You have many funds to choose from when it comes to investing your money. Once you choose a fund, you may also need to choose among the fund’s different share classes, each of which features a different cost structure. It’s important to understand how mutual fund fees and expenses, and your choice of share class, affect your investment and return. Of course, you also need to consider the fund’s investment objectives and policies, and its risks.

Summarized below is some important information about mutual fund share classes and the types of fees and expenses you may be required to pay depending upon the share class you select. This summary also explains how Morgan Stanley and your Financial Advisor are compensated when you invest in mutual funds. In general, the fees, expenses and payments described below are specific to mutual fund investments. Other available investment options feature different fees and charges, and may provide different compensation.
to Morgan Stanley and your Financial Advisor. You should speak with your Financial Advisor if you have any questions regarding the relative costs and compensation for available investment product alternatives.

You can also visit the websites sponsored by the U.S. Securities and Exchange Commission (www.SEC.gov), the Financial Industry Regulatory Authority (www.FINRA.org), the Securities Industry and Financial Markets Association (www.sifma.org) and the Investment Company Institute (www.ICI.org) to obtain additional educational information about mutual funds.

The following information principally pertains to mutual fund sales transacted through commission-based brokerage accounts. For more information on fees and expenses in our fee-based advisory account programs, please refer to the applicable Morgan Stanley ADV Brochure. You should consider all the available methods for purchasing and holding mutual fund shares discussed in this booklet and in your program documents.

**Each Mutual Fund is Different**

Mutual funds are securities that are offered for sale through a prospectus. First and foremost, before investing in a mutual fund, you should read the fund’s prospectus carefully. You can also request a copy of the fund’s Statement of Additional Information (“SAI”), if needed, for additional details.

All funds charge investment management fees and ongoing expenses for operating the fund that you will pay as long as you are invested. A fund’s prospectus describes, among other things, the fund’s investment objective and principal strategy, risks, share classes and expenses. The prospectus and SAI also describe how sales charges and expenses vary by share class, and how investors can qualify for sales-charge reductions based upon the amount of their investments or other circumstances. Of course, in choosing a mutual fund investment, you should consider the fund’s investment objectives and policies, and its risks—not just the costs and expenses of investing in a particular fund and share class. Determine if they match your own goals. Your Financial Advisor can provide assistance if you have questions.

**Fund-Transfer Restrictions**

Certain mutual funds may not be transferable from an account at one brokerage firm to an account at another brokerage firm. A common factor limiting transferability is when a fund or its principal distributor does not have a selling or other agreement in place with the other brokerage firm. If a particular fund family’s funds are not transferable to another brokerage firm, you may have the following options: leave the position in an account at the original brokerage firm; or have the position reregistered in your name on the books and records of the fund company or its transfer agent. As an alternative, you may liquidate the position and transfer the proceeds. This option may have tax implications and/or other costs. For further information regarding the transferability of a particular fund’s shares, please refer to the fund’s Prospectus and SAI, or call your Financial Advisor.

**The Basics of Mutual Fund Share Classes**

A single mutual fund usually offers different pricing arrangements or “classes” of its shares to meet investor preference and needs. The most common mutual fund share classes available in commission-based brokerage accounts—A, B and C—are described below. Each share class represents investments in the same mutual fund portfolio but offer investors a choice of how and when to pay for fund distribution costs. Fund families may also offer specialized share classes such as Class R shares designed for retirement plan accounts. In addition, many funds utilize “no-load” share classes—typically offered with no front-end or back-end sales changes—but these share classes are generally only available in Morgan Stanley’s fee-based advisory account programs. Please refer to the applicable Morgan Stanley ADV brochure for more information on fees and expenses for these accounts.

The key distinctions among share classes are the sales charges and ongoing fees and expenses you may pay in connection with your investment in the fund. The compensation received by your Financial Advisor for selling you shares of the fund also will be directly affected by the share class you purchase.

Your Financial Advisor is available to help you decide which class of shares is generally the most economical for you. Morgan Stanley also employs share class limits and other tools to assist with the share class selection process. You may also refer to the information provided below. The principal considerations are the size of your investment and the anticipated holding period. Investors generally should purchase Class A shares (the initial sales charge alternative) or Class B shares (the deferred sales charge alternative) if they expect to hold the investment over the long-term (typically, five years or more). Class C shares (the level sales charge alternative) are generally appropriate for shorter-term holding periods.

Investors anticipating large purchases should consider Class A rather than Class B shares since the former typically offer sales charge discounts (“breakpoints”) beginning at $25,000
that increase as the size of your investment increases. Shorter-term investors anticipating very large purchases (typically $500,000 and above) should also consider Class A rather than Class C shares due to the significant breakpoint discounts available at those investment levels.

When deciding which fund and which share class within a fund makes the most economic sense for you, you should ask your Financial Advisor about the effect of a number of factors on your costs, including:

- How long you plan to hold the fund;
- The size of your investment;
- Whether you will be adding to the investment in the future;
- The expenses you’ll pay for each class;
- Whether the amount of your initial or intended investment, together with other eligible fund investments, qualifies you for any sales charge discounts (that is, whether you should execute a Letter of Intent, whether you are entitled to a Right of Accumulation, or whether you are entitled to a breakpoint discount); and
- Whether you will be selling other mutual fund shares to fund your investment (that is, whether you might qualify for a load-waived transfer or repurchase).

12b-1 Fees and Other Fees
12b-1 fees take their name from the Securities and Exchange Commission rule that created them. They are fees charged against your mutual fund assets on a continuing basis that cover marketing, distribution and shareholder services costs. 12b-1 fees may also be used, in part, to offset the amounts payable by the fund’s principal distributor as compensation to selling firms where the fund share class does not have a front-end sales charge. The portion of the 12b-1 fee that is used for distribution expenses is effectively an asset-based sales charge paid over time instead of charged as a front-end sales load.

The amount of the 12b-1 fee is charged as a percentage of the fund’s total assets attributable to the share class. A fund also deducts certain other ongoing fees from its assets to pay firms that provide various services to the fund, such as the fund’s investment adviser, transfer agent, custodian and administrator. 12b-1 fees, investment management fees and other ongoing expenses are described in the mutual fund’s prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help you compare the annual expenses of different funds.

**Class A Shares**
Purchasers of Class A shares are typically charged a front-end sales charge or commission (sales charges on mutual funds are also referred to as “loads”) that is included in the price of the fund shares. When you buy shares with a front-end sales charge, a portion of the money you invest is used to pay the sales charge. For example, if you invest $10,000 in a fund and the front-end load is 5 percent, you would be charged $500, and the remaining $9,500 would be invested in the chosen fund. Class A share 12b-1 fees (generally 0.25% or $25 per $10,000.00 of fund assets per year) typically are lower than those of Class B or C shares. Funds may offer purchasers of Class A shares volume discounts — also called breakpoint discounts — on the front-end sales charge if the investor:

- Makes a large purchase;
- Holds other mutual funds offered by the same fund family;
- Commits to purchase additional shares of the fund; or
- Has family members (or others with whom they may link purchases according to the prospectus) who hold funds in the same fund family.

**How Breakpoints Work**
When you purchase Class A shares at or above a “breakpoint,” you are entitled to pay a reduced front-end sales charge. For example, suppose the prospectus says that a breakpoint occurs when you purchase $50,000 or more of Class A shares. If you buy less than $50,000 worth of shares, the sales charge is 5.75%. If you buy $50,000 or more worth of shares, the sales charge is 4.50%. Now, suppose you buy $49,500 worth of Class A shares. You would pay $2,846.25 in sales charges.

If you buy $50,000 of shares, you would pay only $2,250. In this example, by choosing to invest an additional $500 you would actually pay $596.25 less in the front-end sales charge, and those savings would increase your net investment in the fund.

Mutual funds typically offer multiple breakpoints, each at increasingly higher investment levels. Increasing your investment size, if you are able and willing to do so, can allow you to take advantage of higher breakpoints and further reduce the sales charges you pay. It is important that you understand how breakpoints work so that, consistent with your investment objectives, you can take advantage of the lowest possible front-end sales charge.

Below is a typical breakpoint discount schedule showing the front-end sales load applicable to a purchase of Class A shares at different levels of investment. Different funds and fund families may have different breakpoint schedules.

**RIGHTS OF ACCUMULATION AND LETTERS OF INTENT**
What if you cannot immediately invest the amount necessary to achieve a breakpoint discount? You still might be able to qualify for a breakpoint discount based on two different opportunities —
called “rights of accumulation” and “letters of intent.”

**RIGHTS OF ACCUMULATION**

A right of accumulation ("ROA") generally permits you to accumulate or combine your existing fund family holdings with new Class A purchases of the same fund family’s funds for the purpose of qualifying for breakpoints and associated discounts. For example, if you are investing $10,000 in Class A shares of a fund today, and you already own $40,000 in Class A shares of that fund family, the fund may allow you to combine those investments to reach a $50,000 breakpoint, entitling you to a lower sales load on your $10,000 purchase today. Please refer to the fund prospectus for details as rules may vary from fund family to fund family.

**LETTERS OF INTENT**

A letter of intent ("LOI") is an agreement that expresses your intention to invest an amount equal to or greater than a breakpoint within a given period of time, generally 13 months after the LOI period begins. Many fund companies permit you to include purchases completed within 90 days before the LOI is initiated for the purpose of obtaining a breakpoint discount. If you expect to make additional investments during the next 13 months in a fund with a front-end sales load, it’s worth finding out if an LOI can help you qualify for a breakpoint discount to reduce your front-end sales charge.

Important Note: If you do not invest the amount stated in your LOI during the 13-month period, the fund can redeem a portion of the shares that you hold to retroactively collect the higher sales charge that would have applied to your purchase without the LOI.

**FAMILY AND RELATED ACCOUNT DISCOUNTS**

Fund families typically permit you to aggregate fund family holdings in other accounts that you and your family may own, including fund assets held at other brokerage firms, for the purpose of achieving a breakpoint discount. For example, a fund may allow you to qualify for a breakpoint discount by combining your fund purchases with those of your spouse or minor children. You also may be able to aggregate mutual fund transactions in certain retirement accounts, educational savings accounts or any accounts you maintain at other brokerage firms. In some instances, employer-sponsored retirement or savings plan accounts may be aggregated. These features vary among fund families.

**Sample Breakpoint Schedule**

**CLASS A SHARES (FRONT-END SALES LOAD)**

<table>
<thead>
<tr>
<th>Investment Amount</th>
<th>Sales Load</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>$25,000 or more but less than $50,000</td>
<td>4.25%</td>
</tr>
<tr>
<td>$50,000 or more but less than $100,000</td>
<td>3.75%</td>
</tr>
<tr>
<td>$100,000 or more but less than $250,000</td>
<td>3.25%</td>
</tr>
<tr>
<td>$250,000 or more but less than $500,000</td>
<td>2.75%</td>
</tr>
<tr>
<td>$500,000 or more but less than $1 million</td>
<td>2.00%</td>
</tr>
<tr>
<td>$1 million or more</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Clients who currently hold accounts through Morgan Stanley may be eligible to aggregate their mutual fund and 529 Plan investments offered by the same fund company or sponsor to qualify for breakpoints on new purchases. When making any new mutual fund or 529 Plan purchase, please inform your Financial Advisor of any mutual fund or 529 Plan purchases or holdings in the same fund family. If you have any questions about the availability of sales charge discounts on any mutual fund or 529 Plan purchases, please ask your Financial Advisor.

**MULTIPLE FUND FAMILIES**

Sometimes investors may choose to invest in multiple fund families. These investors perceive benefits that may include diversification, the ability to select those funds that they believe will have the best opportunity for outperforming other funds in specific fund categories, or the ability to invest in unique funds that may not be available in a single fund family. However, it is important to bear in mind this investment strategy reduces the opportunities to qualify for breakpoint discounts and can, as a result, increase the cost of investing in the funds selected. Also, there is no guarantee that a multifamily investment strategy will provide significant diversification or outperform a single-family strategy.
Class B Shares
Investments in Class B shares typically are not subject to a front-end sales charge, but purchasers normally are required to pay a contingent deferred sales charge (“CDSC”) on shares sold during a specified time period (typically six years). In addition, Class B shares are subject to higher 12b-1 fees (generally 1.00% or $100 per $10,000.00 of fund assets per year), which result in higher ongoing expenses than Class A shares. The portion of the 12b-1 fee that is used for distribution expenses is effectively an asset-based sales charge paid over time rather than a front-end sales charge applicable to Class A share purchases. These charges allow the fund’s distributor to recover its costs of distributing the fund. Part of these costs include compensation, also known as a “dealer concession,” paid by the fund’s distributor to Morgan Stanley Financial Advisors. Dealer concessions on equity funds are typically 4.5% of the purchase price regardless of the size of the investment since, unlike Class A shares, there are no breakpoint discounts applicable to Class B shares.

The CDSC associated with an investment in Class B shares declines over time, and in most funds is eventually avoided entirely following the expiration of a designated holding period. Upon the expiration of that holding period, or shortly thereafter, Class B shares typically “convert” into Class A shares, at which point the investment will begin to be charged the Class A shares’ lower 12b-1 fees. For these reasons, even though they carry no front-end load, Class B shares are not, and should not be viewed as, “no-load” shares.

It is important to bear in mind that the CDSCs and higher 12b-1 fees charged on Class B shares can cost you more than the Class A front-end sales charges, especially on purchases that are eligible for breakpoint discounts. This can make Class B shares more expensive to you and economically inferior to Class A shares depending upon the fund, the amount invested in the fund and the holding period. If you are considering investing in Class B shares, you should discuss with your Financial Advisor whether an investment in Class A shares might be preferable for you, considering the availability of breakpoint discounts on the front-end sales charge and the generally lower 12b-1 fees of Class A shares. Some fund companies and brokerage firms (including Morgan Stanley) limit the amount of Class B shares you can purchase in a fund.

Class C Shares
Investments in Class C shares usually are not subject to front-end sales charges. However, purchasers of Class C shares are typically required to pay a CDSC if the shares are sold within a short time of purchase, usually one year. The 12b-1 fees associated with Class C shares are typically higher than those of Class A shares. Similar to Class B shares, the portion of the 12b-1 fee that is used for distribution expenses, typically 0.75% per year of the fund’s assets, is effectively an asset-based sales charge paid over time rather than a front-end sales charge applicable to Class A share purchases. These charges allow the fund’s distributor to recover its costs of distributing the fund (including compensation payable to Morgan Stanley Financial Advisors). However, unlike Class B shares these fees continue indefinitely, because in most cases the Class C shares do not convert into Class A shares as Class B shares typically do. It’s important to refer to the Fund’s prospectus for complete information.

In most cases, owning Class C shares over longer holding periods will be more expensive than owning Class A shares or Class B shares. Remember that higher expenses will mean reduced investment performance. Class C shares are often purchased by investors who have a shorter-term investment horizon because during those first years they will generally be cheaper to buy and sell than Class A or Class B shares.

Single Share Class Funds
Certain fund families may offer only one share class for investors who purchase the funds through commission-based brokerage accounts. These single share class funds are generally similar to the Class C shares offered by other fund families. Typically, the 12b-1 fees associated with these shares are higher than those of Class A shares and they continue indefinitely. In addition, these single share class funds do not typically offer sales charge discounts (“breakpoints”) on large individual or cumulative purchases. Because these discounts can be significant, especially at investment levels of $500,000 or more, investors should consider all factors when making such an investment, including the impact that the share class fees can have on performance and the fact that other fund families offer breakpoints. Speak with your Financial Advisor for more information.

Retirement Shares
Many mutual fund families offer one or more share classes specifically for use by employer-sponsored retirement plans as investment options for plan participants (“Retirement Shares”). Some fund companies offer Class A
shares with the front-end sales load waived, while others offer a share class that is dedicated solely to employer-sponsored retirement plans and does not charge a front-end or back-end sales load (e.g., “R shares”). In either case, the mutual fund families generally have specific eligibility criteria and/or plan asset size or participant number requirements for purchasing the shares.

Advisory Account (No-Load) Shares
No-load shares do not have front-end or back-end sales charges, and their expenses are typically the lowest of any share class. Morgan Stanley may offer these shares in many of its fee-based advisory programs. These accounts charge fees for the advice and services provided to clients based upon a percentage of billable assets held in the account. Please refer to the applicable Morgan Stanley ADV Brochure for more information on the fees and expenses for these accounts.

Reducing or Eliminating Sales Charges
Fund families typically offer options to reduce or eliminate sales charges in certain instances. The most common options available to investors are within fund family exchange privileges and fund transfer and repurchase fee waiver programs.

EXCHANGES BETWEEN FUNDS WITHIN THE SAME FUND FAMILY
Exchanges between the same share classes of funds within the same fund family typically may be made without sales charges. Funds often limit the number and frequency of transfers that can be made during a certain period of time. Certain funds may impose short-term exchange or redemption fees based on your holding period. Because these time parameters and the amount of any fees vary among mutual fund companies, please check the mutual fund prospectus for more information.

WAIVERS ON FUND TRANSFERS AND REPURCHASES
Many funds allow investors who have redeemed shares from a fund within the same family to either purchase Class A shares without a sales load, or purchase Class B shares and recoup any CDSC paid on the redeemed shares, while resetting the redemption fee clock (or CDSC period) to the period applicable to the original Class B share purchase. For example, if an investor redeemed Class B shares after their CDSC period had expired, then that investor could, within a specified time period (ranging from 60 days to up to one year), purchase shares in the same fund family in an amount up to the dollar value of the redeemed shares without the new shares being subject to a new CDSC. The new shares would also convert to Class A shares according to the original schedule applicable to the redeemed shares (less any time lapse between redemption and repurchase).

Since each fund or fund family sets its own conditions for these load-waiver programs, you should refer to the fund prospectus and also consult your Financial Advisor for specific program conditions.

Understand how breakpoints work. Read the mutual fund prospectus. Consult the fund’s SAI, check the fund’s website or ask your Financial Advisor for additional information about the sales charges and other costs of owning the fund’s different share classes.

Review your mutual fund holdings. Before making a mutual fund purchase, review your account statements and those of your family to identify opportunities to achieve a breakpoint discount. Don’t limit your review to accounts at a single brokerage firm. You may have related mutual fund holdings in multiple accounts at different brokerage firms, or with the mutual fund company itself, that can be aggregated for the purpose of achieving a breakpoint discount.

Keep Your Financial Advisor Informed
Be sure to tell your Financial Advisor about your mutual fund holdings and those of your family, including holdings at other brokerage firms or with the mutual fund company itself. Also, discuss any plans you may have for making any additional purchases in the future. Discuss your expected investment horizons with your Financial Advisor. With this information, your Financial Advisor can help you select a share class that may help minimize the fees that you will pay over the life of your investment.

Our Relationship With Mutual Fund Families
Morgan Stanley offers clients a large selection of mutual funds. We review and evaluate each fund family whose mutual funds we offer based upon various factors, including but not limited to:

- investment opportunity;
- number and variety of funds offered;
- length of track record and historical appeal to our clients and Financial Advisors;
- short-and long-term performance of the funds offered;
- size of assets under management;
- ability to support our Financial Advisors and clients through training,
education and sales and marketing assistance; and

- level of interest and demand.

Our Financial Advisors are not permitted to execute investments in funds that we have not reviewed and evaluated.

**How We Are Compensated for Mutual Fund Sales**

**BROKERAGE ACCOUNTS — SALES CHARGES**

Each time you purchase a mutual fund in a commission-based brokerage account, the fund family pays an amount to us as compensation based upon the amount of your investment and the share class you have selected. A portion of these payments is allocated to your Financial Advisor.

A fund’s dealer compensation practices are described in its prospectus and SAI. Typically, for front-end sales charge share classes, the fund families pay Morgan Stanley most of the initial sales charge you pay. For back-end sales charge share classes (and for very large Class A share purchases that qualify for a complete waiver of their front-end sales charge), the fund distribution company pays Morgan Stanley a selling fee at a rate set by the fund family.

Morgan Stanley also receives shareholder-servicing payments (sometimes called trails) as long as you continue to hold the shares in your Morgan Stanley account or directly at the fund if we act as your “broker of record.” These payments are generally made by the fund’s principal distributor from 12b-1 fee revenues charged against fund assets. Your Financial Advisor receives a portion of each of these payments.

The portion of these payments that we pay to your Financial Advisor is based upon Morgan Stanley’s standard compensation formulas. Morgan Stanley’s Financial Advisor compensation formulas are the same regardless of which fund you purchase. However, some funds may impose higher sales charges than others, which can affect the amount paid to your Financial Advisor. In addition, because funds’ sales charges are different for their different share classes, the choice of share class can significantly affect the compensation your Financial Advisor receives. These inherent mutual fund product pricing discrepancies present a conflict of interest for Morgan Stanley and our Financial Advisors when recommending purchases of funds and fund share classes. To mitigate this conflict, Morgan Stanley utilizes a sales load capping mechanism on Financial Advisor compensation. In addition, the firm employs an order entry share class selection calculator designed to provide clients with the least costly share class option over the anticipated holding period of the investment.

Feel free to ask your Financial Advisor how he or she will be compensated for any mutual fund transaction.

**ADVISORY ACCOUNTS — PROGRAM FEES**

Mutual funds offered in our advisory account programs are not subject to front-end or ongoing transactional sales charges. Rather, these accounts charge fees for the advice and services provided to clients based upon a percentage of billable assets held in the account. Please refer to the applicable Morgan Stanley ADV Brochure for more information on the fees and expenses for these accounts.

**BROKERAGE ACCOUNTS — REVENUE-SHARING**

Morgan Stanley charges each fund family we offer a mutual fund support fee, also called revenue-sharing, up to a maximum per fund family of 0.16% per year ($16 per $10,000 of assets) on the mutual fund holdings of our brokerage account clients. The minimum charge is $250,000 per year per fund family.

Revenue-sharing payments are in addition to the sales charges, annual distribution and service fees (referred to as “12b-1” fees), applicable redemption fees and deferred sales charges, and other fees and expenses disclosed in the fund's prospectus fee table. Revenue-sharing payments are generally paid out of the fund’s investment adviser, distributor or other fund affiliate’s revenues or profits and not from the fund’s assets. However, fund affiliate revenues or profits may in part be derived from fees earned for services provided to and paid for by the fund. No portion of these revenue-sharing payments is made by means of brokerage commissions generated by the fund.

A list of revenue-sharing fund families, organized by size of payment, is available on our website at the address noted in the “For More Information” section below. Although we seek to charge all fund families the same revenue-sharing fee rate, in aggregate, Morgan Stanley receives significantly more revenue-sharing from the families with the largest client fund share holdings at our firm. This fact presents a conflict of interest for Morgan Stanley to promote and recommend funds from those fund families rather than funds from families that in aggregate pay us less revenue-sharing. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation as a result of these revenue-sharing payments received by Morgan Stanley.

**EXPENSE PAYMENTS, DATA ANALYTICS AND ADMINISTRATIVE SERVICE FEES**

Morgan Stanley receives expense payments and fees for data analytics, recordkeeping and related services, which are more fully described below. Administrative fees may be viewed in part as a form of revenue-sharing if and to the extent they exceed what the mutual fund would otherwise have paid for those services. However, they are not included in the revenue sharing payments described above.
EXPENSE PAYMENTS AND DATA ANALYTIC FEES
Morgan Stanley provides fund families with opportunities to sponsor meetings and conferences and grants them access to our branch offices and Financial Advisors for educational, marketing and other promotional efforts. Fund representatives may also work closely with our branch offices and Financial Advisors to develop business strategies and plan promotional and educational activities. In addition, Morgan Stanley typically receives payments from funds or their affiliates in connection with these promotional efforts to help offset expenses incurred for sales events and training programs as well as client seminars, conferences and meetings. Fund families independently decide what they will spend on these activities and may also invite our Financial Advisors to attend fund family sponsored events. Expense payments may include meeting or conference facility rental fees and hotel, meal and travel charges.

Certain fund families (referred to as either “Global Partners” or “Emerging Partners”) dedicate significant financial and staffing resources to these efforts and receive supplemental sales data analytics as well as additional opportunities to sponsor firm events and promote their funds to our Financial Advisors and clients. Global Partners commit $550,000 per year for training and sales meeting expenses, and pay $200,000 per year for data analytics. Emerging Partners commit $250,000 per year for training and sales meeting expenses and pay a fee of $100,000 per year for data analytics. These facts present a conflict of interest for Morgan Stanley and our Financial Advisors to the extent they lead us to focus on funds from those fund families, including our Global and Emerging Partners, that commit significant financial and staffing resources to promotional and educational activities instead of on funds from fund families that do not purchase sales data analytics or do not commit similar resources to these activities. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation for recommending funds sponsored by our Global or Emerging Partners or any other fund families that provide significant sales and training support. Morgan Stanley selects the Global and Emerging Partners fund families based on a number of quantitative and qualitative criteria. Our Global and Emerging Partners are denoted by an asterisk on the Revenue-Sharing Fund Families list available on our website at the address noted in the “For More Information” section below.

Fund family representatives are allowed to occasionally give nominal gifts to Financial Advisors, and to occasionally entertain Financial Advisors (subject to an aggregate entertainment limit of $1,000 per employee per fund family per year). Morgan Stanley’s non-cash compensation policies set conditions for each of these types of payments, and do not permit any gifts or entertainment conditioned on achieving any sales target.

ADMINISTRATIVE SERVICE FEES
Morgan Stanley and/or its affiliates receive compensation from funds or their affiliated service providers for providing certain recordkeeping and related services to the funds. These charges typically are based upon the number or aggregate value of client positions and the levels of service provided. We process transactions with certain fund families on an omnibus basis, which means we consolidate our clients’ trades into one daily trade with the fund, and therefore maintain all pertinent individual shareholder information for the fund. Trading in this manner requires that we maintain the transaction history necessary to track and process sales charges, annual service fees, and applicable redemption fees and deferred sales charges for each position as well as other transaction details required for ongoing position maintenance purposes. For these services, funds pay, at their election, either up to $21 per year per position or up to 0.16% per year ($16 per $10,000) on fund assets held by our clients in commission-based brokerage accounts. The annual fees for positions held by clients in our fee-based advisory account programs are generally 0.16% ($16 per $10,000) of fund assets per year for nonretirement advisory accounts but are 0.35% ($35 per $10,000) of fund assets per year for TRAK Fund Solution retirement client accounts and 0.28% ($28 per $10,000) of fund assets per year plus up to $21 per fund position per year for TRAK Fund Solution nonretirement client accounts. A list of these fund families is available on our website at the address noted in the “For More Information” section below.

All other fund families are traded on a networked basis, which means Morgan Stanley submits a separate trade for each individual client trade to the fund, and therefore we maintain only certain elements of the fund’s shareholder information. We charge these remaining funds a networking fee of up to $11 per year per position held by our clients.

Although Morgan Stanley provides additional services to funds where positions are held on an omnibus basis, the fact that the administrative fee rate is higher for those services than the rate for networked accounts presents a conflict of interest for Morgan Stanley to recommend purchases of omnibus traded funds over networked funds. In addition, while all fund families are charged the same administrative service fee rates for either omnibus or networked accounts, in aggregate, Morgan Stanley receives significantly more administrative service fees from the fund families with the largest client fund share holdings at our firm. This fact presents a conflict of interest for
Morgan Stanley to promote and recommend funds from those fund families rather than funds from families that in aggregate pay us less administrative service fees. In order to mitigate this conflict, Financial Advisors and their Branch Office Managers do not receive additional compensation as a result of these administrative service fee payments received by Morgan Stanley.

### Money Market and Money Market Sweep Funds
Money market funds are generally subject to the same revenue-sharing and administrative service fees outlined above. However, different fees are assessed on money market fund assets that are available as cash management sweep options for Morgan Stanley client accounts. Our affiliate, Morgan Stanley Investment Management (“MSIM”), serves as the investment advisor to the cash management sweep option funds. Morgan Stanley receives compensation from MSIM for providing recordkeeping and related services of up to $19.08 per year per fund position held by our brokerage account clients. This fee is not assessed on positions held by clients in our fee-based advisory account programs except for the TRAK Fund Solution program where the fees are up $19.08 per year per fund position for nonretirement client accounts and 0.10% ($10 per $10,000) of fund assets per year for retirement client accounts. We also receive revenue-sharing compensation from MSIM based on the amount of money market sweep fund assets held by our clients in brokerage accounts of up to 0.18% per year ($18 per $10,000 of assets). This fee is not assessed on positions held by clients in our fee-based advisory account programs.

### Other Compensation Received From Funds
Morgan Stanley or its affiliates receive from certain funds compensation in the form of commissions and other fees for providing traditional brokerage services, including related research and advisory support, and for purchases and sales of securities for fund portfolios. We also receive other compensation from certain funds for financial services performed for the benefit of such funds. Morgan Stanley prohibits linking the determination of the amount of brokerage commissions and service fees charged to a fund to the aggregate values of our overall fund-share sales, client holdings of the fund or to offset the revenue-sharing or expense reimbursement and administrative fees described above. Financial Advisors and their Branch Office Managers receive no additional compensation as a result of these payments received by Morgan Stanley.

### For More Information
For additional information on a particular fund’s payment and compensation practices, please refer to the fund’s Prospectus and Statement of Additional Information. Further information regarding revenue-sharing and administrative service fees is available at: http://www2.morganstanley.com/wealth/investmentsolutions/mutualfunds.asp or by calling your Financial Advisor.

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**Important Note**
Some of the information in this disclosure has been adapted in part from information available on FINRA’s website. We invite you to examine the wealth of information provided on FINRA’s website (www.FINRA.org) and the SEC’s website (www.SEC.gov). In particular, FINRA’s website also contains a fund share class calculator to assist you in determining which share class in a fund family offers the least expensive fee structure. FINRA’s Fund Analyzer is located at: http://apps.finra.org/fundanalyzer1/1/fa.aspx.