

Morgan Stanley Liquidity Funds

Country Exposure

LIQUIDITY | GLOBAL LIQUIDITY TEAM | DECEMBER 2017

Consistent with our investment philosophy, we continue to manage our portfolios defensively with respect to liquidity and duration. To assist you, we are pleased to provide our country exposures for each fund as follows:

	USD LIQUIDITY FUND	EURO LIQUIDITY FUND ¹	STERLING LIQUIDITY FUND	USD TREASURY LIQUIDITY FUND
Australia	9.10%	1.50%	6.96%	-
Austria	-	-	-	-
Belgium	3.52%	3.72%	1.99%	-
Canada	15.79%	3.65%	4.82%	-
Chile	1.89%	-	-	-
China	-	-	-	-
Denmark	-	1.61%	3.19%	-
Finland	-	1.85%	4.28%	-
France	14.06%	20.89%	17.68%	-
Germany	5.91%	7.29%	4.36%	-
Japan	18.11%	25.10%	24.27%	-
Luxembourg	-	-	-	-
Netherlands	-	8.13%	8.94%	-
Norway	2.84%	0.29%	-	-
Qatar	-	-	-	-
Singapore	11.34%	-	1.00%	-
Sweden	1.18%	6.70%	5.51%	-
Switzerland	1.01%	7.53%	1.75%	-
United Arab Emirates	-	-	-	-
United Kingdom	4.23%	6.02%	10.02%	-
United States	11.02%	5.72%	5.23%	100.00%

As of 31 December 2017

The Morgan Stanley portfolios invest in a diversified pool of high quality short-term debt securities according to a disciplined interest-rate and credit risk management process. Morgan Stanley continues to have confidence in the structure of our portfolios based on the value of our research, process, and firmwide resources.

¹ **THE CURRENT NET NEGATIVE YIELD RETURN:** Please be advised that as of 6 May 2015, the Euro Liquidity Fund, a sub-fund of Morgan Stanley Liquidity Funds, began returning a negative net yield. In accordance with the fund's procedures for operating in a net negative yield environment, which are noted in the fund's prospectus, the distributing share class of the fund will reduce the number of shares held by shareholders on pro rata basis each day in order for the fund to seek to maintain a constant net asset value.

Key Fund Highlights

	USD LIQUIDITY FUND	EURO LIQUIDITY FUND ¹	STERLING LIQUIDITY FUND	USD TREASURY LIQUIDITY FUND
7-Day Liquidity	30.25%	35.15%	35.86%	100.00%
Weighted Average Maturity	40	47	51	44
Weighted Average Life	72	48	58	80

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Portfolio Manager Approach

OVERVIEW

The Global Liquidity team's investment process continues to focus on robust credit research and risk management. Our dedicated credit analysts based in London and New York conduct independent analysis of the money market securities universe. Our money market "approved list" is continually monitored so names may be added or suspended as warranted. Although we follow the rating agencies' views closely, we base our investment decisions on our in-depth analysis. Additionally, sovereign risk is subject to ongoing review, similar to the issuer credit research process, whereby current political and economic events, internal and external research reports and rating actions are constantly monitored.

We are comfortable with the country exposures in which we invest based on our analysis of the country's financial strength and the country's ability to absorb losses in the event of a default or restructuring.

Summary

At the cornerstone of our liquidity funds complex is an investment process focused on extensive credit research and risk management. In the recent uncertain markets, protecting the safety and liquidity of the portfolio's assets remains our first priority. Morgan Stanley has managed liquidity solutions since 1975 and is dedicated to offering money funds. The team has \$169.3 billion in assets under management across a variety of money funds and manages money in three currencies, U.S. Dollar, Euro and Sterling.

Risk Considerations

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- While it is intended that the distributing share classes will maintain a share price of €1/\$1/£1, this may not be achieved due to the creditworthiness of the issuers of investments held or changes in interest rates.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.

For information about Morgan Stanley Investment Management's liquidity product offerings and the team's market views, please visit www.morganstanley.com/liquidity or contact:

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DEFINITIONS

Weighted average life (WAL) – measures the weighted average of the maturities of the portfolio's individual holdings. **Weighted average maturity (WAM)** – measures the weighted average of the maturities of the portfolio's individual holdings, taking into account reset dates for floating rate securities. **Weekly Liquid Assets (%)** - Amended rule 2a-7(a)(32) (defining "weekly liquid assets" to mean (i) cash; (ii) direct obligations of the U.S. Government; (iii) Government securities issued by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity of 60 days or less; and (iv) securities that will mature or are subject to a demand feature that is exercisable and payable within five business days).

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