000	1.25%	23-May-18	29,137,110	0.50
COMMONWEALTH BANK OF AUSTRALIA	EUR	7,750,000	4.25%	06-Apr-18	7,752,907	0.13
COMMONWEALTH BANK OF AUSTRALIA	EUR	36,900,000	1.63%	04-Feb-19	37,506,873	0.64

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Euro Liquidity Fund

Schedule of Investments (continued)

As of 31 March 2018

(Expressed in EUR)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
CORPORATE BONDS 4.09%						
HSBC BANK PLC	EUR	8,923,000	3.88%	24-Oct-18	9,135,783	0.15
HSBC FRANCE	EUR	13,800,000	1.63%	03-Dec-18	13,982,535	0.24
NORDEA BANK AB	EUR	47,425,000	1.38%	12-Apr-18	47,445,532	0.81
OP CORPORATE BANK PLC	EUR	11,250,000	1.25%	14-May-18	11,271,375	0.19
SVENSKA HANDELSBANKEN AB	EUR	11,750,000	2.25%	14-Jun-18	11,808,486	0.20
UBS AG	EUR	39,640,000	6.00%	18-Apr-18	39,744,232	0.68
UBS AG	EUR	10,000,000	0.50%	15-May-18	10,010,156	0.17
Total Corporate Bonds					240,241,448	4.09
FLOATING RATE NOTES 3.20%						
BANK OF NOVA SCOTIA	EUR	50,700,000	0.52%	20-Apr-18	50,722,994	0.86
BANK OF NOVA SCOTIA	EUR	35,000,000	0.05%	10-Sep-18	35,066,474	0.60
BAYERISCHE MOTOREN WERKE AG	EUR	5,000,000	-	01-Jun-18	5,002,950	0.09
JPMORGAN CHASE BANK NA	EUR	54,320,000	-	14-Jun-18	54,361,807	0.93
LLOYDS BANK PLC	EUR	40,000,000	0.22%	12-Jul-18	40,064,381	0.68
ROYAL BANK OF CANADA	EUR	2,600,000	0.10%	22-Oct-18	2,606,987	0.04
Total Floating Rate Notes					187,825,593	3.20
ASSET BACKED COMMERCIAL PAPER 0.43%						
COLLATERALIZED COMMERCIAL PAPER CO III	EUR	25,000,000	-	09-May-18	25,009,267	0.43
Total Asset Backed Commercial Paper					25,009,267	0.43
Total Transferable Securities and Money Market Instruments					4,552,462,158	77.51
Total Investments					4,552,462,158	77.51
Other assets in excess of liabilities					1,320,826,894	22.49
Total Net Assets					5,873,289,052	100.00

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

US Dollar Liquidity Fund

Schedule of Investments

As of 31 March 2018

(Expressed in USD)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
COMMERCIAL PAPER 34.46%						
ANZ NEW ZEALAND INT'L LTD	USD	100,000,000	-	14-Jun-18	99,586,333	0.47
AUSTRALIA AND NEW ZEALAND BANKING	USD	85,000,000	-	14-Jun-18	84,620,806	0.40
BANK NEDERLANDSE GEMEENTEN	USD	459,750,000	-	04-Apr-18	459,706,068	2.16
BANK OF NOVA SCOTIA	USD	550,000,000	-	21-Jun-18	547,274,444	2.57
BANK OF NOVA SCOTIA	USD	150,000,000	-	22-Jun-18	149,244,000	0.70
BANQUE ET CAISSE D'EPARGNE DE L'ETAT	USD	100,000,000	-	14-Jun-18	99,618,778	0.47
BNP PARIBAS	USD	325,000,000	-	03-Apr-18	324,984,562	1.53
COMMONWEALTH BANK OF AUSTRALIA	USD	50,000,000	-	19-Jun-18	49,761,667	0.23
CREDIT SUISSE AG	USD	215,000,000	-	14-Jun-18	214,040,862	1.01
DANSKE BANK A/S	USD	400,000,000	-	14-Jun-18	398,223,667	1.87
DBS BANK LTD	USD	350,000,000	-	13-Jun-18	348,460,000	1.64
DBS BANK LTD	USD	207,900,000	-	14-Jun-18	207,074,352	0.97
DNB BANK ASA	USD	500,000,000	-	03-Apr-18	499,976,667	2.35
ERSTE ABWICKLUNGSANSTALT	USD	150,000,000	-	14-Jun-18	149,452,500	0.70
FEDERATION DES CAISSES DESJARDINS	USD	400,000,000	-	02-Apr-18	400,000,000	1.88
FEDERATION DES CAISSES DESJARDINS	USD	180,000,000	-	03-Apr-18	179,991,500	0.85
FEDERATION DES CAISSES DESJARDINS	USD	350,000,000	-	04-Apr-18	349,967,528	1.64
FEDERATION DES CAISSES DESJARDINS	USD	50,000,000	-	14-Jun-18	49,812,431	0.23
FEDERATION DES CAISSES DESJARDINS	USD	50,000,000	-	22-Jun-18	49,746,875	0.23
LANDESBANK HESSEN-THUERINGEN GIROZE	USD	75,000,000	-	20-Jun-18	74,621,458	0.35
MIZUHO BANK LTD	USD	100,000,000	-	15-Jun-18	99,527,222	0.47
NATIONAL AUSTRALIA BANK LTD	USD	200,000,000	-	14-Jun-18	199,178,750	0.94
ROYAL BANK OF CANADA	USD	150,000,000	-	14-Jun-18	149,333,875	0.70
ROYAL BANK OF CANADA	USD	50,000,000	-	15-Jun-18	49,773,889	0.23
SUMITOMO MITSUI TRUST BANK LTD	USD	525,000,000	-	02-Apr-18	525,000,000	2.47
SUMITOMO MITSUI TRUST BANK LTD	USD	300,000,000	-	14-Jun-18	298,649,500	1.40
SUNCORP-METWAY LTD	USD	50,000,000	-	26-Sep-18	49,385,417	0.23
SWEDBANK AB	USD	200,000,000	-	02-Apr-18	200,000,000	0.94
TORONTO DOMINION BANK	USD	13,000,000	-	03-Apr-18	12,999,383	0.06
TORONTO DOMINION BANK	USD	437,000,000	-	14-Jun-18	435,209,999	2.04
UNITED OVERSEAS BANK LTD	USD	203,500,000	-	12-Jun-18	202,737,440	0.95
UNITED OVERSEAS BANK LTD	USD	215,000,000	-	14-Jun-18	214,175,708	1.01
UNITED OVERSEAS BANK LTD	USD	165,000,000	-	10-Sep-18	163,288,033	0.77
Total Commercial Paper					7,335,423,714	34.46
CERTIFICATES OF DEPOSIT 30.72%						
BANCO DEL ESTADO DE CHILE	USD	221,000,000	1.70%	02-Apr-18	221,000,000	1.04
BANCO DEL ESTADO DE CHILE	USD	150,000,000	1.71%	03-Apr-18	150,000,000	0.71
BANK OF MONTREAL	USD	150,000,000	2.22%	15-Jun-18	150,000,000	0.71
BNP PARIBAS	USD	150,000,000	2.04%	01-Jun-18	150,000,000	0.71
BNP PARIBAS	USD	300,000,000	2.07%	24-Jul-18	300,000,000	1.41
BNP PARIBAS	USD	218,000,000	2.05%	25-Jul-18	218,000,000	1.02
CANADIAN IMPERIAL BANK OF COMMERCE	USD	170,000,000	2.30%	21-Sep-18	170,000,000	0.80
CITIBANK NA	USD	150,000,000	2.20%	14-Jun-18	150,000,000	0.70
CITIBANK NA	USD	75,000,000	2.10%	14-Jun-18	75,000,000	0.35
CREDIT SUISSE AG	USD	170,000,000	2.08%	24-Jul-18	170,000,000	0.80
CREDIT SUISSE AG	USD	255,000,000	2.08%	25-Jul-18	255,000,000	1.20
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	USD	350,000,000	1.72%	03-Apr-18	350,000,000	1.64
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	USD	150,000,000	2.26%	20-Jun-18	150,000,000	0.70
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	USD	125,000,000	2.26%	21-Jun-18	125,000,000	0.59
HSBC BANK PLC	USD	100,000,000	2.03%	25-May-18	100,000,000	0.47
HSBC BANK PLC	USD	100,000,000	2.07%	25-Jul-18	100,000,000	0.47

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MORGAN STANLEY LIQUIDITY FUNDS

US Dollar Liquidity Fund

Schedule of Investments (continued)

As of 31 March 2018

(Expressed in USD)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
CERTIFICATES OF DEPOSIT 30.72%						
HSBC BANK PLC	USD	75,000,000	2.07%	25-Jul-18	75,000,000	0.35
HSBC BANK PLC	USD	100,000,000	2.08%	27-Jul-18	100,000,000	0.47
HSBC BANK PLC	USD	200,000,000	2.41%	21-Sep-18	200,000,000	0.94
MIZUHO BANK LTD	USD	500,000,000	1.69%	02-Apr-18	500,000,000	2.35
NORINCHUKIN BANK	USD	400,000,000	1.70%	04-Apr-18	400,000,000	1.88
OVERSEA-CHINESE BANKING CORP	USD	85,000,000	1.90%	14-Jun-18	85,000,000	0.40
OVERSEA-CHINESE BANKING CORP	USD	50,000,000	2.03%	24-Jul-18	50,000,000	0.24
ROYAL BANK OF CANADA	USD	80,000,000	2.39%	26-Jun-18	80,000,000	0.38
ROYAL BANK OF CANADA	USD	320,000,000	2.42%	21-Sep-18	320,000,000	1.50
SUMITOMO MITSUI BANK NY	USD	220,000,000	2.01%	17-May-18	220,000,000	1.03
SUMITOMO MITSUI TRUST BANK LTD	USD	175,000,000	2.01%	17-May-18	175,000,000	0.82
SVENSKA HANDELSBANKEN AB	USD	325,000,000	2.05%	24-Aug-18	325,000,000	1.53
SVENSKA HANDELSBANKEN AB	USD	350,000,000	2.04%	24-Aug-18	350,000,000	1.64
US BANCORP	USD	150,000,000	1.99%	23-Jul-18	150,000,000	0.70
WELLS FARGO BANK NA	USD	225,000,000	1.98%	18-Jul-18	225,000,000	1.06
WELLS FARGO BANK NA	USD	150,000,000	2.04%	24-Jul-18	150,000,000	0.70
WELLS FARGO BANK NA	USD	200,000,000	2.06%	24-Aug-18	200,000,000	0.94
WELLS FARGO BANK NA	USD	100,000,000	2.06%	24-Aug-18	100,000,000	0.47
Total Certificates of Deposit					6,539,000,000	30.72
COMMERCIAL PAPER - INTEREST BEARING 12.29%						
AUSTRALIA AND NEW ZEALAND BANKING	USD	50,000,000	2.48%	21-Dec-18	50,000,000	0.23
COMMONWEALTH BANK OF AUSTRALIA	USD	83,000,000	2.01%	19-Oct-18	83,000,145	0.39
DBS BANK LTD	USD	82,000,000	1.93%	17-May-18	82,000,000	0.39
DBS BANK LTD	USD	225,000,000	1.93%	18-May-18	225,000,000	1.06
ERSTE ABWICKLUNGSANSTALT	USD	250,000,000	1.97%	18-Jul-18	250,000,000	1.17
HSBC BANK PLC	USD	75,000,000	2.43%	25-Jun-18	75,000,000	0.35
ING US FUNDING LLC	USD	240,000,000	2.05%	25-Jun-18	240,000,000	1.13
OVERSEA-CHINESE BANKING CORP	USD	160,000,000	2.35%	22-Jun-18	160,000,000	0.75
OVERSEA-CHINESE BANKING CORP	USD	175,000,000	2.39%	26-Jun-18	175,000,000	0.82
OVERSEA-CHINESE BANKING CORP	USD	25,000,000	1.98%	17-Jul-18	25,000,000	0.12
OVERSEA-CHINESE BANKING CORP	USD	200,000,000	1.98%	18-Jul-18	200,000,000	0.94
OVERSEA-CHINESE BANKING CORP	USD	145,000,000	2.03%	24-Jul-18	145,000,000	0.68
OVERSEA-CHINESE BANKING CORP	USD	160,000,000	2.04%	26-Jul-18	160,000,000	0.75
TORONTO DOMINION BANK	USD	200,000,000	2.02%	23-May-18	200,000,000	0.94
TORONTO DOMINION BANK	USD	222,000,000	2.04%	24-Jul-18	222,000,000	1.04
TORONTO DOMINION BANK	USD	100,000,000	2.04%	25-Jul-18	100,000,000	0.47
TOYOTA MOTOR CREDIT CORP	USD	225,000,000	2.28%	18-Jun-18	225,000,000	1.06
Total Commercial Paper - Interest Bearing					2,617,000,145	12.29
ASSET BACKED COMMERCIAL PAPER 5.36%						
COLLATERALIZED COMMERCIAL PAPER CO I	USD	50,000,000	2.08%	23-May-18	50,000,000	0.23
COLLATERALIZED COMMERCIAL PAPER CO I	USD	205,000,000	-	14-Jun-18	204,201,867	0.96
COLLATERALIZED COMMERCIAL PAPER CO I	USD	200,000,000	2.41%	25-Jun-18	200,000,000	0.94
COLLATERALIZED COMMERCIAL PAPER CO I	USD	100,000,000	2.41%	26-Jun-18	100,000,000	0.47
COLLATERALIZED COMMERCIAL PAPER CO I	USD	153,000,000	2.03%	18-Jul-18	153,000,000	0.72
COLLATERALIZED COMMERCIAL PAPER CO II	USD	100,000,000	2.08%	24-Jul-18	100,000,000	0.47

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

US Dollar Liquidity Fund

Schedule of Investments (continued)

As of 31 March 2018

(Expressed in USD)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
ASSET BACKED COMMERCIAL PAPER 5.36%						
COLLATERALIZED COMMERCIAL PAPER CO II	USD	165,000,000	2.08%	24-Jul-18	165,000,000	0.78
COLLATERALIZED COMMERCIAL PAPER CO II	USD	88,000,000	2.08%	25-Jul-18	88,000,000	0.41
COLLATERALIZED COMMERCIAL PAPER CO III	USD	80,000,000	-	14-Jun-18	79,691,430	0.38
Total Asset Backed Commercial Paper					<u>1,139,893,297</u>	<u>5.36</u>
Total Transferable Securities and Money Market Instruments					<u>17,631,317,156</u>	<u>82.83</u>
Total Investments					17,631,317,156	82.83
Other assets in excess of liabilities					<u>3,654,980,944</u>	<u>17.17</u>
Total Net Assets					<u>21,286,298,100</u>	<u>100.00</u>

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

US Dollar Treasury Liquidity Fund

Schedule of Investments

As of 31 March 2018

(Expressed in USD)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
TREASURY BILLS 76.91%						
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	143,000,000	-	05-Apr-18	142,981,409	3.72
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	605,000,000	-	12-Apr-18	604,731,903	15.75
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	863,000,000	-	19-Apr-18	862,388,192	22.46
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	65,000,000	-	26-Apr-18	64,935,127	1.69
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	125,000,000	-	31-May-18	124,669,474	3.25
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	289,000,000	-	07-Jun-18	288,122,704	7.51
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	171,000,000	-	14-Jun-18	170,419,457	4.44
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	45,000,000	-	26-Jul-18	44,768,483	1.17
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	84,000,000	-	30-Aug-18	83,360,245	2.17
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	236,000,000	-	06-Sep-18	234,116,087	6.10
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	60,000,000	-	13-Sep-18	59,494,333	1.55
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	50,000,000	-	20-Sep-18	49,538,003	1.29
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	225,000,000	-	27-Sep-18	222,893,852	5.81
Total Treasury Bills					2,952,419,269	76.91
GOVERNMENT BONDS 20.83%						
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	54,000,000	1.96%	30-Apr-18	54,009,669	1.41
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	189,750,000	1.94%	31-Jul-18	189,868,157	4.94
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	240,000,000	1.94%	31-Oct-18	240,311,570	6.26
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	315,000,000	1.91%	31-Jan-19	315,463,839	8.22
Total Government Bonds					799,653,235	20.83
TREASURY NOTES 1.93%						
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	36,000,000	0.88%	31-May-18	35,963,388	0.94
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	20,000,000	2.38%	31-May-18	20,028,142	0.52

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

US Dollar Treasury Liquidity Fund

Schedule of Investments (continued)

As of 31 March 2018

(Expressed in USD)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
TREASURY NOTES 1.93%						
GOVERNMENT OF THE UNITED STATES OF AMERICA	USD	18,294,000	1.13%	15-Jun-18	18,279,671	0.47
Total Treasury Notes					<u>74,271,201</u>	<u>1.93</u>
Total Transferable Securities and Money Market Instruments					<u>3,826,343,705</u>	<u>99.67</u>
Total Investments					3,826,343,705	99.67
Other assets in excess of liabilities					<u>12,476,333</u>	<u>0.33</u>
Total Net Assets					<u>3,838,820,038</u>	<u>100.00</u>

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Sterling Liquidity Fund

Schedule of Investments

As of 31 March 2018

(Expressed in GBP)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
CERTIFICATES OF DEPOSIT 47.63%						
BANK OF AMERICA NA	GBP	25,000,000	0.56%	12-Jun-18	25,000,000	1.15
BANK OF MONTREAL	GBP	25,000,000	0.80%	03-Aug-18	25,000,000	1.15
BANK OF MONTREAL	GBP	25,000,000	0.78%	21-Sep-18	25,000,000	1.15
BANQUE FEDERATIVE DU CREDIT MUTUEL	GBP	25,000,000	-	04-Apr-18	24,999,654	1.16
BNP PARIBAS	GBP	25,000,000	0.57%	08-May-18	25,000,000	1.15
BNP PARIBAS	GBP	30,000,000	0.59%	07-Jun-18	30,000,000	1.38
BNP PARIBAS	GBP	25,000,000	0.63%	18-Jun-18	25,000,000	1.15
CITIBANK NA	GBP	25,000,000	0.62%	15-Jun-18	25,000,000	1.15
CREDIT AGRICOLE CIB	GBP	25,000,000	0.59%	17-May-18	25,000,000	1.15
CREDIT SUISSE AG	GBP	25,000,000	-	01-Jun-18	24,975,787	1.15
CREDIT SUISSE AG	GBP	25,000,000	-	28-Jun-18	24,965,934	1.15
DANSKE BANK A/S	GBP	25,000,000	0.50%	23-Apr-18	25,000,000	1.15
DNB BANK ASA	GBP	25,000,000	0.75%	29-Jun-18	25,000,000	1.15
DNB BANK ASA	GBP	25,000,000	0.53%	02-Jul-18	25,000,000	1.15
DNB BANK ASA	GBP	25,000,000	0.53%	09-Jul-18	25,000,000	1.15
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	GBP	25,000,000	0.50%	19-Apr-18	25,000,000	1.15
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	GBP	25,000,000	0.55%	03-May-18	25,000,000	1.15
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	GBP	25,000,000	0.56%	14-May-18	25,000,000	1.15
DZ BANK AG DEUTSCHE ZENTRAL-GENOSS	GBP	25,000,000	0.55%	16-Jul-18	25,000,000	1.15
ING BANK NV	GBP	25,000,000	0.50%	05-Apr-18	25,000,000	1.15
ING BANK NV	GBP	25,000,000	0.51%	06-Apr-18	25,000,000	1.15
ING BANK NV	GBP	20,000,000	0.60%	01-Jun-18	20,000,000	0.92
KBC BANK NV	GBP	25,000,000	-	28-Jun-18	24,956,199	1.15
LANDESBANK HESSEN-THUERINGEN GIROZE	GBP	25,000,000	0.53%	08-May-18	25,000,117	1.16
MIZUHO BANK LTD	GBP	25,000,000	0.52%	05-Apr-18	25,000,000	1.15
MIZUHO BANK LTD	GBP	25,000,000	0.52%	16-May-18	25,000,000	1.15
NATIONAL AUSTRALIA BANK LTD	GBP	25,000,000	0.69%	04-Jun-18	25,000,000	1.15
NATIONAL AUSTRALIA BANK LTD	GBP	25,000,000	0.53%	05-Jun-18	25,000,000	1.15
NORINCHUKIN BANK	GBP	25,000,000	-	16-Apr-18	24,995,463	1.15
RABOBANK NEDERLAND NV	GBP	25,000,000	0.58%	09-May-18	25,000,000	1.15
RABOBANK NEDERLAND NV	GBP	25,000,000	0.64%	01-Aug-18	25,000,000	1.15
RABOBANK NEDERLAND NV	GBP	25,000,000	0.87%	28-Sep-18	25,000,000	1.15
SKANDINAVISKA ENSKILDA BANKEN AB	GBP	25,000,000	0.61%	19-Jun-18	25,000,000	1.15
SUMITOMO MITSUI TRUST BANK LTD	GBP	25,000,000	0.52%	06-Apr-18	25,000,000	1.15
SUMITOMO MITSUI TRUST BANK LTD	GBP	25,000,000	0.52%	12-Apr-18	25,000,000	1.15
SUMITOMO MITSUI TRUST BANK LTD	GBP	25,000,000	0.53%	14-May-18	25,000,000	1.15
SVENSKA HANDELSBANKEN AB	GBP	30,000,000	0.58%	12-Jun-18	30,000,000	1.38
TORONTO DOMINION BANK	GBP	25,000,000	0.57%	04-Jun-18	25,000,000	1.15
TORONTO DOMINION BANK	GBP	25,000,000	0.82%	12-Dec-18	25,000,000	1.15
TORONTO DOMINION BANK	GBP	25,000,000	0.87%	20-Dec-18	25,000,000	1.15
UNITED OVERSEAS BANK LTD	GBP	25,000,000	-	05-Jul-18	24,963,161	1.15
WELLS FARGO BANK INTERNATIONAL	GBP	5,000,000	0.58%	08-May-18	5,000,000	0.23
Total Certificates of Deposit					1,034,856,315	47.63
COMMERCIAL PAPER 23.24%						
AGENCE CENTRALE DES ORGANISMES	GBP	50,000,000	-	16-Apr-18	49,990,566	2.30
AGENCE CENTRALE DES ORGANISMES	GBP	25,000,000	-	22-May-18	24,982,229	1.15
BANQUE FEDERATIVE DU CREDIT MUTUEL	GBP	25,000,000	-	09-Apr-18	24,997,826	1.15
BANQUE FEDERATIVE DU CREDIT MUTUEL	GBP	25,000,000	-	07-Jun-18	24,974,474	1.15
BPCE SFH	GBP	25,000,000	-	14-May-18	24,984,007	1.15
ERSTE ABWICKLUNGSANSTALT	GBP	30,000,000	-	30-Apr-18	29,989,148	1.38
ERSTE ABWICKLUNGSANSTALT	GBP	30,000,000	-	08-Jun-18	29,972,943	1.38
FEDERATION DES CAISSES DESJARDINS	GBP	25,000,000	-	09-Apr-18	24,997,948	1.15
FEDERATION DES CAISSES DESJARDINS	GBP	25,000,000	-	15-May-18	24,984,480	1.15
NORDEA BANK AB	GBP	25,000,000	-	08-May-18	24,988,267	1.15
OP CORPORATE BANK PLC	GBP	10,000,000	-	09-Apr-18	9,999,016	0.46
OP CORPORATE BANK PLC	GBP	10,000,000	-	10-Apr-18	9,999,024	0.46
OP CORPORATE BANK PLC	GBP	10,500,000	-	13-Apr-18	10,498,364	0.48
OP CORPORATE BANK PLC	GBP	15,000,000	-	16-Apr-18	14,997,226	0.69
OP CORPORATE BANK PLC	GBP	10,000,000	-	08-May-18	9,995,022	0.46
OP CORPORATE BANK PLC	GBP	17,000,000	-	14-May-18	16,989,892	0.78

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Sterling Liquidity Fund

Schedule of Investments (continued)

As of 31 March 2018

(Expressed in GBP)

ISSUE	DENOMINATION CURRENCY	HOLDINGS	COUPON RATE	MATURITY DATE	AMORTISED COST	PERCENTAGE OF NET ASSETS
TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS						
COMMERCIAL PAPER 23.24%						
OP CORPORATE BANK PLC	GBP	13,000,000	-	04-Jun-18	12,987,223	0.60
OVERSEA-CHINESE BANKING CORP	GBP	25,000,000	-	05-Jul-18	24,952,323	1.15
TOYOTA FINANCE AUSTRALIA LTD	GBP	25,000,000	-	28-Jun-18	24,956,199	1.15
TOYOTA FINANCE AUSTRALIA LTD	GBP	25,000,000	-	19-Sep-18	24,913,512	1.14
TOYOTA MOTOR FINANCE (NETHERLANDS)	GBP	35,000,000	-	15-Jun-18	34,964,042	1.61
UNILEVER NV	GBP	25,000,000	-	15-May-18	24,985,199	1.15
Total Commercial Paper					505,098,930	23.24
FLOATING RATE NOTES 7.22%						
ASB FINANCE LTD	GBP	23,000,000	1.02%	01-May-18	23,007,308	1.06
BANK OF MONTREAL	GBP	20,000,000	0.87%	03-May-18	20,005,510	0.92
COMMONWEALTH BANK OF AUSTRALIA	GBP	20,000,000	0.63%	21-Mar-19	20,000,000	0.92
DBS BANK LTD	GBP	20,000,000	0.72%	22-Mar-19	20,000,000	0.92
NATIONAL AUSTRALIA BANK LTD	GBP	25,000,000	0.64%	03-Apr-18	25,000,000	1.15
ROYAL BANK OF CANADA	GBP	2,000,000	0.67%	13-Jun-18	2,000,033	0.09
ROYAL BANK OF CANADA	GBP	1,870,000	0.80%	20-Jul-18	1,871,550	0.09
ROYAL BANK OF CANADA	GBP	25,000,000	0.59%	20-Jul-18	25,000,918	1.15
TORONTO DOMINION BANK	GBP	20,000,000	0.65%	17-Dec-18	20,000,000	0.92
Total Floating Rate Notes					156,885,319	7.22
ASSET BACKED COMMERCIAL PAPER 2.30%						
COLLATERALIZED COMMERCIAL PAPER CO III	GBP	25,000,000	-	08-May-18	24,985,659	1.15
COLLATERALIZED COMMERCIAL PAPER CO III	GBP	25,000,000	-	31-Aug-18	24,926,295	1.15
Total Asset Backed Commercial Paper					49,911,954	2.30
COMMERCIAL PAPER - INTEREST BEARING 1.15%						
NATIXIS SA	GBP	25,000,000	0.57%	08-May-18	25,000,000	1.15
Total Commercial Paper - Interest Bearing					25,000,000	1.15
CORPORATE BONDS 0.13%						
UBS AG	GBP	2,890,000	6.63%	11-Apr-18	2,893,853	0.13
Total Corporate Bonds					2,893,853	0.13
Total Transferable Securities and Money Market Instruments					1,774,646,371	81.67
Total Investments					1,774,646,371	81.67
Other assets in excess of liabilities					398,199,905	18.33
Total Net Assets					2,172,846,276	100.00

The accompanying notes form an integral part of financial statements.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements 31 March 2018

1. General information:

Capital terms used and not defined herein shall have the same meaning as included in the Prospectus of Morgan Stanley Liquidity Funds (the “Company”). The Company was incorporated on 21 December 2012 for an unlimited period of time as a self-managed société d’investissement à capital variable under the form of a société anonyme. The Company is authorised under Part I of the Law of 17 December 2010 in accordance with the provisions of the UCITS Directive and listed on the official list of UCITS approved by the Commission de Surveillance du Secteur Financier (the “CSSF”). The registered office of the Company is located at 6B route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg.

Effective 1 April 2014, Morgan Stanley Investment Management (ACD) Limited (“MSIM (ACD)”) was appointed as Management Company to provide collective portfolio management services to the Company. MSIM (ACD) is authorised by the Financial Conduct Authority in the United Kingdom to provide these services. This change was communicated to investors in the shareholder notices dated 28 February 2014 and was reflected within the updated Prospectus that came into effect on 1 April 2014.

The Company is an “umbrella fund” which is composed of more than one Sub-Fund, each representing a separate portfolio of assets. However, each Sub-Fund is exclusively responsible for all liabilities attributable to it.

The Company currently offers four Sub-Funds: the Euro Liquidity Fund, the US Dollar Liquidity Fund, the US Dollar Treasury Liquidity Fund and the Sterling Liquidity Fund. The Euro Liquidity Fund was launched on 10 January 2013 and the three other Sub-Funds were launched on 17 June 2013.

The Class of Shares that are active (except footnoted differently) as at 31 March 2018 are detailed in the table below:

Name of the Sub-Fund	Class of Shares	Launch date
Euro Liquidity Fund	Institutional Shares	17 June 2013
	Institutional Accumulation Shares	17 June 2013
	Institutional Select Shares	31 August 2017
	Institutional (+1) Accumulation Shares	24 May 2016
	MS Reserve Shares	17 June 2013
US Dollar Liquidity Fund	Advantage Accumulation Shares	17 June 2013
	Advisory Shares	16 August 2016
	Institutional Shares	17 June 2013
	Institutional Accumulation Shares	17 June 2013
	Institutional Select Shares	16 January 2014
	Master Shares	9 September 2013
	MS Reserve Shares	17 June 2013
US Dollar Treasury Liquidity Fund	Qualified Accumulation Shares	15 March 2016
	Advisory Shares	16 August 2016
	Institutional Shares	17 June 2013
	Institutional Select Shares	16 January 2014
Sterling Liquidity Fund	MS Reserve Shares	17 June 2013
	Institutional Shares	17 June 2013
	Institutional Accumulation Shares	17 June 2013
	Institutional Select Shares	26 June 2014
	Qualified Shares	17 June 2013

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

1. General information: (continued)

Each Sub-Fund's Investment objective is to provide investors with liquidity and an attractive rate of income relative to short term interest rates, to the extent consistent with the preservation of capital.

Each Sub-Fund has its own Investment policy but all are classified as Short-Term Money Market Funds in accordance with CESR guidelines on a common definition of European money market funds (CESR/10-049).

The Board of Directors of the Company adopted the principles of the ALFI Code of Conduct, designed to provide the Board with a framework of principles and best practice recommendations for the governance of the Company.

2. Summary of Significant Accounting Policies:

The financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in Luxembourg.

(a) Valuation of Investments

The securities, money market instruments and other instruments are valued based on their amortised cost. Under this method, amortised cost is determined by valuing an instrument at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instruments.

The Company generally uses the amortised cost method of valuation to determine the value of the following investments, (i) investments with a maturity at issuance of up to and including 397 days, (ii) investments with a residual maturity of up to and including 397 days, (iii) investments that undergo regular yield adjustments in line with money market conditions at least every 397 days, or (iv) investments with risk profile including credit and interest rate risks, which corresponds to that of financial instruments which have a maturity referred to in (i) and (ii) or are subject to a yield adjustment as referred to in point (iii) above. In addition, (i) investments with a residual maturity of fifteen months or less or (ii) floating rate investments with a residual maturity of two years or less (measured to the date on which the issuer must unconditionally repay the principal amount to the Company on foot of either maturity, put option or other repayment demand feature), where the Board of Directors have determined that the investment has a market value that approximates its amortised cost value and the investment has an annual or shorter interval coupon/interest rate re-fix or (iii) floating rate investments which meet the conditions described in (ii) above except that they have a residual maturity of up to five years, provided that they are of high credit quality and are issued by the US government, an agency or instrumentality of the US government, the government of an Organisation for Economic Co-operation and Development (OECD) member, an agency or instrumentality of such government or by the government of a Member State or an agency or instrumentality of such government.

Subject to the above, the Board of Directors uses the amortised cost method of valuation of any investments of a Fund which is a Money Market Fund or a Short Term Money Market Fund unless it is not appropriate to use such method in respect of certain investment(s) of such Fund, in which case one of the other methods of valuation outlined below is used.

The Administrator determines at least weekly the extent to which the Net Asset Value of the relevant Fund or Class using this method of valuation deviates from the Net Asset Value which would be obtained using available market quotations. Deviations in excess of 0.10% between the market value and the amortised cost value are brought to the attention of the Investment Adviser. Deviations in excess of 0.15% between the market value and the amortised cost value of the relevant Fund or Class are brought to the attention of the Board of Directors and the Depositary. If this deviation exceeds 0.25% of the Net Asset Value of the relevant Fund, the Administrator reviews the valuation daily and the Board of Directors takes such corrective action, if any, as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, any such deviation. Notwithstanding the generality of the foregoing, the Board of Directors utilises the market value of any individual investment in the event that the market value of that investment deviates by more than 1% from its amortised cost valuation. As at 31 March 2018 and 31 March 2017 there were no deviations in excess of 0.10%.

(b) Security Transactions

When applicable, security transactions are accounted for on the trade date.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

2. Summary of Significant Accounting Policies: (continued)

(c) Interest Income

Interest income is accrued daily and includes the amortisation of premiums and accretion of discounts. Interest income is recognised on an accrual basis and is shown net of withholding taxes, except where the withholding tax has been recovered or is receivable. It is possible for the interest income of a Sub-Fund to be negative depending on market conditions.

(d) Cash

Cash and other liquid assets are valued at their face value plus interest accrued, where applicable. It is possible for the interest accrual of a Sub-Fund to be negative depending on market conditions. Cash owed to bank is shown in current liabilities in the Statement of Net Assets.

(e) Foreign currency translation

Financial statements are presented for each Sub-Fund in the base currency of the Sub-Fund. The combined Statement of Net Assets, Statement of Operations and Changes in Net Assets are presented in US dollars, based on the exchange rate ruling at the date of these financial statements and on the average exchange rate over the reporting period for the Statement of Operations and Changes in Net Assets.

The currency exchange rates against the US Dollar were as follows:

as of 31 March 2018	as of 31 March 2017
1 USD = 0.813107 EUR	1 USD = 0.934972 EUR
1 USD = 0.712860 GBP	1 USD = 0.799712 GBP

The average currency exchange rates against the US Dollar were as follows:

as of 31 March 2018	as of 31 March 2017
1 USD = 0.856014 EUR	1 USD = 0.911952 EUR
1 USD = 0.754732 GBP	1 USD = 0.767960 GBP

(f) Reverse repurchase agreement valuation policy

The Company may enter into reverse repurchase transactions which consist of the purchase and sale of securities, backed by collateral, with a clause reserving the seller the right or the obligation to repurchase from the acquirer the securities sold at a price and term specified by the two parties in their contractual arrangement. These are valued at par value.

3. Dividends and Distributions:

The Directors intend to declare all net income of the Euro Liquidity Fund, US Dollar Liquidity Fund, US Dollar Treasury Liquidity Fund and Sterling Liquidity Fund with the exception of Institutional Accumulation Shares, Institutional Select Accumulation Shares, Institutional (+1) Accumulation Shares, Qualified Accumulation Shares, Administrative Accumulation Shares, Advisory Accumulation Shares, Advantage Accumulation Shares, MS Reserve Accumulation Shares, and Master Accumulation Shares (“the Accumulating Share Classes”) on each Dealing Day as a dividend to Shareholders on the register of members as at the close of business on the relevant Dealing Day in an attempt to stabilise the Net Asset Value per Share of each class at €1.00 in the case of the Euro Liquidity Fund, US\$1.00 in the case of the US Dollar Liquidity Fund, US\$1.00 in the case of the US Dollar Treasury Liquidity Fund and £1.00 in the case of the Sterling Liquidity Fund. Dividends are declared daily and are payable monthly on or about the first Business Day of each following month. For this purpose, net income of each Sub-Fund (from the time immediately preceding determination thereof) shall consist of interest and dividends earned by each Sub-Fund and realised and unrealised profits on the disposal/valuation of investments as may be lawfully distributed less realised and unrealised losses (including fees and expenses) of each Sub-Fund.

In the case of the Accumulating Classes of Shares, the US Dollar Liquidity Fund, Euro Liquidity Fund, Sterling Liquidity Fund and US Dollar Treasury Liquidity Fund intend to retain the net income and/or capital gains attributable to such Classes of Shares and the value of these Classes of Shares.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

3. Dividends and Distributions: (continued)

Where there are substantial adverse movements in interest rates, there can be no assurance that the Sub-Funds will be successful in maintaining positive net investment income. Where a Sub-Fund posts negative net investment income, in order to maintain a stable Net Asset Value per Share for Distributing Classes of Shares, the Management Company shall address such by the compulsory redemption equally of such number of Shares held by each Shareholder in the relevant Class of Shares required to cover the negative net income of that Class of Share, with the proceeds of each such redemption being retained by the Sub-Fund. In the case of Accumulating Classes of Shares, the Net Asset Value per Share will decrease in lieu of the compulsory redemption of Shares.

4. Management Company Services Agreement, Investment Advisory Agreement, Depositary Agreement, Administration Agreement, Registrar and Transfer Agent Agreement, Paying Agent Agreement, Domiciliary Agreement and Distribution Agreement:

The Board of Directors of the Company has appointed MSIM (ACD) as designated management company (the "Management Company") pursuant to the Management Company Services Agreement dated 1 April 2014¹.

The Management Company is responsible for providing collective portfolio management services (including investment management, administrative and distribution services), risk management and other administrative and operational services to the Company, subject to the overall supervision and control of the Company.

The Management Company has delegated to Morgan Stanley Investment Management Inc., the function of Investment Adviser of the Sub-Funds pursuant to an investment advisory agreement dated 1 April 2014 (the "Investment Advisory Agreement"). The Company may terminate its appointment immediately where it is in the best interest of Shareholders to do so.

The Board of Directors of the Company has appointed The Bank of New York Mellon (International) Limited, Luxembourg Branch (the "Depositary") as the depositary of all of the Company's assets, including its cash and securities, which are held either directly or through other financial institutions such as correspondent banks, subsidiaries or affiliates of the Depositary or clearing systems. The rights and duties of the Depositary are governed by the Depositary Agreement entered into on 7 March 2016 for an unlimited period of time from the date of its signature.

The Management Company has delegated to The Bank of New York Mellon (International) Limited, Luxembourg Branch (the "Administrator") the function of Administrator pursuant to the Administration Agreement dated 7 March 2016. The Administrator carries out all administrative duties related to the administration of the Company, including the calculation of the Net Asset Value of the Shares, the provision of accounting services to the Company and notices and other documents to the Shareholders.

The Management Company has also delegated to the Administrator the function of registrar and transfer agent of the Company pursuant to the Administration Agreement dated 7 March 2016. In this function the Administrator processes all subscriptions, redemptions and transfers of Shares and will register these transactions in the share register of the Company.

The Management Company has also appointed the Administrator as the paying agent of the Company pursuant to the Administration Agreement dated 7 March 2016. In this function the Administrator assists in the payment of dividends declared by the Company to its Shareholders.

Pursuant to a Domiciliary Agreement, the Management Company has appointed Morgan Stanley Investment Management Limited, Luxembourg Branch, as its Domiciliary Agent to provide the Company's registered office, to store its corporate documents and to perform other related administrative functions.

The Management Company has appointed Morgan Stanley Investment Management Limited to act as Distributor pursuant to the Distribution Agreement dated 1 April 2014. In this respect, it may engage certain financial institutions (Intermediaries) to solicit and sell Shares to investors.

¹ By way of a referendum, on 23 June 2016, the United Kingdom voted to leave the European Union. It is acknowledged that uncertainty exists in relation to the United Kingdom's future relationship with the European Union and specifically with regards to current 'passporting' which permits the management Company (MSIM ACD), as a UK company, to sponsor an umbrella domiciled within Luxembourg. The Management Company are closely monitoring this and indeed all other Brexit related developments to ensure that any potential impact to the Company and its Unitholders is managed in good faith and communicated appropriately.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

5. Taxation:

Under current law and practice, the Company is not liable to any Luxembourg income tax, nor are dividends paid by the Company liable to any Luxembourg withholding tax. However, the Company is liable in Luxembourg to a reduced rate of subscription tax ("taxe d'abonnement") of 0.01% per annum of its net assets, such tax being payable quarterly and calculated on the total Net Asset Value of the Company at the end of the relevant quarter.

Pursuant to Article 175 b) of the Law, an exemption from the subscription tax may be applicable where a Fund or Class meets the following criteria: (i) the Shares of the Fund or the Class must be reserved for Institutional Investors; (ii) the exclusive object of the Fund's portfolio must be the investment in money market instruments and/or deposits with credit institutions; (iii) the remaining average maturity of the Fund's portfolio must be less than 90 days, and (iv) the Fund must benefit from the highest possible rating of a recognised rating agency.

Under the aforementioned legislation and regulations prevailing in Luxembourg, Master Shares, Master Accumulation Shares, Qualified Shares, Qualified Accumulation Shares, Advantage Shares, Advantage Accumulation Shares are subject to annual subscription tax ("taxe d'abonnement") at a reduced rate of 0.01% per annum of their net assets. The remaining Classes of Shares listed within the Company's prospectus are exempt from this tax.

The Company is registered for VAT in Luxembourg and is required to self-assess for Luxembourg VAT on services received from outside Luxembourg (that are considered taxable under Luxembourg VAT rules).

In respect of any Sub-Fund or Class of Shares the Management Company may choose (in the event that the TER as outlined in Appendix 1 is exceeded) to waive all or any portion of its subscription tax ("taxe d'abonnement") and/or absorb some or all other expenses in its absolute discretion for any period of time. This waiver is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the Management Company.

6. Fees and expenses:

(a) Service Provider Fees

The Company shall pay the Management Company a Management Fee in respect of each Sub-Fund, the particulars of which are set out in "*Fund Particulars*" within the Company's prospectus. In addition, the Company is responsible for all of the Management Company's reasonable cash disbursements, including but not limited to out-of-pocket expenses, provided however that the Management Company shall be required to provide the Company with evidence of any such disbursement.

The fees of the Investment Adviser, the Depositary, the Administrator and the Distributor appointed in respect of each Sub-Fund (all of which fees are payable monthly in arrears) will be paid by the Management Company out of the Management Fee it receives. The Management Company may instruct the Company to pay any of these fees to the Investment Adviser, the Depositary, the Administrator directly out of the assets of the Company. In such case, the Management Fee due to the Management Company is reduced accordingly.

In respect of any Sub-Fund or Class of Shares the Management Company may choose to waive all or any portion of its fee and/or absorb some or all other expenses in its absolute discretion for any period of time. This waiver is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the Management Company.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

6. Fees and expenses: (continued)

(a) Service Provider Fees (continued)

The maximum chargeable Management fee rates as at 31 March 2018 were as follows:

Name of the Sub-Fund	Class of Shares	Management Fee Rate
Euro Liquidity Fund	Institutional Shares	0.20% per annum of the NAV
	Institutional Accumulation Shares	0.20% per annum of the NAV
	Institutional Select Shares	0.25% per annum of the NAV
	Institutional (+1) Accumulation Shares	0.20% per annum of the NAV
	MS Reserve Shares	Nil
US Dollar Liquidity Fund	Advantage Accumulation Shares	0.45% per annum of the NAV
	Advisory Shares	0.45% per annum of the NAV
	Institutional Shares	0.20% per annum of the NAV
	Institutional Accumulation Shares	0.20% per annum of the NAV
	Institutional Select Shares	0.25% per annum of the NAV
	Master Shares	Nil
	MS Reserve Shares	Nil
US Dollar Treasury Liquidity Fund	Qualified Accumulation Shares	0.20% per annum of the NAV
	Advisory Shares	0.45% per annum of the NAV
	Institutional Shares	0.20% per annum of the NAV
	Institutional Select Shares	0.25% per annum of the NAV
Sterling Liquidity Fund	MS Reserve Shares	Nil
	Institutional Shares	0.20% per annum of the NAV
	Institutional Accumulation Shares	0.20% per annum of the NAV
	Institutional Select Shares	0.25% per annum of the NAV
	Qualified Shares	0.20% per annum of the NAV

(b) Director's Remuneration

The Directors are paid an annual fee of Euro 30,000 by the Company for their services as Directors. The Chairman of the Board receives an additional Euro 5,000 in respect of his chairman duties. In addition, the Directors are also entitled to be reimbursed for their reasonable and vouched out of pocket expenses incurred in discharging their duties as Directors.

Directors who are executive directors or employees of the Investment Advisor, the Management Company or its affiliate will not be entitled to remuneration from the Company for their services as Directors of the Company.

(c) Ongoing Charges and Expenses

The Company pays any expenses in respect of circulating details of the Net Asset Value, stamp duties, taxes, company secretarial fees, insurance, the fees and expenses of the auditors, tax and legal advisers and fees connected with listing on any stock exchange and the costs of regulatory bodies, trade bodies and rating agencies. The costs of printing and distributing reports, accounts and any explanatory memoranda, any necessary translation fees, the costs of registering the Company for sale in any jurisdiction, the fees and expenses of any paying or information agents, or correspondent banks, the fees and expenses of any representative appointed in respect of the Company in any jurisdiction, the cost of publishing prices and any costs incurred as a result of periodic updates of the Prospectus, or of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any applicable code, whether or not having the force of law) are also paid by the Company. The Management Company has chosen to reimburse these expenses to all the share classes in the funds in order to reduce the impact the fees may have on the net returns of the Fund. This reimbursement is entirely voluntary and may be discontinued at any time without notice at the sole discretion of the Management Company.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

6. Fees and expenses: (continued)

(d) Establishment Charges and Expenses

The cost of establishing the Company and the expenses of the initial offer of Shares in the Sub-Funds, the preparation and printing of the initial Prospectus, marketing costs and the fees of all professionals relating to it were borne by the Distributor of the fund.

7. Related Party Holdings, Transactions and Affiliations:

Morgan Stanley Investment Funds - US Dollar Liquidity Fund (the “Feeder Fund”), which is administered by J.P. Morgan Bank Luxembourg S.A., is a feeder fund of the Company’s US Dollar Liquidity Fund (the “Master Fund”). The Feeder Fund invests at least 85% of its assets in shares of the Master Fund (Master Share Class).

As of 31 March 2018, the Feeder Fund held 22% of the net asset value of the Master Fund, or 100% of the Master Class of Share within the Master Fund.

Morgan Stanley Investment Funds was incorporated on 21 November 1988 under the laws of the Grand Duchy of Luxembourg as a “Société d’Investissement à Capital Variable” (“SICAV”) and is registered as an undertaking for collective investment pursuant to Part 1 of the Law of 17 December 2010. The 2010 Law transposes the recast UCITS Directive (Directive 2009/65/EC) into Luxembourg legislation.

A number of other Sub-Funds of Morgan Stanley Investment Funds invest into the Company from time to time. These transactions were all executed in the normal course of business at arm’s length.

The Sub-Funds of Morgan Stanley Investment Funds that held shares in the Company’s Euro Liquidity Fund as at 31 March 2018 were as follows:

- Absolute Return Fixed Income Fund
- Emerging Europe, Middle East and Africa Equity Fund
- Euro Bond Fund
- Euro Corporate Bond Fund
- Euro Strategic Bond Fund
- European Currencies High Yield Bond Fund
- European Equity Alpha Fund
- European Property Fund
- Eurozone Equity Alpha Fund
- Global Balanced Risk Control Fund
- Global Bond Fund
- Short Maturity Euro Bond Fund
- Buy and Hold 2020 Fund
- European Champions Fund

The Sub-Funds of Morgan Stanley Investment Funds that held shares in the Company’s US Dollar Liquidity Fund as at 31 March 2018 were as follows:

- Asian Fixed Income Opportunities Fund
- Asia-Pacific Equity Fund
- Emerging Europe, Middle East & Africa Equity Fund
- Emerging Leaders Equity Fund
- Emerging Markets Corporate Debt Fund
- Emerging Markets Debt Fund
- Emerging Markets Domestic Debt Fund
- Emerging Markets Equity Fund
- Emerging Markets Fixed Income Opportunities Fund
- Frontier Emerging Markets Equity Fund
- Global Credit Fund

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued)
31 March 2018

7. Related Party Holdings, Transactions and Affiliations: (continued)

Global Fixed Income Opportunities Fund
Global High Yield Bond Fund
Global Mortgage Securities Fund
Global Premier Credit Fund
Latin American Equity Fund
Liquid Alpha Capture Fund
Global Convertible Bond Fund
European Currencies High Yield Bond Fund
Euro Strategic Bond Fund
Euro Corporate Bond Fund
Global Bond Fund
Asian Equity Fund
Global Buy and Maintain Bond Fund

The Sub-Funds of Morgan Stanley Investment Funds that held shares in the Company's US Dollar Treasury Liquidity Fund as at 31 March 2018 were as follows:

Asian Property Fund
Global Advantage Fund
Global Brands Fund
Global Discovery Fund
Global Infrastructure Fund
Global Opportunity Fund
Global Property Fund
Global Quality Fund
International Equity (Ex US) Fund
US Advantage Fund
US Growth Fund
US Insight Fund
US Property Fund
Global Brands Equity Income Fund

No Sub-Fund of Morgan Stanley Investment Funds held shares in the Company's Sterling Liquidity Fund.

The affiliations of the Board of Directors of the Company are as follows:

All the Directors of Morgan Stanley Liquidity Funds are also Directors of Morgan Stanley Investment Funds.

Ms. Judith Eden* and Mr. Andrew Mack, Directors of Morgan Stanley Liquidity Funds, are also non-executive Directors of the Management Company Morgan Stanley Investment Management (ACD) Limited.

The Investment Advisor, the Sub-Investment Advisor, the Management Company, the Domiciliary Agent and the Distributor are related parties to the Company following the contractual arrangement disclosed in note 4.

No portfolio transactions of the Company that occurred during the year were executed through affiliated firms or brokers.

*Resigned as Company Director effective 1 October 2017.

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

8. Reverse Repurchase Transactions:

As at 31 March 2018, the Euro Liquidity Fund had entered into reverse repurchase transactions. The total commitment of the reverse repurchase agreements is as follows:

Name of the Sub-Fund	Description	Tri-Party Agent	Reverse Repurchase Transactions	CCY	Market Value of Collateral Received	CCY
Euro Liquidity Fund	Citigroup Global Markets / -0.46% / 03/04/2018	Euroclear	275,000,000	EUR	280,496,550	EUR
	Total		275,000,000	EUR	280,496,550	EUR

The collateral received by the Sub-Funds in respect of reverse repurchase transactions as at 31 March 2018 is outlined in section II of Appendix 2: Securities Financing Transaction Regulations (Unaudited).

During the financial year, interest received by and charged to the Sub-Funds in relation to reverse repurchase transactions was recorded under the heading "Interest" within the Statement of Operations and Changes in Net Assets. These values are outlined in section V of Appendix 2. There are no other direct or indirect costs relating to reverse repurchase transactions.

9. Time Deposits:

As at 31 March 2018, the Sub-Funds Euro Liquidity Fund, US Dollar Liquidity Fund and Sterling Liquidity Fund held time deposits as follows:

Name of the Sub-Fund	Counterparty	Currency	Holdings	Interest (%)	Maturity Date
Euro Liquidity Fund	Sumitomo Mitsui Banking Corporation	EUR	275,002,045	(0.49)	3-Apr-18
	Sumitomo Mitsui Trust Bank Ltd	EUR	223,959,601	(0.50)	3-Apr-18
	Mizuho Bank Ltd	EUR	152,783,071	(0.46)	3-Apr-18
	BNP Paribas	EUR	149,935,817	(0.50)	3-Apr-18
	Rabobank Nederland NV	EUR	149,842,448	(0.50)	3-Apr-18
	Bred Banque Populaire	EUR	149,744,991	(0.48)	3-Apr-18
	DZ Bank AG Deutsche Zentral-Genoss	EUR	61,304,398	(0.50)	3-Apr-18
	Total	EUR	1,162,572,371		

Name of the Sub-Fund	Counterparty	Currency	Holdings	Interest (%)	Maturity Date
US Dollar Liquidity Fund	Lloyds Bank Plc	USD	769,000,000	1.65	2-Apr-18
	Australia and New Zealand Banking	USD	500,000,000	1.67	2-Apr-18
	National Bank Of Canada	USD	500,000,000	1.65	2-Apr-18
	Mizuho Bank Ltd	USD	450,000,000	1.65	2-Apr-18
	Canadian Imperial Bank Of Commerce	USD	300,000,000	1.64	2-Apr-18
	DNB Bank ASA	USD	300,000,000	1.64	2-Apr-18
	Swedbank AB	USD	300,000,000	1.64	2-Apr-18
	National Australia Bank Ltd	USD	200,000,000	1.64	2-Apr-18
	Skandinaviska Enskilda Banken AB	USD	200,000,000	1.64	2-Apr-18
	Credit Agricole CIB	USD	165,000,000	1.65	2-Apr-18
	Total	USD	3,684,000,000		

MORGAN STANLEY LIQUIDITY FUNDS

Notes to the Financial Statements (continued) 31 March 2018

9. Time Deposits: (continued)

Name of the Sub-Fund	Counterparty	Currency	Holdings	Interest (%)	Maturity Date
Sterling Liquidity Fund	Commonwealth Bank Of Australia	GBP	136,615,838	0.50	3-Apr-18
	Sumitomo Mitsui Banking Corporation	GBP	121,892,632	0.46	3-Apr-18
	Sumitomo Mitsui Trust Bank Ltd	GBP	110,331,041	0.46	3-Apr-18
	Bred Banque Populaire	GBP	79,648,902	0.46	3-Apr-18
	Total	GBP	448,488,413		

10. Indemnifications:

The Company has arrangements in place for the indemnification of the members of its Board of Directors, the Administrator, the Depositary and the Management Company (the "Indemnified Parties") in certain circumstances, which exclude the Indemnified Parties' own negligence, wilful default, or fraud.

11. Transaction Costs:

There were no transaction costs charged to the Sub-Funds during the year ended 31 March 2018.

12. Determination of Global Exposure (Unaudited):

The methodology used in order to calculate the Global Exposure resulting from the use of financial derivative instruments is the commitment approach in accordance with the CSSF Circular 11/512.

13. Statement of Portfolios and latest Prospectus changes:

The list of changes in the portfolio for the year and latest prospectus are available free of charge at the registered office of the Management Company.

14. Counterparty Risk:

All instruments listed in Notes 8 and 9 are transacted through third parties. The Company is subject to the risk that counterparties will not be able to fulfil their obligations with respect to transactions, positions, balances or otherwise, whether due to insolvency, bankruptcy or other causes. In such case, the Company may be able to recover none or only a portion of its assets held with such counterparty. This could subject the Company to substantial losses.

15. Significant events:

Judith Eden resigned as Director of the Management Company effective 1 July 2017 and as Director of the Board of Directors of the Company effective 1 October 2017.

Eimear Cowhey was appointed as Director of the Management Company effective 14 March 2018.

European Money Market Fund (MMF) Regulation was agreed upon between the European Council and Parliament in December 2016. Both short-term MMFs and standard MMFs (per European Securities and Markets Authority definition) remain. Three Short Term MMF types were introduced; Public Debt Constant Net Asset Value (CNAV) MMF, Low Volatility (LVNAV) MMF and Variable Net Asset Value (VNAV) MMF. Trigger based liquidity fees and redemption gates are new features that apply to both Public Debt CNAV MMFs and LVNAV MMFs.

The Money Market Fund Regulation was published in the EU official journal on 30 June 2017. The Regulation comes into force on 21 July 2018 and existing Funds will have to be compliant by 21 January 2019. The Management Company will ensure the Fund is compliant within the regulatory deadlines and will ensure investors are communicated to accordingly.

There were no other significant events during the year.

MORGAN STANLEY LIQUIDITY FUNDS

Appendix 1: Total Expense Ratio (Unaudited)

The below table discloses the total expense ratios (TER) attributable to the Classes of Shares of the Sub-Funds as at 31 March 2018. All total expense ratios disclosed are net of waived investment management fees and reimbursed operating fees.

Name of the Sub-Fund	Class of Shares	TER (%) As at 31 March 2018	TER (%) As at 31 March 2017
Euro Liquidity Fund	Institutional Shares	0.08%	0.07%
	Institutional Accumulation Shares	0.09%	0.07%
	Institutional Select Shares	0.14%	-
	Institutional (+1) Accumulation Shares	0.09%	0.07%
	MS Reserve Shares	0.00%	0.00%
US Dollar Liquidity Fund	Advantage Accumulation Shares	0.46%	0.46%
	Advisory Shares	0.45%	0.45%
	Institutional Shares	0.20%	0.20%
	Institutional Accumulation Shares	0.20%	0.20%
	Institutional Select Shares	0.24%	0.21%
	Master Shares	0.01%	0.01%
	MS Reserve Shares	0.00%	0.00%
Qualified Accumulation Shares	0.21%	0.21%	
US Dollar Treasury	Advisory Shares	0.45%	0.45%
	Institutional Shares	0.20%	0.20%
	Institutional Select Shares	0.24%	0.21%
	MS Reserve Shares	0.00%	0.00%
Sterling Liquidity Fund	Institutional Shares	0.14%	0.12%
	Institutional Accumulation Shares	0.14%	0.12%
	Institutional Select Shares	0.17%	0.17%
	Qualified Shares	0.14%	0.13%

MORGAN STANLEY LIQUIDITY FUNDS

Appendix 2: Securities Financing Transactions Regulation (Unaudited)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include reverse repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's only involvement in and exposures related to securities financing transactions is its engagement in reverse repurchase activity for the year ended 31 March 2018 as detailed below:

I. Global Data

Amount of assets engaged in Reverse Repurchase Transactions

The following table details the total value of assets engaged in reverse repurchase transactions as at 31 March 2018:

Sub-Fund Name	Sub-Fund Currency	Market Value in Sub-Fund Currency	% of Total Net Assets Value
Euro Liquidity Fund	EUR	275,000,000	4.68%

II. Concentration Data

Collateral Issuers

The following table lists the issuers by value of non-cash collateral received by the Sub-Funds in respect of reverse repurchase transactions as at 31 March 2018:

Issuer Name	<i>COLLATERAL MARKET VALUE (in Sub-Fund Currency)</i>	
	Euro Liquidity Fund	
	EUR	
Government of the Kingdom of Spain	1,008,426	
Government of the Kingdom of Italy	279,488,124	
Total	280,496,550	

Counterparties

The following table lists the counterparties by value of assets engaged in reverse repurchase transactions as at 31 March 2018:

Sub-Fund Name	Counterparty	Incorporation Country	Settlement and Clearing	Currency	Market Value of Reverse Repurchase Transactions
Euro Liquidity Fund	Citigroup Global Markets Ltd	United States of America	Tri-party	EUR	275,000,000

MORGAN STANLEY LIQUIDITY FUNDS

Appendix 2: Securities Financing Transactions Regulation (Unaudited) (continued)

III. Aggregate Transaction Data

Type, currency and quality of collateral

Non-cash collateral received by the Sub-Fund in respect of reverse repurchase transactions as at the reporting date is in the form of fixed income instruments issued by governments of the following countries: Italy and Spain.

All collateral received is denominated in the same currency as each respective Sub-Fund.

All of the Sub-Funds' securities collateral have a credit rating of investment grade. Quality of collateral has been interpreted as pertaining to fixed income instruments, which have been assessed and reported in accordance with whether they are considered investment grade, below investment grade or not-rated. These designations are derived from the credit rating issued to the security or its issuer by at least one globally recognised credit rating agency, such as Standard & Poor's and Moody's. Fixed income instruments with a credit rating between 'AAA' and 'BBB' are deemed as investment grade. Credit ratings for fixed income instruments below these designations are considered below investment grade.

Sub-Fund Name	Sub-Fund Currency	Type of Collateral	Quality of Collateral	COLLATERAL MARKET VALUE (in Sub-Fund Currency) Total
Euro Liquidity Fund	EUR	Fixed Income	Investment grade	280,496,550

Maturity tenure of collateral

The following table provides an analysis of the maturity tenor of collateral received in relation to the reverse repurchase transactions as at the reporting date:

COLLATERAL MARKET VALUE (in Sub-Fund Currency)								
Sub-Fund Name	Sub-Fund Currency	1 day	2 to 6 days	1 to 4 weeks	1 to 3 months	3 to 12 months	more than 1 year	open maturity
Euro Liquidity Fund	EUR	-	-	-	2,844,675	61,758,365	215,893,510	-

Maturity tenure of reverse repurchase transactions

All transactions as at 31 March 2018 were entered into for a duration of one business day of the respective Sub-Fund.

IV. Re-use of Collateral

Non-cash collateral received by a Sub-Fund may not be sold, re-invested or pledged. As the collateral in receipt for reverse repurchase transactions is entirely in the form of securities, there is no re-use of this collateral.

V. Safekeeping of Collateral

Collateral Received

Whilst there are several Tri-Party Agents who hold the collateral received by the Sub-Funds, it is the Depositary, The Bank of New York Mellon (International) Limited, Luxembourg Branch, who is ultimately responsible for the safekeeping of the collateral on behalf of these Sub-Funds. All collaterals are held in segregated accounts.

MORGAN STANLEY LIQUIDITY FUNDS

Appendix 2: Securities Financing Transactions Regulation (Unaudited) (continued)

V. Safekeeping of Collateral (continued)

Collateral Granted

No collateral is granted by the Company as part of the reverse repurchase transactions.

Return and Cost

All returns from reverse repurchase transactions will accrue to the Sub-Funds and are not subject to any returns sharing arrangements with the Management Company, the Investment Advisor or any other third parties.

The following table provides an analysis of return and cost in respect of the reverse repurchase transactions for the year ended 31 March 2018:

Sub-Fund Name	Sub-Fund Currency	<i>in Sub-fund Currency</i>	
		Interest received by Sub-Funds	Interest charged to Sub-Funds
Euro Liquidity Fund	EUR	-	(1,363,372)
US Dollar Liquidity Fund	USD	2,607,122	-
US Dollar Treasury Liquidity Fund	USD	850,151	-
Sterling Liquidity Fund	GBP	18,137	-

There are no other direct or indirect costs relating to reverse repurchase transactions.

MORGAN STANLEY LIQUIDITY FUNDS

Appendix 3: Remuneration Policy (Unaudited)

1. Legal background

This remuneration disclosure has been prepared as required by, and in accordance with, the guidance provided in (1) EU Commission Recommendation on remuneration policies in the financial services sector (2009/384 EC) dated 30 April 2004 ("the **Recommendation**"); (2) EU Directive 2009/65/EC (as amended by Directive 2014/91/EU) ("the **UCITS Directive**"); and (3) the European Securities and Markets Authority's "Guidelines on sound remuneration policies under the UCITS Directive", (ESMA/2016/575) dated 14 October 2016 ("the **Guidelines**") and in particular with section 14.1 (headed "External Disclosure").

The data used in the analysis for this disclosure relates to the financial year ending 31 December 2017 of Morgan Stanley ("the **Firm**") and to the remuneration of staff of Morgan Stanley Investment Management (ACD) Limited ("the **UCITS Management Company**") and its senior management team and other members of its staff whose actions have a material impact on the risk profile of the UCITS it manages or on the UCITS Management Company itself.

2. The "Identified Staff" for the purposes of this disclosure

The Guidelines define "Identified Staff" as follows:

- a) "categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on the management company's risk profile or the risk profiles of UCITS that it manages" ("**Group A**"); and
- b) "categories of staff of the entity(ies) to which investment management activities have been delegated by the management company and whose professional activities have a material impact on the risk profiles of the UCITS that the management company manages" ("**Group B**").

References in this disclosure letter to "Identified Staff" or to staff in Group A or Group B, should be construed accordingly.

No Identified Staff are employed or paid by the UCITS Management Company itself (as it has no employees). All of the Identified Staff are employees of other Morgan Stanley entities whose professional activities are considered to have a material impact on the risk profile of the UCITS managed by the UCITS Management Company, taking into consideration the internal organisation, nature, scope and complexity of the UCITS Management Company and the UCITS it manages.

The Identified Staff within Group A are staff who have been seconded to the UCITS Management Company and who are, therefore subject to the FCA's UCITS Remuneration Code at SYSC 19E.

The Identified Staff in Group B are staff of one of the Morgan Stanley group entities to which the portfolio management of one or more of the UCITS Management Company's Funds has been delegated pursuant to Article 13 of the UCITS Directive. They are not seconded to, or performing a function of, the UCITS Management Company. Accordingly they are not staff of the UCITS Management Company. They are subject to applicable CRD IV or AIFMD rules on remuneration which are deemed "equally as effective" as those which apply to Group A or appropriate contractual arrangements are in place in line with paragraph 16(b) of the Guidelines.

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Appendix 3: Remuneration Policy (Unaudited) (continued)

3. Process for determining remuneration policies and principles

The UCITS Management Company, as an affiliate of Morgan Stanley, benefits from the resources available within the Firm and is subject to the remuneration policies and practices that are applied to all UK regulated entities of the Firm.

In determining, maintaining and implementing the UK remuneration policies and practices applicable to the UCITS Management Company, including Identified Staff, the UCITS Management Company is subject to the remuneration policies and practices that apply to all UK regulated entities of the Firm and may consult, or receive guidance from, the Firm's control functions and relevant remuneration committees to ensure consistency. Remuneration policy is designed to satisfy four key Firm-wide remuneration objectives: (i) deliver pay for sustainable performance, (ii) align remuneration with shareholders' interests, (iii) attract and retain top talent, and (iv) mitigate excessive risk-taking.

In support of these objectives, annual compensation (i.e. remuneration) for the majority of the Firm's employees, including Identified Staff, is comprised of two key elements: fixed remuneration and variable remuneration (variable incentive compensation) that is discretionary based on, among other factors, Firm performance measured against risk-adjusted metrics and individual and business segment performance.

The committee that manages remuneration for the Firm is the Compensation, Management Development and Succession Committee (CMDS Committee) of the Morgan Stanley Board of Directors. As of 31 December 2017, it consisted of five directors, all of whom are independent under the New York Stock Exchange listing standards. Each year, the CMDS Committee's mandate is to review the Firm-wide aggregate variable compensation pool for variable incentive compensation and to review and approve the design and structure of Morgan Stanley's Firm-wide deferred incentive compensation programs, including the form of deferred incentive compensation awards to be granted, the portion of variable incentive compensation to be deferred, and the vesting, payment, cancellation and clawback provisions of deferred incentive compensation awards. The CMDS Committee has adopted the Global Incentive Compensation Discretion Policy, which applies to all Firm entities worldwide and sets forth guidance for managers on the use of discretion and considerations for assessing risk management and outcomes when making variable incentive compensation decisions, and considerations for assessing risk management and outcomes. It has also approved the Global Compensation Policy which covers compensation philosophy and objectives, framework and governance.

In addition, the Board of the UCITS Management Company has adopted a remuneration policy (the "ACD Remuneration Policy") in compliance with the UCITS Directive and the Financial Conduct Authority's (FCA) Remuneration Code. The policy is also appropriate to the UCITS Management Company's size, and internal organization and to the nature, scope and complexity of its activities. As well as complying with all of the UCITS Management Company's legal obligations, the principles of the ACD Remuneration Policy support the business strategy, objectives, values and long-term interests of its clients, including the Fund. In particular, the ACD Remuneration Policy is designed to ensure that remuneration is consistent with and promotes sound and effective risk management and does not encourage risk taking that is inconsistent with the risk profile of the UCITS managed by the UCITS Management Company.

When determining its own remuneration decisions or influencing the decisions made by other Morgan Stanley entities, the UCITS Management Company takes fully into account and complies with (1) UK and EU legislation; (2) the ACD Remuneration Policy and FCA requirements; and (3) the requirements of other remuneration policies set by the Firm. In doing so, it applies consistent principles with the objective of aligning the incentivisation of Identified Staff with business objectives, supporting the delivery of the UCITS Management Company's business plans and corporate values, avoiding conflicts of interest and enabling the right calibre of staff to be recruited. The UCITS Management Company always seeks to ensure, therefore, that the remuneration principles applied by it and the Firm are consistent with and promote sound and effective risk management and do not encourage risk-taking that is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS managed by the UCITS Management Company.

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Appendix 3: Remuneration Policy (Unaudited) (continued)

The following considerations are taken into account in the design, implementation and oversight of the UCITS Management Company's remuneration policies and practices:

- Overall corporate governance principles and structures as well as their interactions with the remuneration system;
- The inputs provided by all control functions (i.e. human resources, risk management, compliance, internal audit, etc.), which will be properly involved in the design of the Remuneration Policy, as further described below; and
- The clear distinction between operating and control functions, the safeguards for preventing conflicts of interests and the internal reporting system.

4. Involvement of control functions in risk management and the remuneration those of control functions

The control functions of the Firm assist the UCITS Management Company in implementing its overall remuneration strategy, having regard to operational, liquidity, market and counterparty risks.

In particular:

- a. The Risk Management function helps to ensure that the structure and design of remuneration arrangements does not encourage risk taking that is inconsistent with the risk profile of the UCITS managed by the UCITS Management Company;
- b. The Human Resources and Compliance functions analyse how the remuneration structure affects the UCITS Management Company's compliance with legislation, regulations and internal policies;
- c. The Internal Audit function periodically carries out an independent audit of the design, implementation and effects of the Morgan Stanley's remuneration policies;
- d. The EMEA Remuneration Oversight Committee (EROC) provides formal oversight of EMEA remuneration matters to ensure remuneration practices in EMEA are compliant with relevant UK and EU legislation and follow good practice standards. The membership of the EROC is made up of the EMEA control function heads as well as the EMEA Chief Executive Officer. EROC reviews activities of the UCITS Management Company that may lead to individual or collective adjustments of remuneration for its employees; and
- e. The UK Remuneration Committee was established with effect from 1 January 2017. It is appointed by the Board of Directors of Morgan Stanley International Limited (MSI) to assist in discharging its obligations in relation to remuneration matters of MSI and its subsidiaries (the Morgan Stanley UK Group) and identified material risk takers. Its remit includes reviewing the remuneration policies and practices of the UCITS Management Company in accordance with the Remuneration Code.

The Control Functions, including Risk Management, Compliance, Finance, Internal Audit, and Human Resources, along with Legal, are independent from the businesses they monitor. Those engaged in control functions are remunerated in accordance with objectives linked to their functions. This is independent of the UCITS they control. Potential conflicts that may arise in relation to individual compensation decisions are mitigated by the independent role of Human Resources in the year end compensation process.

5. Design and structure of remuneration

Remuneration paid to Identified Staff is awarded in accordance with Morgan Stanley principles relating to remuneration. Annual compensation is comprised of two key elements: fixed remuneration and variable remuneration. Staff eligibility for annual incentive compensation (variable remuneration) is discretionary and

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Appendix 3: Remuneration Policy (Unaudited) (continued)

subject to a multi-dimensional performance measurement, which considers, as applicable, the performance of the individual, the UCITS Management Company, the business segment and the Firm.

Identified Staff receive a total annual compensation package consisting of fixed pay that is comprised of base salary and, in certain circumstances, one or more allowances that are reviewed at least annually; and variable remuneration¹, payable partially as a cash bonus and partially in the form of deferred incentive compensation awards. The amount of variable incentive compensation is discretionary and is determined on the basis of, but not limited to, a variety of factors, including performance measured against risk-adjusted metrics and individual performance. It is possible that an individual could be awarded no variable incentive compensation. Deferred compensation awards are typically subject to vesting over a multi-year period and are subject to cancellation until the payment date for competition, cause (i.e., any act or omission that constitutes a breach of obligation to the Company, including failure to comply with internal compliance, ethics or risk management standards, and failure or refusal to perform duties satisfactorily, including supervisory and management duties), disclosure of proprietary information, and solicitation of employees or clients. Awards are also subject to malus until the payment date if an employee's act or omission (including with respect to direct supervisory responsibilities) causes a restatement of the Firm's consolidated financial results, constitutes a violation of the Firm's global risk management principles, policies and standards, or causes a loss of revenue associated with a position on which the employee was paid and the employee operated outside of internal control policies.

The UCITS Management Company competes for access to talent globally with investment management firms, private equity firms, hedge funds, investment banks, brokerage firms and other companies offering financial services, and the UCITS Management Company's ability to sustain or improve its position in this highly competitive environment depends substantially on its ability to continue to attract and retain the most qualified individuals. In support of the UCITS Management Company's recruitment and retention objectives, the Firm continually monitors competitive pay levels and structures its incentive awards to include, among other things, vesting, deferred payment and cancellation provisions that protect the UCITS Management Company's interests and align the interests of Identified Staff with those of the UCITS' investors.

The Firm's Global Incentive Compensation Discretion Policy requires compensation managers to consider only legitimate, business related factors when exercising discretion in determining variable incentive compensation, including adherence to Morgan Stanley's core values, conduct, disciplinary actions in the current performance year, risk management and risk outcomes. The policy specifically provides that all managers must consider whether or not an individual managed risk appropriately and effectively managed and supervised the risk control practices of his or her reports during the performance year. Compensation managers are trained on the Global Incentive Compensation Discretion Policy and are required to certify that they have followed the requirements of that policy and have escalated situations potentially requiring attention.

Other performance criteria that may be taken into account in deciding whether to award, and the amount of any variable incentive compensation to award, includes (but is not limited to):

- business and market conditions;
- individual conduct, including but not limited to, adherence to Morgan Stanley's code of conduct and policies;
- contribution to the performance and profitability of the business unit, the UCITS Management Company and Morgan Stanley;
- contribution to the strategic objectives of the UCITS Management Company, business unit, the Firm and the team;
- revenue and profitability of funds managed by a portfolio manager;
- assets managed by a portfolio manager; and
- contribution to client objectives.

¹ The Firm does not award variable remuneration to a non-executive director for their non-executive director role.

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Appendix 3: Remuneration Policy (Unaudited) (continued)

6. Quantitative remuneration disclosure²: scope of disclosure

We are required to disclose and include in this report certain aggregate remuneration details for (1) the entire staff of the UCITS Management Company³ and (2) the UCITS Management Company's senior management team and other members of its staff whose actions have a material impact on the risk profile of the UCITS the UCITS Management Company manages or on the UCITS Management Company itself⁴.

As explained above, however, the UCITS Management Company has no employees. Its staff are all secondees.

7. Quantitative remuneration disclosure: financial information

The requisite remuneration information in respect of the 2017 financial year ending December 31, 2017, was as follows:

- a. The total fixed remuneration paid to the UCITS Management Company's staff was USD 376,371.
- b. The total variable remuneration (variable incentive compensation) paid to the UCITS Management Company's staff was USD 152,746.
- c. The number of individuals included as UCITS Management Company's staff was 11.
- d. The total remuneration (fixed and variable combined) paid to senior management and other members of staff whose actions have a material impact on the risk profile of the UCITS or on the UCITS Management Company itself was USD 529,117.

8. Quantitative remuneration disclosure: rationale for apportionment

In calculating the "remuneration paid" to the staff in a) to d) above, we have, in accordance with the UCITS Directive and the Guidelines, adopted a proportionate approach and included the proportion of staff's total remuneration that is equivalent to the proportion of their 2017 working time that was spent working on UCITS related matters.

Morgan Stanley Investment Management (ACD) Limited

May 2018

² Identified Staff and their associated remuneration are not allocated to individual UCITS so a breakdown by UCITS Fund does not exist and is not readily available.

³ Article 69 (3) (a) of the UCITS Directive.

⁴ Article 69 (3) (b) of the UCITS Directive and section 14 of the Guidelines.