A Shareholder Notification from the Fund's Directors

News about your Morgan Stanley Liquidity Funds

WHAT THIS IS ABOUT

- Changes are being made to the Liquidity Funds to meet new money market fund regulations.
- The changes aim to increase investor protection.
- Fees and expenses are not changing.
- No action is required, but you should review the changes. If you do not wish to continue to invest in a Sub-Fund, you can switch or redeem (as always, without fees) before 14 January 2019.

12 December 2018

Dear Shareholder:

Changes are happening to all Morgan Stanley Liquidity Funds. These changes have been prompted by new regulatory requirements whose purpose is to further enhance the investor protections and stability offered by money market funds. All money market funds based or sold in the EU must meet these new requirements.

Many of the changes are about technical aspects, such as internal credit processes, stress testing and reports to regulators. While these are designed to benefit Shareholders, in particular by strengthening protections against unusual market conditions, they are not immediately visible at the Shareholder level.

One change that is visible is the regulation's new fund types. All money market funds must now qualify for one of the new types, each of which has different features. The fund types are intended to help investors better compare the features of different money market funds and pick the one that best meets their needs.

A summary of the changes is below, with a fuller explanation on the following pages. Thank you for your attention and for choosing to invest with us.

The Board of the Morgan Stanley Liquidity Funds

Overview of Changes

The table and text below show each Sub-Fund's new fund type, investment universe, approach to pricing your investment (Net Asset Value or NAV), and potential usage of temporary gates (limits on buying or selling) and fees on redemptions during unusual conditions.

	US Dollar Treasury Liquidity Fund	US Dollar Liquidity Fund, Sterling Liquidity Fund, Euro Liquidity Fund
Term	Short-Term	Short-Term
Type	Public Debt Constant NAV	Low Volatility NAV
NAV	Seeks to maintain a stable NAV of USD 1.00	Seeks to maintain a stable NAV of USD or EUR or GBP 1.00 so long as its market value NAV is within 20 basis points (0.0020) of that amount; currency amounts are for Euro, US Dollar and Sterling Sub-Funds respectively
Investment Universe	High quality short-term money market instruments issued or guaranteed by sovereign entities; reverse repurchase agreements secured with government debt; ancillary liquid assets	High quality short-term money market instruments (government, corporate, asset-backed); reverse repurchase agreements secured with government debt; ancillary liquid assets

The Sub-Funds may temporarily impose fees or limit redemptions in cases where certain liquidity thresholds are not met. With each of these Sub-Funds, if weekly liquidity falls below 10%, the Board must either apply a temporary liquidity fee or suspend redemptions (which it can do for up to 15 business days). Also, if weekly liquidity falls below 30% during times when net daily outflows exceed 10% of net assets, the Board must consider applying the above measures, but may choose not to. The Board must base these decisions on what it believes is in the best interest of all Shareholders.

Many important features have not changed All existing Sub-Funds still accrue income daily, calculate their published NAV to the nearest percentage point or its equivalent in currency value, and invest only in securities that mature in 397 days or less.

Additional Morgan Stanley Liquidity Sub-Funds may be available in the future. Information will be available at the time of any new Sub-Funds.

FUND Morgan Stanley Liquidity Funds

REGISTERED OFFICE 6B, Route de Trèves
L-2633 Senningerberg, Luxembourg

LUXEMBOURG BUSINESS REGISTRATION B174137

RELEVANT REGULATION Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds ("MMF Regulation").

The Board of Directors of the Morgan Stanley Liquidity Funds (the "Fund") accepts responsibility for the accuracy of the information contained in this notice.

The Board has amended the prospectus of the Fund to ensure compliance with the MMF Regulation. The revised version of the Prospectus, dated January 2019, contains the specifics of the amendments summarized here. All changes have effect as at 14 January 2019, unless indicated otherwise.

Capitalised terms used in this notice have the same meaning as in the current Prospectus, unless context requires otherwise. All Sub-Funds names are presumed to begin with "Morgan Stanley Liquidity Funds —", whether this wording is present or not.

Further Information about the Changes

This section outlines changes that have been made to the Prospectus for the Morgan Stanley Liquidity Funds, and indicates which Sub-Fund(s) each set of changes applies to. To get a copy of the Prospectus itself, go to morganstanley.com/liquidity or contact your sales representatives or financial adviser.

All Existing Liquidity Sub-Funds

- Investments that are eligible under the MMF Regulation and that the Sub-Funds intend to use are:
  - money market instruments
  - eligible securitisations and asset-backed commercial paper (ABCPs)
  - deposits with credit institutions
  - reverse repurchase agreements
  - units or shares of other short-term Money Market Funds (each Sub-Fund limits these to no more than 10% of its total net assets)

  Note that US Dollar Treasury Liquidity Fund may not use all of these investments.
- Each Sub-Fund may invest in time deposits and also hold ancillary liquid assets.
- An Internal Credit Quality Assessment Procedure has been set up for determining the credit quality of issuers and their instruments by using prudent and systematic methodologies.
- Certain risk descriptions and the collateral policy of the Fund have been amended to reflect the eligible asset environment under the MMF Regulation.
- Significant changes have been made in the sections concerning transactions in Sub-Fund shares and how the Sub-Funds calculate NAV, in particular details of the differences between Stable NAV and NAV (market value NAV). For the valuation of the assets, language has been added detailing the use of the Mark-to-Market and Mark-to-Model methods, and the conditions under which the amortised cost method may be used for the Sub-Funds.
- During times of limited liquidity, the Board can cap the volume of redemption requests processed on any one Business Day at 10% of the Sub-Fund's net assets, with unprocessed requests put in queue for the next Business Day.
- For Stable NAV Shares, transactions generally settle on the same Business Day the request is received and accepted, at a NAV based on the previous Business Day. In exceptional situations, a request may be processed (and settled) the following Business Day, at the NAV based on the Business Day the request is received and accepted.
- For NAV Shares, transactions generally are processed and settled on the Business Day the request is received and accepted), at that day's NAV.
- For either type of share, in no event can settlement be delayed more than 10 Business Days after the one on which the transaction request was processed.
- A new section called "Liquidity Management" describes the procedure the Company has implemented to provide intra-day liquidity to Shareholders. The procedure establishes the liquidity measures described below.
- Whenever weekly liquidity falls below 10%, the Board must either apply a temporary redemption fee or suspend redemptions. The Board must consider, but can choose not to apply, these measures whenever weekly liquidity falls below 30% and net daily outflows exceed 10% of net assets. For more information, see the paragraph "Liquidity Procedure" in the "Liquidity Management" section of the Prospectus.
- In addition, the Board will continue to have the option, as in the past, of applying a temporary redemption fee under any other circumstances besides those described in the preceding bullet, so long as the Board believes this is warranted and is in the best interests of Shareholders. Any temporary redemption fee (including as described in the bullet above) will not exceed 2%. The Sub-Funds will continue not to charge any ordinary subscription, redemption or switch fees.
- As before, if a Sub-Fund suspends redemptions for more that 15 Business Days in any period of 90 Business Days, it will cease to be eligible for its fund type, and a notice will be sent to Shareholders.
- Even if the Sub-Fund follows all applicable rules and procedures, there is no assurance that it will be able to maintain a Stable NAV during periods of sharply rising interest rates.

US Dollar Treasury Liquidity Fund

- The Sub-Fund's revised investment policy reads as follows:

  "The US Dollar Treasury Liquidity Fund will seek to achieve its investment objective primarily by investing its assets in high quality short-term Money Market Instruments comprising transferable debt securities issued by the United States Government (which may include by way of example treasury bills and notes) and reverse repurchase agreements secured by debt securities issued by the United States Government in accordance with the 'Investment Restrictions' of the Prospectus. The Fund may also hold cash. All investments shall be denominated in US Dollars. The main debt securities acquired will be listed or traded on a Regulated Market or an Other Regulated Market.

  "The US Dollar Treasury Liquidity Fund will apply the portfolio rules applicable to Short Term Money Market Funds in accordance with article 24 of the MMF Regulation and article 2(11) of the MMF Regulation.

  "The Fund will have a WAM of no more than sixty (60) days and a WAL of no more than one hundred and twenty (120) days.

  "It is expected, although it cannot be assured, that for each Class of Distributing Shares in the US Dollar Treasury Liquidity Fund, a Stable NAV will remain stable at $1.00, through the distribution of dividends and the use of the amortised cost method valuation to calculate the Stable NAV. The difference between such Stable NAV and the Net Asset Value per Share is monitored and published daily on the following website www.morganstanley.com/liquidity. The Accumulation Shares in the Fund retain any net income and/or capital gains attributable to such Shares, which causes their value to change. See 'Stable NAV Risk', 'Switch from a Stable NAV to a Net Asset Value per Share Risk' and 'Market Risk' under the section 'Principal Risks'."

- The Sub-Fund uses the Mark-to-Market method or the Mark-to-Model method to calculate the actual value of assets, and the amortised cost method to calculate the Stable NAV it uses for transactions in some Share Classes.
- Dealing Deadline changed from 3 pm to 4 pm Eastern Standard Time.

US Dollar Liquidity Fund

- The Sub-Fund's investment policy is largely unchanged; the revised policy reads as follows:

  "The US Dollar Liquidity Fund will seek to achieve its investment objective primarily by investing in high quality short-term Money Market Instruments comprising transferable debt securities (which may include by way of example fixed or floating rate instruments including without limitation commercial paper, certificates of deposit, freely transferable promissory notes, government and corporate bonds and commercial papers) that are denominated in US Dollars. The debt securities acquired will be listed or traded on Regulated Market or an Other Regulated Market. The US Dollar Liquidity Fund may also invest in Money Market Instruments other than those dealt on a Regulated Market or on an Other Regulated Market, as provided in article 50(1) of UCITS Directive and under section 'Investment Restrictions' of the Prospectus.

  "The US Dollar Liquidity Fund may also enter into reverse repurchase agreements in accordance with the 'Investment Restrictions' of this Prospectus. The US Dollar Liquidity Fund will apply the portfolio rules applicable to Short Term Money Market Funds in accordance with article 24 of the MMF Regulation.

  "No more than 10% of the assets of the Fund will be invested in units or shares of other Short-Term Money Market Funds.

  "It may invest in time deposits and also hold ancillary liquid assets.

  "The Fund will have a WAM of no more than sixty (60) days and a WAL of no more than one hundred and twenty (120) days.

  "It is expected, although it cannot be assured, that for each Class of Distributing Shares in the US Dollar Liquidity Fund, a Stable NAV will remain stable at $1.00, through the distribution of dividends and the use of the amortised cost method valuation to calculate the Stable NAV. The difference between such Stable NAV and the Net Asset Value per Share is monitored and published daily on the following website www.morganstanley.com/liquidity. The Accumulation Shares in the Fund retain any net income and/or capital gains attributable to such Shares, which causes their value to change. See 'Stable NAV Risk', 'Switch from a Stable NAV to a Net Asset Value per Share Risk' and 'Market Risk' under the section 'Principal Risks."

- The Sub-Fund can use the Mark-to-Market method, the Mark-to-Model method or amortised cost to value assets when calculating Stable NAV it uses for transactions; however, amortized cost can only be used to price securities with remaining maturities of 75 days or less and when amortized cost does not deviate from the mark-to-market price by more than 0.10%.
- The price of Sub-Fund Shares may be more volatile than expected. The Stable NAV is not guaranteed, and if the actual valuation of the Sub-Fund's net assets deviates from the Stable NAV by more than 20 basis points, the Sub-Fund will shift to having a variable NAV that reflects its actual valuation of net assets. If this happens, the Sub-Fund may seek to, but has no obligation to, revert back to a Stable NAV.

Sterling Liquidity Fund

- The Sub-Fund's revised investment policy reads as follows:

  "The Sterling Liquidity Fund will seek to achieve its investment objective primarily by investing in high quality short-term Money Market Instruments comprising transferable debt securities (which may include by way of example fixed or floating rate instruments including without limitation commercial paper, certificates of deposit, freely transferable promissory notes, government and corporate bonds and asset-backed securities) that are denominated in Sterling. The debt securities acquired will be listed or traded on stock exchanges or a Regulated Market or an Other Regulated Market. The Sterling Liquidity Fund may also invest in Money Market Instruments other than those dealt on a Regulated Market or on an Other Regulated Market, as provided in article 50(1) of UCITS Directive and under section 'Investment Restrictions' of the Prospectus. All Money Market Instruments acquired will have a Short-Term Maturity.

  "The Sterling Liquidity Fund may also enter into reverse repurchase agreements in accordance with the "Investment Restrictions" of this Prospectus.

  "No more than 10% of the assets of the Fund will be invested in units or shares of other Short-Term Money Market Funds.

  "It may invest in time deposits and also hold ancillary liquid assets.

  "The Fund will have a WAM of no more than sixty (60) days and a WAL of no more than one hundred and twenty (120) days.

  "It is expected, although it cannot be assured, that for each Class of Distributing Shares in the Sterling Liquidity Fund, a Stable NAV will remain stable at £1.00, through the distribution of dividends and the use of the amortised cost method valuation to calculate the Stable NAV. The difference between such Stable NAV and the Net Asset Value per Share is monitored and published daily on the following website www.morganstanley.com/liquidity. The Accumulation Shares in the Fund retain any net income and/or capital gains attributable to such Shares, which causes their value to change. See 'Stable NAV Risk', 'Switch from Stable NAV to a Net Asset Value per Share Risk' and 'Market Risk' under the section 'Principal Risks'."

- The Sub-Fund can use the Mark-to-Market method, the Mark-to-Model method or amortised cost to value assets when calculating Stable NAV it uses for transactions; however, amortized cost can only be used to price securities with remaining maturities of 75 days or less and when amortized cost does not deviate from the mark-to-market price by more than 0.10%.

- The price of Sub-Fund Shares may be more volatile than expected. The Stable NAV is not guaranteed, and if the actual valuation of the Sub-Fund's net assets deviates from the Stable NAV by more than 20 basis points, the Sub-Fund will shift to having a variable NAV that reflects its actual valuation of net assets. If this happens, the Sub-Fund may seek to, but has no obligation to, revert back to a Stable NAV.

Euro Liquidity Fund

- The Sub-Fund's revised investment policy reads as follows:

  "The Euro Liquidity Fund will seek to achieve its investment objective primarily by investing in high quality short-term Money Market Instruments comprising transferable debt securities (which may include by way of example fixed or floating rate instruments including without limitation commercial paper, certificates of deposit, freely transferable promissory notes, government and corporate bonds and commercial papers) that are denominated in Euro. The debt securities acquired will be listed or traded on a Regulated Market or an Other Regulated Market. The Euro Liquidity Fund may also invest in Money Market Instruments other than those dealt on a Regulated Market or on an Other Regulated Market, as provided in article 50(1) of UCITS Directive and under section 'Investment Restrictions' of the Prospectus. The Euro Liquidity Fund will apply the portfolio rules applicable to Short Term Money Market Funds in accordance with article 24 of the MMF Regulation.

  "The Euro Liquidity Fund may also enter into reverse repurchase agreements in accordance with the 'Investment Restrictions' of this Prospectus.

  "No more than 10% of the assets of the Fund will be invested in units or shares of other Short-Term Money Market Funds.

  "It may invest in time deposits and also hold ancillary liquid assets.

  "The Fund will have a WAM of no more than sixty (60) days and a WAL of no more than one hundred and twenty (120) days.

  "It is expected, although it cannot be assured, that for each Class of Distributing Shares in the Euro Liquidity Fund, a Stable NAV will remain stable at €1.00, through the distribution of dividends and the use of the amortised cost method valuation to calculate the Stable NAV. The difference between such Stable NAV and the Net Asset Value per Share is monitored and published daily on the following website www.morganstanley.com/liquidity. The Accumulation Shares in the Fund retain any net income and/or capital gains attributable to such Shares, which causes their value to change. See 'Stable NAV Risk', 'Switch from Stable NAV to a Net Asset Value per Share Risk' and 'Market Risk' under the section 'Principal Risks'."

- The Sub-Fund can use the Mark-to-Market method, the Mark-to-Model method or amortised cost to value assets when calculating Stable NAV it uses for transactions; however, amortized cost can only be used to price securities with remaining maturities of 75 days or less and when amortized cost does not deviate from the mark-to-market price by more than 0.10%.
- The price of Sub-Fund Shares may be more volatile than expected. The Stable NAV is not guaranteed, and if the actual valuation of the Sub-Fund's net assets deviates from the Stable NAV by more than 20 basis points, the Sub-Fund will shift to having a variable NAV that reflects its actual valuation of net assets. If this happens, the Sub-Fund may seek to, but has no obligation to, revert back to a Stable NAV.

Information Available Online

Current information on the following topics is available on morganstanley.com/liquidity:

- NAV per Share of each Class
- Stable NAV of each Class of Stable NAV Shares
- difference between each NAV per Share and its related Stable NAV
- maturity and credit maturity breakdowns of the portfolio of each Sub-Fund
- credit profile of each Sub-Fund
- 10 largest holdings of each Sub-Fund, including security names, countries, maturities, asset types and, for reverse repurchase agreements, names of the counterparty
- weighted average maturity (WAM) and weighted average life (WAL) of each Sub-Fund
- total value of assets of each Sub-Fund

NEXT STEPS

OK with the changes? You don't need to take any action. The changes will automatically go into effect on your Shares from 14 January 2019.

Still have questions or concerns? Contact the Fund at its registered office in Luxembourg, the representative of the Fund in your jurisdiction or Liquidity.Services@morganstanley.com. All Shareholders are responsible for obtaining professional advice on any tax consequences to them of the changes to the Sub-Funds and of any actions the Shareholder may take in connection with the changes.

Investors in Germany: A copy of the current prospectus and the key Investor information document, the Articles of Association and the latest annual and semi-annual report is available for consultation and free of charge at the German office of the Information agent, Morgan Stanley Bank AG, Junghofstraße 13-15, 60311 Frankfurt am Main.

Investors in Switzerland: The Swiss Representative is Carnegie Fund Services S.A., 11 rue du Général-Dufour, 1204 Geneva, Switzerland. Qualified Investors in Switzerland can obtain the documents of the Company, such as the Prospectus, the KIIDs, the Articles of Incorporation, the annual and semi-annual reports, and further information free of charge from the Swiss Representative. The Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Ile, 1204 Geneva, Switzerland. In respect of the Shares distributed in Switzerland to qualified investors, the place of performance and place of jurisdiction is at the registered office of the Swiss Representative.