

Morgan Stanley U.S. Government Securities Trust

4Q18

FACTSHEET

Investment Approach

We seek a high level of current income consistent with safety of principal. To achieve this objective, the fund combines a top-down macroeconomic assessment to determine overall sector allocation and exposures, with fundamental and quantitative analysis used for portfolio construction and security selection.

Objective

Seeks a high level of current income consistent with safety of principal.

Lipper Category

General US Government

Morningstar Category

Intermediate-Term Bond

Portfolio Managers

	Joined Firm	Years of Investment Experience
Neil Stone, Managing Director	1995	34
Jim Caron, Managing Director	2006	27
Matthew C. Dunning, Executive Director	(Rejoined) 2014	25

Investment Performance - Class I (% net of fees)

% Average Annual Total Returns	1 Year	3 Year	5 Year	10 Year	Inception
Fund	0.34	2.03	2.46	2.90	3.96
Bloomberg Barclays U.S. Government/Mortgage Index ¹	0.93	1.53	2.22	2.61	4.72
Lipper Category Average	-0.02	0.95	1.84	2.23	-
Morningstar Category Average	-0.50	2.15	2.27	4.31	-

% Calendar Year Returns	4Q18	YTD	2018	2017	2016	2015	2014
Fund	1.72	0.34	0.34	2.90	2.88	0.44	5.83
Bloomberg Barclays U.S. Government/Mortgage Index	2.35	0.93	0.93	2.37	1.31	1.13	5.41
Lipper Category Average	2.20	-0.02	-0.02	2.22	0.64	-0.05	5.85
Morningstar Category Average	0.86	-0.50	-0.50	3.71	3.23	0.49	4.73

The fund has received proceeds related to certain non-recurring litigation settlements. If these monies were not received, any period returns which include these settlement monies would have been lower. These were one-time settlements, and as a result, the impact on the net asset value and consequently the performance will not likely be repeated in the future. Rankings for the fund were more favorable due to these settlements and ratings may also have been positively impacted. Please visit www.morganstanley.com/im for additional details.

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the most recent month-end performance figures, please visit morganstanley.com/im or call 1-800-548-7786. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Performance and fund information is as of December 31, 2018, unless otherwise noted. Returns are net of fees and assume the reinvestment of all dividends and income. Returns for less than one year are cumulative (not annualized). Performance of other share classes will vary.

Expense Ratios	Symbol	Cusip	Gross (%)	Net (%)
Class A	USGAX	616969101	1.08	0.87
Class C	MSGVX	616969507	1.96	1.62
Class I	USGDGX	616969408	0.74	0.52

Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of the applicable fund's current prospectus (unless otherwise noted in the applicable prospectus) or until such time as the fund's Board of Trustees acts to discontinue all or a portion of such waivers and/or reimbursements. Absent such waivers and/or reimbursements, returns would have been lower. Expenses are based on the fund's current prospectus. The minimum initial investment is \$5,000,000 for Class I shares.



WINNER OF THE 2018
THOMSON REUTERS
LIPPER FUND AWARDS
UNITED STATES

Morgan Stanley Investment Management, Inc.

BEST GROUP OVER 3 YEARS
FIXED INCOME LARGE COMPANY

2018 Best Fixed Income Large Company Group over 3 years

Lipper Fund Awards are based upon risk adjusted return. For additional information refer to the disclosures on page 2.

Morningstar Rankings - Class I Intermediate-Term Bond Category

	Percentile	Rank/Total in Category
1 Year	18	145/1019
3 Year	49	421/876
5 Year	35	267/767
10 Year	90	506/560

Source: Morningstar, Inc. Rankings are based on total returns, are historical and do not guarantee future results.

Fund Facts

Inception date	July 28, 1997
Total net assets (\$MM)	\$ 392.0
Benchmark	Bloomberg Barclays U.S. Government/Mortgage Index
Distribution frequency	Monthly

Portfolio Characteristics

	Fund
Number of holdings	233
Duration (years)	5.20
SEC 30-day yield (class I) subsidized (%)	3.12
SEC 30-day yield (class I) unsubsidized (%)	2.97
Turnover (%)*	179

Risk/Return Statistics (3 Year)

	Fund
Excess Return (%)	0.52
Alpha (%)	0.57
Beta (vs. benchmark)	0.90
Information ratio	0.75
R squared	0.94
Sharpe ratio	0.40
Standard deviation (%)	2.64

Sector Allocation (% of Total Net Assets)

	Fund
RMBS	51.67
US Government/Agency	35.13
CMBS	14.66
ABS	3.98
Cash	-5.44

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Past performance is not indicative of future results. Subject to change daily. Fund information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell any security or securities in the sectors and countries presented.

PORTFOLIO CHARACTERISTICS DEFINITIONS

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **SEC yield** is a measure of the income generated by the portfolio's underlying asset over the trailing 30 days, relative to the asset base of the portfolio itself. The SEC 30-day yield - Subsidized (Sub.) reflects current fee waivers in effect. Absent such fee waivers, the yield would have been lower. The SEC 30-Day yield - Unsubsidized (Unsub.) does not reflect the fee waivers currently in effect.

RISK/RETURN DEFINITIONS

Excess Return or value added (positive or negative) is the portfolio's return relative to the return of the benchmark. **Alpha** (Jensen's) is a risk-adjusted performance measure that represents the average return on a portfolio or investment above or below that predicted by the capital asset pricing model (CAPM) given the portfolio's or investment's beta and the average market return. Prior to 6/30/2018 Alpha was calculated as the excess return of the fund versus benchmark. **Beta** is a measure of the relative volatility of a security or portfolio to the market's upward or downward movements. A beta greater than 1.0 identifies an issue or fund that will move more than the market, while a beta less than 1.0 identifies an issue or fund that will move less than the market. The Beta of the Market is always equal to 1. **Information ratio** is the portfolio's alpha or excess return per unit of risk, as measured by tracking error, versus the portfolio's benchmark. **R squared** measures how well an investment's returns correlate to an index. An R squared of 1.00 means the portfolio performance is 100% correlated to the index's, whereas a low r-squared means that the portfolio performance is less correlated to the index's. **Sharpe ratio** is a risk-adjusted measure calculated as the ratio of excess return to standard deviation. The Sharpe ratio determines reward per unit of risk. The higher the Sharpe ratio, the better the historical risk-adjusted performance. **Standard deviation** measures how widely individual performance returns, within a performance series, are dispersed from the average or mean value.

RISK CONSIDERATIONS

There is no assurance that a mutual fund will achieve its investment objective. Funds are subject to market risk, which is the possibility that the market values of securities owned by the fund will decline and that the value of fund shares may therefore be less than what you paid for them. Accordingly, you can lose money investing in this fund. Please be aware that this fund may be subject to certain additional risks. Fixed-income securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In the current rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. Longer-term securities may be more sensitive to interest rate changes. In a declining interest-rate environment, the portfolio may generate less income. Certain U.S. government securities purchased by the Strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. Mortgage and asset-backed securities

are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (liquidity risk). They are also subject to credit, market and interest rate risks. Derivative instruments may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, correlation and market risks. Due to the possibility that prepayments will alter the cash flows on Collateralized mortgage obligations (CMOs), it is not possible to determine in advance their final maturity date or average life. In addition, if the collateral securing the CMOs or any third party guarantees are insufficient to make payments, the strategy could sustain a loss. Inverse floaters are sensitive to early prepayment risk and interest rate changes and are more volatile than most other fixed-income securities. Restricted and illiquid securities may be more difficult to sell and value than publicly traded securities (liquidity risk). Zero coupon securities are more sensitive to interest rate changes than comparable interest-paying securities. **Lipper Fund Awards. Source: Lipper Inc.** Lipper awards are not intended to predict future results. The Thomson Reuters Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. For more information, see www.lipperfundawards.com. The Asset Class fund groups with at least five equity, five bond, or three mixed-asset portfolios in the respective asset classes are eligible for a group award. The lowest average decile rank of the three years' Consistent Return measure of the eligible funds per asset class and group will determine the asset class group award winner over the three-year period. In cases of identical results, the lower average percentile rank will determine the winner. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Other share classes may have different performance and expense characteristics.

Morningstar: Rankings and ratings as of December 31, 2018. **Rankings:** The percentile rankings are based on the average annual total returns for the periods stated and do not include any sales charges, but do include reinvestment of dividends and capital gains and Rule 12b-1 fees. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. © 2019 Morningstar. **All Rights Reserved.** The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

Morningstar information is based on quarter-end data. Please visit morganstanley.com/im for the latest month-end Morningstar information.

OTHER CONSIDERATIONS

¹ The Barclays U.S. Government/Mortgage Index includes Treasuries, government-related issues, and agency mortgage-backed pass-through securities issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is unmanaged and does not include any expenses, fees or sales charges. It is not possible to invest directly in an index.

* Turnover is sourced from the fund's current prospectus.

Please consider the investment objective, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, download one at morganstanley.com/im or call 1-800-548-7786. Please read the prospectus carefully before investing.

Morgan Stanley Investment Management (MSIM) is the asset management division of Morgan Stanley.