

Part 2A
Form ADV Brochure

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

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This Brochure provides information about the qualifications and business practices of Morgan Stanley Investment Management Limited (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us, at (212) 296-7045. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an Investment Adviser does not imply any level or skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov

ITEM 2 MATERIAL CHANGES

The adviser has no information applicable to this Item.

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ITEM 4 ADVISORY BUSINESS

Morgan Stanley Investment Management Limited (“MSIM Ltd” or the “Adviser”), the investment management division of Morgan Stanley, was formed in 1985 to lead the Firm’s work in international and global investment, offering investment in the world’s equity and fixed income markets, either separately or as a balanced portfolio, for all institutions. The ultimate parent company of MSIM Ltd is, Morgan Stanley, a publicly-held company. MSIM Ltd registered with the Financial Conduct Authority (FCA) in 2001 and with the SEC as an investment adviser under the Investment Advisers Act of 1940 in 1986.

Overview

MSIM Ltd is a client centric organization dedicated to providing investment and risk-management solutions to investors worldwide. Our global presence, thought-leadership, and breadth of products and services enable us to partner with clients to design solutions that are both flexible and tailored to meet the ever-evolving challenges of today’s financial markets.

With over three decades of asset management experience, our investment strategies span the risk/return spectrum across geographies, investment styles and asset classes, including equity, fixed income, alternatives and private markets. Each of our investment teams have a unique talent pool of experienced investment professionals backed by the broad reach, access and resources of Morgan Stanley. As a diversified global financial services firm that engages in a broad spectrum of activities including financial advisory services, asset management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and other activities, you should be aware that there will be occasions when Morgan Stanley may encounter potential conflicts of interest in connection with its investment management services.

MSIM Ltd also provides asset allocation advice for fees that are negotiated and vary depending on a client's particular circumstances. In connection with this service, MSIM Ltd advises clients on a discretionary and non-discretionary basis as to the appropriate allocation of their assets among various separate accounts and/or investment companies advised by MSIM Ltd, including but not limited to the Morgan Stanley Institutional Fund, Inc. and the Morgan Stanley Institutional Fund Trust, each an open-end registered investment company, the Morgan Stanley Investment Funds a Societe d'Investissement a Capital Variable ("SICAV") which is a collective investment vehicle established in Luxemburg and the Morgan Stanley Funds UK which is an open ended investment company ("OEIC") in the UK. MSIM Ltd's asset allocation fee is in addition to fees it and its affiliates receives as adviser and administrator to such investment companies. Because Registrant receives varying fee levels for its advisory services to the investment companies it recommends, it may be deemed to have a conflict of interest in rendering its asset allocation advice.

MSIM Ltd fund of funds advisory business consists primarily of identifying investment opportunities and making investments in diversified portfolios of traditional and non-traditional investment funds. Advisory services of this nature are provided to funds and separate accounts on a discretionary and nondiscretionary basis. The underlying funds in which we invest are referred to throughout as the “Investment Funds” and the third party investment managers who manage the Investment Funds are referred to as the “Investment Managers”.

In addition to providing advisory services as described above, we may also act as the adviser of certain other funds (or other similar vehicles) that are established to invest in co-Investments alongside Investment Funds in which the accounts may also invest or in other underlying private equity funds in connection with a specific investment (collectively, the "co-Investment Partnerships").

Our fund of funds advisory and portfolio solutions business focuses on the discretionary and in certain instances, non-discretionary investment management of accounts across three strategies: (1) fund of hedge funds; (2) private markets fund of funds; and (3) portfolio solutions.

Assets Under Management

As of December 31, 2016 MSIM Ltd managed, \$51,629,901,232 on a discretionary basis and \$3,955,835,491 on a non-discretionary basis totaling \$55,585,736,723 of assets under management.

ITEM 5 FEES AND COMPENSATION

Management Fees

MSIM Ltd's fees may vary from the applicable schedules below due to the particular circumstances of the client or as otherwise negotiated with particular clients. MSIM Ltd may provide investment advisory services to clients for negotiated fixed fees based on the value of the services rendered and may, from time to time, receive a performance based fee, except in those jurisdictions that do not allow fees based on performance. MSIM Ltd may also negotiate per-transaction fees with clients which are expressed as a percentage of the value of each account transaction. Holdings in a client's account may include REITS, investment companies (including ETFs) and other pooled vehicles for which a separate management fee is charged, including investment companies and other pooled vehicles advised by MSIM Ltd or a related person.

Fees are generally billed quarterly in arrears based on current or quarter-average market values. Certain accounts are billed quarterly in advance. The timing of fee payments and method of calculation for particular clients may vary in accordance with client preferences. Typically, MSIM Ltd's services are terminable by either party upon written notification in accordance with the applicable contractual notice provision. Upon termination the fees described above (including performance fees, if any) generally will be prorated.

The fees below are only the advisory fees charged by MSIM Ltd and do not reflect custodial or other fees that may be applicable to a client's account.

Item 12 further describes the factors that MSIM Ltd considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Fee Schedules

International Equity

Account Minimum: \$100 million

.800% on the first \$25 million

.600% on the next \$25 million

.500% on the next \$25 million

.400% on assets in excess of \$75 million

Global Franchise

Account Minimum: \$50 million

.800% on the first \$25 million

.750% on the next \$25 million

.700% on the next \$50 million

.650% on assets in excess of \$100 million

Global Quality

Account Minimum: \$50 million

.800% on the first \$25 million

.750% on the next \$25 million

.700% on the next \$50 million

.650% on assets in excess of \$100 million

Global Real Estate (1)

Account Minimum: \$100 million

.750% on the first \$100 million

.500% on the next \$300 million

.400% on assets in excess of \$400 million

(1) Includes Europe, Asia International, North America and US Real Estate products

Global Aggregate Fixed Income

Account Minimum: \$50 million

.300% on the first \$50 million

.250% on the next \$50 million

.200 on assets in excess of 100 million

Sterling Credit

Account Minimum: £50 million

.300 % on the first £30 million

.250 % on the next £30 million

.200 % on assets in excess of £60 million

Global Tactical Asset Allocation

Account Minimum: \$100 million

.750% on the first \$100 million

.650% on the next \$150 million

.550% on assets in excess of \$250 million

.450% thereafter

European High Yield

Account Minimum: €50 million

.450% on the first €50 million

.350% on the next €50 million

.250% on assets in excess of €100 million

European Strategic Bonds

Account Minimum: €50 million

.300 % on the first €50 million

.200 % on the next €50 million

.150 % on assets in excess of €100 million

Euro Aggregate

Account Minimum: €50 million

.250% on the first €50 million

.200% on the next €50 million

.150% on assets in excess of €100 million

Euro Corporate .350% on the first €50 million .250% on the next €50 million .200% on assets in excess of €100 million	Account Minimum: €50 million
Euro Short Maturity .200 % on the first €50 million .150 % on the next €50 million .150 % on assets in excess of €100 million	Account Minimum: €50 million
European Total Return .350% on the first €50 million .250% on the first €50 million .150% on assets in excess of €100 million	Account Minimum: €50 million
Global Convertibles .500% on the first €50 million .450% on the first €50 million .400% on assets in excess of €100 million	Account Minimum: €50 million
European Equity Alpha .700% on the first 25 million .600% on the first 25 million .500% on the first 50 million .400% on assets in excess of 100 million	Account Minimum: Eur 25 million
Eurozone Equity .750% on the first 25 million .650% on the first 25 million .550% on the first 50 million .450% on assets in excess of 100 million	Account Minimum: Eur 25 million
European Champions .750% on the first 25 million .650% on the next 25 million .550% on the next 50 million .450% on assets in excess of 100 million	Account Minimum: Eur 25 million

Fund of Hedge Funds

For advisory services rendered to the funds pursuing a private markets fund of hedge funds investment strategy, we generally are entitled to a fee in an amount (on an annualized basis) of up to (i) 1.50% of the net asset value of the applicable Fund, or (ii) 1.50% of the aggregate capital commitment to the applicable fund. In the case of certain funds, the fees we charge may decrease over time upon the occurrence of certain events, as described in the governing documents of such funds. In some cases, we or our affiliate are also entitled to and receive performance based fees which vary between 5%-10% of the investor's net profits, and may be subject to a minimum hurdle rate and /or high water mark. For certain funds managed by us or an affiliate, we are generally entitled to carried interest with respect to each investor equal to

10% of such investor's profits, subject to satisfaction of an 8% internal rate of return, compounded annually.

Funds pursuing a fund of hedge funds investment strategy generally book fees (and as applicable, incentive allocation estimates) on a monthly basis.

Private Markets Fund of Funds

For investment advisory services rendered to the funds pursuing a private markets fund of funds investment strategy, we are generally entitled to a fee in an amount (on an annualized basis) of up to 1.75% which will generally be based on either (i) the aggregate capital commitments to a fund, (ii) the aggregate capital commitments made by the applicable fund to such fund's underlying investments (based on the acquisition costs of such underlying investments) or (iii) the aggregate capital contributions made by the applicable fund to such fund's underlying investment (excluding amounts constituting a return of a capital contribution by such underlying investments). In the case of certain funds, the fees charged by us may decrease over time upon the occurrence of certain events, as described in the governing documents of such Funds. In most cases, we or our affiliate are also entitled to receive performance based fees which vary.

We or an affiliate of ours are generally entitled to carried interest with respect to each investor generally ranging from 5% - 20% of such investor's profits, subject to satisfaction of an internal rate of return ranging from 6% - 8%, compounded annually.

Certain funds that pursue a private markets fund of funds strategy are required to pay the management fee quarterly in advance. We do not provide refunds for fees paid in advance with respect to funds pursuing a private markets fund of funds strategy.

Funds pursuing private markets fund of funds investment strategies generally book fees on a quarterly basis.

Portfolio Solutions Group

For discretionary services rendered to clients in commingled funds, we generally are entitled to a fee in an amount (on an annualized basis) of up to 1.10% of the net asset value of the applicable account. In some cases, we or our affiliate are also entitled to and receive performance based fees which vary between 5%-20% of the investor's net profits, and may be subject to a minimum hurdle rate and/or high water mark.

Fees are recorded monthly within the commingled fund.

Expenses Charged to Clients/Fee Discounts

Fees and expenses investors in hedge fund or funds or private markets fund of funds strategies may expect to incur include, but are not limited to, the operating expenses and performance-based incentive fees or allocations of expenses of the Underlying Investment Funds in which the funds invest. Operating expenses typically consist of management fees, administration fees, professional fees (i.e., audit and legal fees), and other operating expenses. With respect to funds that pursue a private markets fund of funds strategy, the management fee will be in addition to an investor's capital commitment.

Depending upon the terms of particular arrangements with clients, we may select or recommend that certain service providers to clients (including accountants, administrators, lenders, bankers, brokers, agents, attorneys, consultants, and investment or commercial banking firms) and/or their affiliates perform services for clients (the cost of which generally will be borne by the advisory client.) These service providers may also provide goods or services to or have business, personal, political, financial or other relationships with us or our affiliates. Such service providers may be investors in a fund, our affiliates, sources of investment opportunities or co-investors. These other services and relationships may influence us in deciding whether to select or recommend such a service provider to perform services for clients. Notwithstanding the foregoing, investment transactions on behalf of clients that require the use of a service provider generally will be allocated to service providers on the basis of best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment related services and research that we believe to be of benefit to the clients. In certain circumstances, service providers, or their affiliates, may charge different rates or have different arrangements for services provided to Morgan Stanley, us or our affiliates as compared to services provided to the clients, which may result in more favorable rates or arrangements than those payable by the clients.

Clients, including investors in certain funds advised by us, are generally required to bear out-of-pocket costs and expenses incurred in connection with deals that are not ultimately completed. Typically, these expenses include (i) legal, accounting, advisory consulting or other third-party expenses in connection with making an investment that is not ultimately consummated, (ii) all fees (including commitment fees), costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment that is not ultimately made, and (iii) any break-up fees, deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not ultimately made (in each case, to the extent such investment is not ultimately made by another advisory client).

Subject to applicable law and the relevant fund's governing documents, we may enter into arrangements with certain investors that have the effect of altering or supplementing the terms of such investors' investments in a fund, including with respect to waivers or reductions of the management fee.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

In some cases, we have entered into performance fee arrangements with qualified clients. Such fees are subject to individualized negotiation with each such client.

Because the portfolio managers may manage assets for other investment companies, pooled investment vehicles and/or other accounts (including accounts of institutional clients and pension plans), there may be an incentive to favor one client over another resulting in conflicts of interest. For instance, we may receive fees from certain accounts that are higher than the fee we receive from another account, or we may receive a performance-based fee on certain accounts. In those instances, the portfolio managers may have an incentive to favor the higher and/or performance-based fee accounts over another account. In addition, a conflict could exist to the extent that we have proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in our employee benefits and/or deferred compensation

plans. The portfolio manager may have an incentive to favor these accounts over others. If we manage accounts that engage in short sales of securities of the type in which the account invests, we could be seen as harming the performance of the account for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall. A portfolio manager may also be faced with a conflict of interest when allocating investment opportunities, given the possibility of greater fees from accounts that pay performance-based fees as opposed to accounts that do not pay performance-based fees.

For additional information on allocation issues and our practices, please refer to Item 12 “Brokerage Practices.”

To address these types of conflicts, we have adopted policies and procedures pursuant to which allocation decisions may not be influenced by fee arrangements and investment opportunities will be allocated in a manner that we believe to be consistent with our obligations as an investment adviser. To further manage these types of conflicts, we have implemented Side-by-Side Management guidelines, which are designed to set out specific requirements regarding the side-by-side management of traditional investment portfolios (e.g., long-only portfolios) and alternative investment portfolios (e.g., hedge fund portfolios) in order to manage potential conflicts of interest, including without limitation, those associated with any differences in fee structures, investments in the alternative investment portfolios by MSIM or its employees and trading-related conflicts (including conflicts of interest that may also be raised when MSIM investment teams take conflicting (i.e., opposite direction) positions in the same or related securities for different accounts.) In addition, we have established a Side-by-Side Management Subcommittee to ensure that such conflicts are reviewed and managed appropriately.

ITEM 7 TYPES OF CLIENTS

The Adviser provides advice to corporate pension and profit-sharing plans, corporate entities, state, local and foreign government entities (including foreign pension funds), supra-national organizations, Sovereign Wealth Funds, educational institutions, foundations, cultural institutions, registered mutual funds, closed end funds, fund of one, unregistered funds and foreign regulated funds such as SICAVs, OEICs, QIFs and SIFs.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear.

The Adviser has the following significant Equity Investment Strategies:

European Equity

The **European Equity Strategy** seeks to generate long-term capital appreciation by investing in high quality companies with sustainable competitive advantages, strong cash-flow generation, and high returns on investment. To achieve this objective, the fund employs disciplined, fundamental analysis to identify those companies that trade at a discount to their long-term intrinsic value. The strategy exists on a regional basis.

The **European Champions Strategy** seeks to generate long-term capital appreciation by investing in European companies that possess a prominent and sustainable position in their field, potentially enabling

superior profitability and investment returns. To achieve this objective, the investment team combines quantitative filters with rigorous qualitative analysis to create a concentrated, high conviction portfolio.

International Equity

The **International Equity Strategy** seeks long-term capital appreciation by investing primarily in a variety of non-U.S. stocks. To achieve its objective, the strategy incorporates disciplined, fundamental analysis in an effort to identify quality companies—mainly in Europe, Australia and the Far East—that trade at a discount to their long-term intrinsic value. This strategy is also available with US exposure.

Global Franchise

The **Global Franchise Strategy** is a concentrated equity strategy that offers a differentiated approach to investing in global stocks. The strategy seeks to generate attractive returns by investing in high-quality franchise businesses, characterized by dominant intangible assets, high returns on invested capital and strong free cash flow generation. To help achieve this objective, the strategy employs a “buy-and-hold” approach to construct a concentrated portfolio, with stock selection informed by rigorous fundamental analysis.

Global Quality

The **Global Quality Strategy** is a concentrated, global equity strategy that offers a disciplined approach to investing in a portfolio of what the Adviser believes to be world class companies. The strategy seeks to generate attractive, long-term absolute and relative returns with good potential upside [capture] while retaining a clear focus on downside protection. The strategy uses fundamental analysis and bottom up stock selection to identify companies characterized by resilient, high cross-cycle, unlevered returns on capital, and strong free cash flow generation. The strategy aims to buy these stocks at attractive valuations relative to their cash flow based fundamental analysis. This strategy is also available excluding issuers which invest in, or derive income from, tobacco products.

Real Estate

The **Global Real Estate Securities Strategy** seeks attractive long-term, risk-adjusted returns by investing in publicly traded real estate securities that offer exposure to the direct real estate markets at the best value relative to underlying asset values and growth prospects, primarily in developed countries worldwide. The investment team utilizes proprietary research to drive a long-term, value-oriented, bottom-up driven investment process and also incorporates top down analyses. This strategy is available on a global, international and regional basis (e.g., U.S., North American, European, Asian).

Global Multi-Asset

The **Global Tactical Asset Allocation Strategy** seeks to achieve total return by investing in a blend of equity and fixed income securities of U.S. and non-U.S issuers. It is a global macro strategy that seeks to identify and exploit inefficiencies between markets, regions, and sectors to deliver returns in excess of a customized financial benchmark. In seeking to achieve this investment objective, the strategy utilizes global tactical approach to achieving total return, and to control risk and volatility.

The Adviser has the following significant Fixed Income Investment Strategies:

Global Fixed Income (includes US and non-US)

The **Global Fixed Income Strategy** combines a top-down assessment of the global bond universe with rigorous bottom-up fundamental and/or quantitative analysis:

The process begins with a top-down value assessment of the bond universe, including a consideration of macroeconomic conditions, business cycles, and relative valuations. We seek first to identify areas where implied market forecasts are out of line relative to historic trends and second, to identify what the catalyst will be for the market to adjust, and for the sector to re-value. From these assessments, the Asset Allocation team sets the broad overall investment direction. Portfolio Managers subsequently work with our research analysts to implement these ideas across fixed income portfolios, in accordance with each portfolio's objectives and guidelines.

Macro analysis: We seek to determine which themes are driving asset prices across rates, countries, and currencies and to evaluate the investment opportunity set based on a thematic investment thesis. The top-down process uses a combination of fundamental and quantitative analysis to identify and evaluate these investment opportunities.

Asset Allocation: The primary task of the Asset Allocation team is to identify the top-down allocations into each sub-sector of the fixed income market, together with interest rate and currency positions, in order to create the optimal blend of all the sub-asset classes. The team seeks first to identify areas where implied market forecasts are out of line relative to historic trends and second, to identify the catalyst for the market to adjust. Internal debate is a key feature of our investment philosophy, ensuring investment ideas are tested thoroughly. The team debates relative value across sectors and determines broad strategy targets for all of our strategies. We believe this creates a balanced and complete approach, ensuring that all fixed income asset classes are evaluated. Crucially, the team examines the correlations and risks inherent in each of the trade ideas. Ultimately, the team aims to select the trade with the best risk/reward profile to exploit a specific investment theme.

Research: Research is conducted by dedicated teams specializing in a particular niche of the fixed income market. The research teams use in-depth fundamental analysis, complemented by quantitative tools, to generate bottom-up investment ideas and are responsible for security selection.

Our commitment to research is exemplified by the integration of our research and portfolio management teams, which ensures that our research findings are incorporated in our portfolio management activities. Each of our fixed income investment professionals is a member of one of our research teams covering Credits, Mortgages, Emerging Market Debt, and Macro. The portfolio managers and research analysts interact daily through informal meetings and regularly scheduled formal meetings throughout the week. This provides a robust forum for debate, review and implementation of investment ideas. Research analysts provide support to the portfolio managers, as well as critical input to the investment decision-making process.

Portfolio construction: Portfolio managers are responsible for implementing the investment strategies. They work to construct each portfolio in a way that conforms to individual client/strategy guidelines and objectives, while staying true to the broad strategy targets that are set by the Asset Allocation team. The

portfolio managers achieve these targets by working with the research analysts to fill the sector buckets with bottom-up security selection ideas. This ensures that portfolios are both consistently benefiting from our best investment ideas and adhering to client guidelines and risk/return objectives.

Global

The **Global Aggregate Strategy** seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of multicurrency debt issued by government and non-government issuers. To help achieve this objective, the strategy combines a top-down macroeconomic assessment, with rigorous bottom-up fundamental analysis and active currency management (where appropriate).

The **Global Convertible Strategy** seeks attractive total returns by investing in convertible bonds issued globally. The strategy is designed to take advantage of the attractive risk/return characteristics of convertible bonds by allowing meaningful participation in equity market growth while attempting to provide downside protection through fixed income. Based on a buy-and hold philosophy, the strategy combines top-down macroeconomic analysis to determine optimal delta2 sensitivity for the portfolio, with rigorous bottom up fundamental research to help mitigate credit risk.

The **Global Credit Strategy** seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of multi-currency debt issued by corporations and non-government issuers. To help achieve this objective, the strategy combines a top-down macroeconomic assessment with rigorous bottom up fundamental analysis.

The **Global Fixed Income Opportunities Strategy** seeks attractive total return in any market cycle. The strategy maximizes the benefits of our global approach across all the sub-asset classes in Fixed Income to ensure “best ideas” are included. It focuses on absolute and risk-adjusted return over tracking error and benchmark, investing across currency, credit and interest rate markets. The strategy includes exposures to asset classes such as emerging markets, high yield, ABS/MBS, and convertibles.

European

The **European Aggregate Core/Core Plus Strategy** seeks attractive total returns from income and price appreciation by investing in a diversified portfolio of Government Corporation and non-government debt denominated in euro. To achieve this objective, the strategy combines a top down assessment of the macroeconomic conditions to evaluate the government bond universe alongside rigorous bottom-up fundamental analysis in order to assess the non-government fixed income and corporate bonds.

The **European Credit Strategy** seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of primarily euro denominated debt issued by corporations and non-government related issuers. To achieve this objective, the fund combines a top-down macroeconomic assessment, to determine optimal beta positioning for the portfolio, with rigorous bottom-up fundamental analysis.

The **European High Yield Bond Strategy** seeks attractive returns through investing in a globally diversified portfolio of primarily high yielding fixed income securities. The team invests primarily in euro-denominated debt issued by corporations that offer a yield above that generally available on investment-grade debt securities. To achieve its objective, the strategy combines a top-down macroeconomic assessment, to determine optimal beta positioning for the portfolio, with rigorous bottom-up fundamental analysis.

The **European Strategic Bond Strategy** seeks attractive total returns from income and price appreciation by investing in a globally diversified portfolio of government, corporation, and non-government debt denominated in euro and non-euro currencies. To achieve this objective, the strategy combines a top-down assessment of macroeconomic conditions and the corporate bond universe with rigorous bottom-up fundamental analysis. The strategy has a broad investment universe and can purchase securities rated BB- and above.

Liquidity (includes Euro and Sterling)

Investment Process

The strategy employs a disciplined investment process that focuses on the preservation of capital:

Management of Interest Rate Risk: The team works in conjunction with an in-house interest rate team to research and analyze the potential timing and impact of changes in short-term interest rates. The interest rate team applies a value-driven approach based on the level of real interest rates, prospective inflation, and the shape of the yield curve, with a focus on analyzing the implicit economic and policy assumptions inherent in prevailing market expectations. The team uses the outcome of this analysis to manage the weighted average maturity (WAM) of the strategy.

Management of Credit Risk: A universe of acceptable securities is constructed by a dedicated in-house team of money market fund credit research analysts. In constructing this universe, the analysts leverage the wider in-house credit research team's macroeconomic and country/sector-specific analysis of bond markets globally, to help identify securities that offer attractive risk/return profiles. In particular, they conduct forward-looking analysis to evaluate whether the yield available on individual securities should adequately compensate the investor for the underlying risk.

Independent agency ratings are also used in the due diligence process, with the investment team also focusing on levels and trends in earnings, non-performing assets, debt service coverage ratios, cash flow, and liquidity. The team further considers the issuer's competitive position within its industry, the nature of the industry (i.e., risks, volatility and capital requirements) and various financial ratios exhibited by comparable issuers in the relevant industry.

Portfolio Construction: Based on the proprietary interest-rate and credit research, the team establishes a range of permissible investments and associated size limits. Within this framework of approved credits, maturities are selected, with the need to maintain appropriate liquidity without sacrificing return potential a key consideration. Generally, the strategy will only invest in securities with maturities of less than 13 months, and must maintain a WAM of 60 days or less. Robust pre- and post-trade compliance monitoring systems ensure that investments are made in accordance with internal and rating agency guidelines.

We engage in the following Alternative Investment strategies:

The core of our investment approach is a research intensive strategy and manager selection process intended to exploit market inefficiencies and other situations outside the mainstream of conventional investing while minimizing risk. Investments managed on a discretionary basis are selected opportunistically and managed dynamically from the complete range of liquid and private market strategies appropriate for each account. The offering documents and/or governing documents and, in

applicable cases, the client's investment management agreement provide a fuller description of the types of Underlying Investment Funds in which we cause an account to invest. Our personnel use a wide range of resources to identify attractive Underlying Investment Funds and promising investment strategies for consideration in connection with investments by the accounts. Our main sources of information include contacts with industry executives, established business relationships, and research materials prepared by others.

Fund of Hedge Funds

Our fund of hedge funds investment process consists of investing in funds managed by Underlying Investment Managers who employ a variety of non-traditional liquid market investment strategies; (ii) investing in certain investment funds managed in a traditional style; (iii) making secondary market purchases of hedge funds. Non-traditional investment strategies include a wide range of arbitrage (convertible bond, statistical, term structure, merger, mortgage backed security, global bond and capital structure), long-short equities and bonds, convergence, directional trading, distressed securities and options. These strategies allow Underlying Investment Managers the flexibility to use leverage or short-sale positions to take advantage of perceived inefficiencies across capital markets and are referred to as “alternative investment strategies”. “Traditional” investment companies are characterized generally by long-only investments and limits on the use of leverage. Underlying Investment Funds following alternative investment strategies (whether hedged or not) are often described as “hedge funds”. We may also seek to gain investment exposure, on behalf of an account, to certain Underlying Investment Funds or to adjust market or risk exposure by, among other things, entering into derivative transactions such as total return swaps, options and futures. In addition, as part of their investment strategy, certain funds of hedge funds may invest directly in privately held companies or publicly traded companies alongside an Underlying Investment Fund, typically an Underlying Investment Fund in which such fund invests directly.

For certain funds that employ a fund of hedge funds investment strategy we manage a portion of such fund's assets in overlay strategies related to portable alpha applications of its alternative investments. Portable alpha is the process whereby alpha (defined as the return in excess of the risk-free rate) is transported onto a traditional asset class return (such as equities or fixed income) to enhance the return of the monies allocated to the underlying asset class without necessitating an alteration in the investor's asset allocation. For example, we may enter into a total return swap (with an external counterparty) on behalf of the fund for the total return on the S&P 500 Index in exchange for payments of Libor + 50 basis points. The net return to the investor = (Fund of hedge funds return + S&P 500) - (Libor + 50 basis points).

Private Markets Fund of Funds

For our Private Market Funds of Funds strategies, we implement our investment advice through three primary investment approaches: (i) primary commitments to Underlying Investment Funds; (ii) co-investments, primarily alongside our existing primary Underlying Investment Managers; and (iii) secondary market purchases of existing private markets Underlying Investment Funds and other private markets assets. Underlying Investment Managers may employ a variety of non-traditional private markets investment strategies, including buyouts, growth capital, venture capital, distressed companies, special situations, mezzanine, and other real asset partnership interests purchased and sold on the

secondary markets, emerging markets and other categories. Our Private Market Fund of Funds strategies may, in some cases, as part of its overall investment strategy, make investments in other than Underlying Investment Funds (both on a primary or secondary basis) or co-investments, such as illiquid private assets sourced from other alternative investment vehicles and/or publicly traded securities of private equity businesses or funds (“Other Investments”).

Portfolio Solutions

The Portfolio Solutions Group (“PSG”) has developed proprietary approaches for measuring the risk and return of alternative investments and incorporating them within a broader portfolio. PSG designs and manages highly customized alternative investment portfolios and advises its clients on all aspects of portfolio construction, including: analyzing manager performance (both hedge funds and traditional managers); creating strategic portfolios that include alternative investments; and developing commitment strategies for private equity and real estate investments and portfolio transition plans.

Risk Considerations

All investing and trading activities risk the loss of capital. Although we will attempt to moderate these risks, no assurance can be given that the investment activities of an account or fund we advise will achieve the investment objectives of such account or fund or avoid losses. Direct and indirect investing in securities involves risk of loss that you should be prepared to bear.

Set forth below are some of the material risk factors that are often associated with the types of investment strategies and techniques and types of securities relevant to many of our clients. The information included in this Brochure does not include every potential risk associated with an investment strategy, technique or type of security applicable to a particular client account. Clients are urged to ask questions regarding risks applicable to a particular strategy or investment product, read all product-specific risk disclosures and consult with their own legal, tax and financial advisors to determine whether a particular investment strategy or type of security is suitable for their account in light of their specific circumstances, investment objectives and financial situation.

Risk Considerations Associated with Investing- In General. The following is a non-exhaustive description of risks associated with investments generally and/or may apply to one or more type of security or investment technique.

- **General Economic and Market Risks.** The success of an account’s activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of security prices and liquidity of the account’s investments. Unexpected volatility or lack of liquidity, such as the general market conditions that have prevailed recently, could impair the account’s profitability or result in its suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions.
- **Volatility Risks.** The prices of commodities contracts and all derivatives, including futures and options, can be highly volatile. Accounts and Underlying Investment Funds that trade in commodities contracts and derivatives are subject to the risk that trading activity in such

securities may be dramatically reduced or cease at any time, whether due to general market turmoil, problems experienced by a single issuer or a market sector or other factors. If trading in particular securities or classes of securities is impaired, it may be difficult for an account or Underlying Investment Fund to properly value any of its assets represented by such securities.

- **Inadequate Return Risk.** No assurance can be given that the returns will be commensurate with the risk of your investment. You should not commit money to an account unless you have the resources to sustain the loss of your entire investment. Any losses are borne solely by you and not by us or our affiliates.
- **Inside Information Risk.** From time to time, we may come into possession of material, non-public information concerning an entity in which an account has invested, or proposes to invest. Possession of that information may limit our ability to buy or sell securities of the entity on your behalf.
- **Principal Investment Activities.** Morgan Stanley generally invests directly in private equity and real estate private equity through other divisions. As a consequence, other than co-investments made by certain accounts alongside those private equity or private equity real estate fund managers into whose funds an investment team has invested on a primary basis, not every direct private equity or private equity real estate investment that meets an account's investment objectives may be made available to our accounts.
- **Cyber Security-Related Risks.** We are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that we and our service providers, if applicable, use to service our client accounts; or operational disruption or failures in the physical infrastructure or operating systems that support us or our service providers, if applicable. Cyber attacks against, or security breakdowns, of us or our service providers, if applicable, may adversely impact us and our clients, potentially resulting in, among other things, financial losses; our inability to transact business on behalf of our clients; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. We may incur additional costs related to cyber security risk management and remediation. In addition, cyber security risks may also impact issuers of securities in which we invest on behalf of our clients, which may cause our clients' investment in such issuers to lose value. There can be no assurance that we or our service providers, if applicable, will not suffer losses relating to cyber-attacks or other information security breaches in the future.
- **Legal and Regulatory Risks.**
 - The regulation of the U.S. and non-U.S. securities and futures markets investment funds has undergone substantial change in recent years and such change may continue. In particular, in light of the recent market turmoil there have been numerous proposals, including bills that have been introduced in the U.S. Congress, for substantial revisions to the regulation of financial institutions generally. Some of the additional regulation includes requirements that private fund managers register as investment advisers under the Advisers Act and disclose various information to regulators about the positions, counterparties and other exposures of the private funds managed by such managers. In addition, regulatory change has significantly altered the regulation of commodity interests and comprehensively regulated the OTC

derivatives markets for the first time in the United States. Further, the practice of short selling has been the subject of numerous temporary restrictions, and similar restrictions may be promulgated at any time. Such restrictions may adversely affect the returns of Underlying Investment Funds that utilize short selling. The effect of such regulatory change on the accounts and/or the Underlying Investment Funds, while impossible to predict, could be substantial and adverse.

- In December 2013, U.S. regulators adopted final regulations (“Implementing Regulations”) implementing Section 619 of the Dodd-Frank Act (which section is commonly referred to as the “Volcker Rule”). The Implementing Regulations became effective on April 1, 2014. Subject to certain exceptions, the Volcker Rule and the Implementing Regulations generally prohibit “banking entities” (which term includes bank holding companies and their affiliates) from investing in, sponsoring, or having certain types of relationships with, private equity funds or hedge funds (referred to in the Implementing Regulations as “covered funds”). Banking entities (including Morgan Stanley and its affiliates) were required to bring their activities and investments into conformance with the Volcker Rule by July 21, 2015, subject to certain extensions granted by the U.S. Federal Reserve by rule or (to the extent that Morgan Stanley so requests) by order. Although there can be no assurances, these extensions could potentially allow Morgan Stanley and its affiliates until latest July 21, 2022 to bring certain of their covered fund activities and investments into compliance with certain aspects of the Volcker Rule.
- Volcker Rule and the Implementing Regulations impose a number of restrictions on Morgan Stanley and its affiliates that could affect us, a private equity funds or hedge fund (together, a “covered fund”) offered by us, the general partner of those funds, and the limited partners of such funds. For example, Morgan Stanley and its affiliates are required (subject to any applicable extensions as discussed above) to eliminate their commitment to covered funds (potentially through a sale of their interests in the fund or in the general partner of the fund) or, if the fund qualifies for the relevant exemption, reduce their commitment so that their aggregate commitments to the covered fund do not exceed 3% of the fund and their aggregate investment in covered funds does not exceed 3% of Morgan Stanley’s Tier I capital. In addition, the Volcker Rule and the Implementing Regulations require Morgan Stanley and its affiliates to restructure or terminate their affiliations with, and/or to refrain from, other transactions (including “covered transactions” as defined in Section 23A of the U.S. Federal Reserve Act, as amended) with or for the benefit of, the covered funds. For example, Morgan Stanley will be prohibited from providing loans, hedging transactions with extensions of credit or other credit support to covered funds it advises. We, along with the covered funds we advise and the general partner, if applicable, are also be required to change our names to exclude the Morgan Stanley name (or any variation thereon), which may require some adjustment in the market. While we will endeavor to minimize the impact on our covered funds and the assets held by them, Morgan Stanley’s interests in determining what actions to take in implementing the Volcker Rule and the Implementing Regulations may conflict with our interests and the interests of the private funds, the general partner and the limited partners of the private funds, all of which may be adversely affected by such actions. The foregoing is not an exhaustive discussion of the potential risks the Volcker Rule poses for us.
- Referendum on the UK’s EU Membership. On June 23, 2016, the United Kingdom (“UK”) voted by referendum to leave the European Union (“EU”), an event widely referred to as “Brexit”. The UK is the first member state to vote to leave the EU and the process for departure is expected to take several years. At present, the nature of the relationship of the

UK with the remaining EU member states is uncertain. In addition, spurred by the UK referendum vote, political parties in other EU member states may propose following the UK's exit from the EU, thereby raising the possibility of additional departures from the EU. Accordingly, there is a heightened risk of market instability and legal and regulatory change following the UK referendum vote.

- Accounts and pooled investment vehicles advised by MSIM, as well as the Underlying Investment Funds, may make investments in the UK (before and after its departure from the EU), other EU member states and in non-EU countries that are directly or indirectly affected by the exit of the UK from the EU. Adverse legal, regulatory or economic conditions affecting the economies of the countries in which an MSIM client conducts its business (including making investments) and any corresponding deterioration in global macro-economic conditions could have a material adverse effect on the Partnership's prospects and/or returns. Potential consequences to which an MSIM client may be exposed, directly or indirectly, as a result of the UK referendum vote include, but are not limited to, market dislocations, economic and financial instability in the UK and other EU member states, increased volatility and reduced liquidity in financial markets, reduced availability of capital, an adverse effect on investor and market sentiment, Sterling and Euro destabilization, reduced deal flow in the MSIM client's target markets, increased counterparty risk and regulatory, legal and compliance uncertainties. Any of the foregoing or similar risks could have a material adverse effect on the operations, financial condition, returns, or prospects of the MSIM client, MSIM and/or sub-advisers, if any, in general. The effects on the UK, European and global economies of the exit of the UK (and/or other EU member states during the term of the MSIM client) from the EU, or the exit of other EU member states from the European monetary area and/or the redenomination of financial instruments from the Euro to a different currency, are impossible to predict and to protect fully against.

Risk Considerations Associated with Particular Markets, Investment Techniques and Strategies.

The following provides information on risks associated with certain types of investment techniques that may be used by accounts, pooled investment vehicles we advise and Underlying Investment Funds. Although risks have been grouped into categories based on type of technique, it is possible that risks within a particular category will apply to techniques in other categories. Additional information is available upon request. Investors in pooled investment vehicles and funds-of-funds should review the prospectuses, offering memoranda and constituent documents for additional information relating to the risk associated with investments in those pooled investment vehicles and funds-of-funds, respectively.

- **Foreign and Emerging Market Securities Risks.** Investments in foreign markets entail special risks such as currency, political, economic and market risks. There also may be greater market volatility, less reliable financial information, higher transaction and custody costs, decreased market liquidity and less government and exchange regulation associated with investments in foreign markets. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries. In addition, an investment by an account or Underlying Investment Fund may be denominated in foreign currencies and therefore, changes in the value of a country's currency compared to the U.S. dollar may affect the value of an account's investments.
- **Growth Investing Risks.** Growth investing attempts to identify companies that we believe will experience rapid earnings growth relative to value or other types of stocks. Growth stocks may trade at higher multiples of current earnings compared to value or other stocks, leading to inflated

prices and thus potentially greater declines in value. The performance of growth strategies may be better or worse than the performance of equity strategies that focus on value stocks or that have a broader investment style.

- **Control Position Risks.** Certain accounts may directly, or indirectly through Underlying Investment Funds, take control positions in companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability. If such liabilities were to arise, such Underlying Investment Fund would likely suffer a loss, which may be complete, on its investment.
- **Hedging Strategy Risks.** Certain client accounts, pooled investment vehicles, and Underlying Investment Funds may choose, but are not required, to engage in transactions designed to reduce the risk or to protect the value of their investments, including securities and currency hedging transactions. These hedging strategies could involve a variety of derivative transactions, including transactions in forward, swap and option contracts or other financial instruments with similar characteristics, including, without limitation, forward foreign currency exchange contracts, currency and interest rate swaps, options and short sales (collectively “Hedging Instruments”). Certain risks associated with Hedging Instruments are further detailed below under “Risk Considerations Associated with Security Types - Derivatives Risks”. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of those positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions’ value. While these transactions may reduce the risks associated with an investment by the account or the Underlying Investment Funds, the transactions themselves entail risks that are different from those of the investments of the accounts or Underlying Investment Funds. The risks posed by these transactions include, but are not limited to, interest rate risk, market risk, the risk that these complex instruments and techniques will not be successfully evaluated, monitored or priced, the risk that counterparties will default on their obligations, liquidity risk and leverage risk. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives. Thus, while the accounts and Underlying Investment Funds may benefit from the use of Hedging Instruments, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a poorer overall performance for the accounts and Underlying Investment Funds than if they had not used such Hedging Instruments.
- **Short Sale Risks.** In a short sale transaction, an account sells a borrowed security in anticipation of a decline in the market value of that security. If we incorrectly predict that the price of a borrowed security will decline, an account may lose money. Losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases can equal only the total amount invested.
- **Small Capitalization Company Investment Risks.** Investments in small cap companies entail greater risks than those associated with larger, more established companies. Often the securities issued by small cap companies may be less liquid, and such companies may have more limited markets, financial resources and product lines, and may lack the depth of management of larger companies.
- **Venture Capital Investment Risks.** Certain accounts may directly, or indirectly through Underlying Investment Funds, make venture capital investments. Such investments involve a

high degree of business and financial risk that can result in substantial losses. The most significant risks are the risks associated with investments in: (i) companies in an early stage of development or with little or no operating history; (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period; and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

- **Special Situations Investment Risks.** Certain of the companies in whose securities an account or the Underlying Investment Funds may invest may be involved in (or are the target of) acquisition attempts or tender offers, in transition, out of favor, financially leveraged or troubled, or potentially troubled, and may be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganization or liquidation. These characteristics of these companies can cause their securities to be particularly risky, although they also may offer the potential for high returns. Additionally, these types of transactions may present the risk that the transaction will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price. These companies' securities may be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies. An investment by an account or an Underlying Investment Fund in any instrument is subject to no minimum credit standard and a significant portion of the obligations and preferred stock in which an account or Underlying Investment Fund may invest may be less than investment grade (commonly referred to as junk bonds), which may result in greater risks experienced by the account or Underlying Investment Fund, as applicable, than it would if investing in higher rated instruments.
- **Buy-Out Transaction Risks.** Certain accounts may invest directly or indirectly through Underlying Investment Funds, in leveraged buyouts that by their nature require companies to undertake a high ratio of leverage to available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses.
- **Model Risk.** Some strategies may include the use of various proprietary quantitative or investment models. There may be deficiencies in the design or operation of these models, including as a result of shortcomings or failures of processes, people or systems. Investments selected using models may perform differently than expected as a result of the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models (including, for example, data problems and/or software issues). Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. A model's return mapping is based on historical data regarding particular asset classes. Certain strategies can be dynamic and unpredictable, and a model used to estimate asset allocation may not yield an accurate estimate of the then current allocation. Operation of a model may result in negative performance, including returns that deviate materially from historical performance, both actual and pro-forma. Additionally, commonality of holdings across quantitative money managers may amplify losses. There is no guarantee that the use of these models will result in effective investment decisions for clients.

Risk Considerations Associated with Equity Securities – In General. In general, prices of equity securities are more volatile than those of fixed income securities. The prices of equity securities will rise

and fall in response to a number of different factors, including events that affect particular issuers as well as events that affect entire financial markets or industries. To the extent that an account invests in convertible securities, and the convertible security's investment value is greater than its conversion value, its price will be likely to increase when interest rates fall and decrease when interest rates rise. If the conversion value exceeds the investment value, the price of the convertible security will tend to fluctuate directly with the price of the underlying equity security.

Risk Considerations Associated with Fixed Income Securities – In General. The prices of fixed income securities respond to economic developments, particularly interest rate changes, changes in the general level of spreads between U.S. Treasury and non-Treasury securities, and changes in the actual or perceived creditworthiness of the issuer of the fixed income security. Securities with longer durations are likely to be more sensitive to changes in interest rates, generally making them more volatile than securities with shorter durations. The historically low interest rate environment increases the risk associated with rising rates, including the potential for periods of volatility. There may be a heightened level of risk, especially since the Federal Reserve Board has ended its quantitative easing and may begin to raise rates.

All fixed-income securities are subject to two types of risk: credit risk and interest rate risk. Credit risk refers to the possibility that the issuer of a security will be unable to make interest payments and/or repay the principal on its debt. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up. Because the account is not limited as to the maturities of the fixed-income securities in which it may invest, a rise in the general level of interest rates may cause the price of the account's portfolio securities to fall substantially. In addition, a portion of the account's securities may be rated below investment grade, commonly known as "junk bonds," and may have speculative risk characteristics.

Risk Considerations Associated with Security Types. The following provides information on risks associated with certain types of securities that may be invested in by accounts, pooled investment vehicles that we advise and Underlying Investment Funds. Although risks have been grouped into categories based on type of security, it is possible risks within a particular category will apply to securities in other categories. Additional information is available upon request. Investors in pooled investment vehicles and funds-of-funds should review the prospectuses, offering memoranda and constituent documents for additional information relating to the risk associated with investments in those pooled investment vehicles and funds-of-funds, respectively.

- **High Yield Securities/ Lower Rated Fixed Income Securities ("Junk Bonds") Risks.** An account's investments in high yield securities expose it to a substantial degree of credit risk. High yield securities may be issued by companies that are restructuring, are smaller and less creditworthy or are more highly indebted than other companies, and therefore they may have more difficulty making scheduled payments of principal and interest. High yield securities may experience reduced liquidity, and sudden and substantial decreases in price. The prices of these securities are likely to be more sensitive to adverse economic changes, resulting in increased volatility of market prices of these securities during periods of economic uncertainty, or adverse individual corporate developments, than higher rated securities. In addition, during an economic downturn or substantial period of rising interest rates, junk bond issuers and, in particular, highly leveraged issuers may experience financial stress.

- **Municipal Securities Risks.** Municipal obligations may be general obligations or revenue bonds and may include Build America Bonds. General obligation bonds are secured by the issuer's full faith and credit as well as its taxing power for payment of principal or interest. Revenue bonds are payable solely from the revenues derived from a specified revenue source, and therefore involve the risk that the revenues so derived will not be sufficient to meet interest and or principal payment obligations. Municipal securities involve the risk that an issuer may call securities for redemption, which could force the account to reinvest the proceeds at a lower rate of interest.
- **Derivatives Risks.** A derivative instrument often has risks similar to its underlying instrument and may have additional risks, including imperfect correlation between the value of the derivative and the underlying instrument, risks of default by the other party to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, currencies, indices or interest rates to which they relate and risks that the instruments may not be liquid and could be difficult to value. Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss. Derivative instruments include, but are not limited to futures, swaps, options and structured investments. In addition, Derivatives entered into by an account or Underlying Investment Fund can be volatile and involve various types and degrees of risk, depending upon the characteristics of a particular derivative and the portfolio of the account or Underlying Investment Fund. If an account or an Underlying Investment Fund invests in derivatives at an inopportune time or incorrectly judges market conditions, the investments may lower the return of the account or Underlying Investment Fund or result in a loss. An account or an Underlying Investment Fund also could experience losses if derivatives are poorly correlated with its other investments, or if the account or Underlying Investment Fund is unable to liquidate the position because of an illiquid secondary market.
- **Asset-Backed Securities Risks (Generally).** Asset-backed securities are subject to the risk that consumer laws, legal factors or economic and market factors may result in the collateral backing the securities being insufficient to support payment on the securities. Some asset-backed securities also entail prepayment risk, which may vary depending on the type of asset.
- **Mortgage-Backed Securities.** Mortgage-backed securities entail prepayment risk, which generally increases during a period of falling interest rates. Certain mortgage-backed securities may be more volatile and less liquid than other traditional types of debt securities. In addition, an unexpectedly high rate of defaults on the mortgages held by a mortgage pool may adversely affect the value of a mortgage-backed security and could result in losses to the account. The risk of such defaults is generally higher in the case of mortgage pools that include subprime mortgages. Leverage may cause an account to be more volatile than if an account had not been leveraged.
- **Collateralized Mortgage Obligations ("CMOs") Risks.** CMOs are comprised of various tranches, the expected cash flows on which have varying degrees of predictability as compared with the underlying mortgage assets. The less predictable the cash flow, the higher the yield and the greater the risk. In addition, if the collateral securing CMOs or any third party guarantees are insufficient to make payments, an account could sustain a loss.

- **U.S. Government Securities Risks.** With respect to U.S. government securities that are not backed by the full faith and credit of the U.S. Government, there is the risk that the U.S. Government will not provide financial support to such U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law.
- **Bank Obligation Risks.** The activities of U.S. banks, including Morgan Stanley, and most foreign banks, are subject to comprehensive regulations. The enactment of new legislation or regulations, as well as changes in interpretation and enforcement of current laws, may affect the manner of operations and profitability of domestic and foreign banks. In addition, banks, including Morgan Stanley, may be particularly susceptible to certain economic factors.
- **Bank Loan Risks.** Bank loans are subject to the risk of default. Default in the payment of interest or principal on a loan will result in a reduction of income to the account, a reduction in the value of the loan, and a potential decrease in the account's balance. The risk of default will increase in the event of an economic downturn or a substantial increase in interest rates. Bank loans are subject to the risk that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments. As discussed above, however, because bank loans reside higher in the capital structure than high yield bonds, default losses have been historically lower in the bank loan market. Bank loans that are rated below investment grade share the same risks of other below investment grade securities
- **Repurchase Agreement Risks.** Repurchase agreements are subject to risks associated with the possibility of default by the seller at a time when the collateral has declined in value, or insolvency of the seller, which may affect an account's right to control the collateral.
- **ETF Risk.** Shares of ETFs have many of the same risks as direct investments in common stocks or bonds and their market value is expected to rise and fall as the value of the underlying securities or index rises and falls. As a shareholder in an ETF, a Portfolio would bear its ratable share of that entity's expenses while continuing to pay its own investment management fees and other expenses. As a result, the account or the fund and its shareholders will, in effect, be absorbing duplicate levels of fees.
- **Money Market Instruments.** Money market investments may include commercial paper, corporate debt obligations, funding agreements, debt obligations (including certificates of deposit and promissory notes) of U.S. banks or foreign banks, or U.S. branches of foreign banks, or foreign branches of U.S. banks (such as Yankee obligations), certificates of deposit of savings banks and savings and loan organizations, variable rate master demand notes (including tax-exempt variable rate demand notes), other affiliated and nonaffiliated money market funds, asset-backed securities and repurchase agreements.

In addition, to more efficiently invest short-term cash balances held by a pooled investment vehicle or account, such vehicle or account may invest such balances on an overnight "sweep" basis in shares of one or more money market funds or other short-term vehicles. It is anticipated that the investment adviser to these money market funds or other short-term vehicles may be

affiliated with MSIM (each an “MS Fund” and collectively the “MS Funds”). In such case, the affiliated investment adviser will receive asset-based fees in respect of the pooled investment vehicle’s or account’s investment (which will reduce the net return realized by such vehicle or account) in the MS Fund(s). The pooled investment vehicle or account which invests in MS Fund(s), as well as other shareholders, will also bear a proportionate share of the other expenses of such MS Fund(s). MSIM and/or any of its affiliates may receive fees directly from the MS Funds for the advisory and administrative services provided thereto as set forth in the prospectuses of the MS Funds. Where utilized, MSIM nonetheless believes these sweep investments will be in the best interests of the pooled investment vehicle or account and will be made on fair and reasonable terms.

- **Foreign Money Market Securities Risks.** Investing in money market securities of foreign issuers involves some additional risks, including higher cost of investing and the possibility of adverse political, economic or other developments affecting the issuers of these securities.
- **Privately Placed and Restricted Securities Risks.** An account’s investments may also include privately placed securities, which are subject to resale restrictions. It is likely that such securities will not be listed on a stock exchange or traded in the OTC market. These securities will have the effect of increasing the level of an account’s illiquidity to the extent the account may be unable to sell or transfer these securities due to restrictions on transfers or on the ability to find buyers interested in purchasing the securities. The illiquidity of the market, as well as the lack of publicly available information regarding these securities, may also adversely affect the ability to arrive at a fair value for certain securities at certain times and could make it difficult for the account to sell certain securities (or to sell such securities at the prices at which they are currently held). Furthermore, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that might be applicable if their securities were publicly traded and/or listed on a stock exchange. An account may be obligated to pay all or part of the legal and/or other fees incurred in negotiating the purchase and or sale of a private placement security. When registration is required to sell a security, an account may be obligated to pay all or part of the registration expenses, and a considerable period may elapse between the decision to sell and the time the account may be permitted to sell a security under an effective registration statement. If adverse market conditions developed during this period, an account might obtain a less favorable price than the price that prevailed when the account decided to sell.
- **REITs, Real Estate Operating Companies (“REOCs”) and Foreign Real Estate Company Risks.** Investing in REITs, REOCs and foreign real estate companies exposes investors to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which REITs, REOCs and foreign real estate companies are organized and operated. In addition, investments in REITs and similar non-U.S. entities may involve duplication of management fees and certain other expenses. REITs are also subject to certain provisions under federal tax law and the failure of a company to qualify as a REIT could have adverse consequences for a portfolio. In addition, foreign real estate companies may be subject to the laws, rules and regulations governing those entities and their failure to comply with those laws, rules and regulations could negatively impact the performance of those entities.

Risk Considerations Associated with Underlying Investment Funds

- Certain of the Underlying Investment Funds are not registered as investment companies under the Investment Company Act of 1940, as amended (the “1940 Act”). Investors in the Underlying Investment Funds do not have the benefit of the protections afforded by the 1940 Act to investors in registered investment companies. In addition, the investment managers of the Underlying Investment Funds may not be registered as investment advisers under the Advisers Act. Although we periodically receive information from each Underlying Investment Fund regarding its investment performance and investment strategy, we may have little or no means of independently verifying this information. An Underlying Investment Fund may use proprietary investment strategies that are not fully disclosed to us, which may involve risks under some market conditions that are not anticipated by us. Underlying Investment Managers may change their investment strategies (i.e., may experience style drift) at any time. In addition, we have no direct control over any Underlying Investment Funds’ investment management, brokerage, custodial arrangements or operations and must rely on the experience and competency of the Investment Manager in these areas. The performance of our funds depends on our success in selecting Underlying Investment Funds for investment by the Funds and the allocation and reallocation of assets among those Underlying Investment Funds.
- The Underlying Investment Funds typically do not maintain their securities and other assets in the custody of a bank or a member of a securities exchange, as generally required of registered investment companies. It is anticipated that the Underlying Investment Funds in which the Funds invest generally will maintain custody of their assets with brokerage firms that do not separately segregate such customer assets as required in the case of registered investment companies. Under the provisions of the Securities Investor Protection Act of 1970, as amended, the bankruptcy of any such brokerage firm could have a greater adverse effect on the funds than would be the case if custody of assets were maintained in accordance with the requirements applicable to registered investment companies. There is also a risk that an Investment Manager could convert assets committed or paid to it by the Funds for its own use or that a custodian could convert assets committed to it by an Investment Manager to its own use.
- Each Investment Manager may receive any incentive-based fees to which it is entitled irrespective of the performance of the other Underlying Investment Funds and a fund generally. As a result, an Investment Manager with positive performance may receive compensation from the fund, in the form of the asset-based fees, incentive-based fees and other expenses payable by you as an investor in the relevant Investment Fund, even if the fund’s overall returns are negative. The investment decisions of the Underlying Investment Funds are made by the Underlying Investment Managers independently of each other so that, at any particular time, one Investment Fund may be purchasing shares in an issuer that at the same time are being sold by another Investment Fund. Transactions of this sort could result in an account directly or indirectly incurring certain transaction costs without accomplishing any net investment result, which may result in the pursuit of opposing investment strategies or result in performance that correlates more closely with broader market performances. Because an account may make additional investments in or redemptions from Underlying Investment Funds only at certain times according to limitations set out in the governing documents of each such fund, an account from time to time may have to invest some of its assets temporarily in money market securities or money market funds, among other similar types of investments.
- Underlying Investment Funds may permit or require that redemptions of interests be made in kind. Upon its redemption of all or a portion of its interest in an Investment Fund, an account may

receive securities that are illiquid or difficult to value. In such a case, we would seek to cause the account to dispose of these securities in a manner that is in the best interest of the account. An account may not be able to withdraw from an Investment Fund except at certain designated times (if at all), limiting our ability to redeem assets from an Investment Fund that may have poor performance or for other reasons.

- By investing in the Underlying Investment Funds indirectly through the accounts, you bear asset-based fees and performance-based fees or allocations at the Underlying Investment Fund level, in addition to those payable to us in our capacity as investment adviser to each account. Similarly, you bear a proportionate share of the other operating expenses of (i) the Underlying Investment Funds in which the accounts are invested; and (ii) of the accounts themselves. If you meet the conditions imposed by the Underlying Investment Managers, you could invest directly with such Underlying Investment Managers.

Private Equity Real Assets Generally

Real Estate Market Conditions Risk. Some of the Underlying Investment Funds' real estate investment strategies may be based, in part, upon the premise that real estate businesses and assets will become available for purchase by such Underlying Investment Fund at prices that the investment manager of the Underlying Investment Fund considers more favorable. Further, the strategy of certain Underlying Investment Funds for its real estate investments may rely, in part, upon the continuation of existing market conditions (including, for example, supply and demand characteristics) or, in some circumstances, a recovery or improvement in market conditions over the projected holding period for the real estate investments. No assurance can be given that real estate investments can be acquired or disposed of at favorable prices or that the market for such investments will either remain stable or, as applicable, recover or improve, since this will depend upon events and factors outside the control of the managers of the Underlying Investment Funds.

Acquisition and Development Risk. Acquisitions entail risks that investments may not perform in accordance with expectations and that anticipated costs of improvements to bring an acquired property up to the necessary standard for the market position intended for that property may exceed budgeted amounts, as well as general investment risks associated with any new real estate investment. Certain Underlying Investment Funds may not be successful in identifying suitable real estate properties or other assets that meet their investment criteria or in consummating acquisitions or investments on satisfactory terms.

Effecting Operating Improvements Risk. In some cases, the success of an Underlying Investment Fund's real estate investment strategy will depend, in part, on the ability of such Underlying Investment Fund to restructure and effect improvements in the operations of a portfolio company or its properties. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that such Underlying Investment Fund will be able to successfully identify and implement such restructuring programs and improvements.

Commercial/Business Risk. It is anticipated that certain of our private equity real estate fund of funds will make investments in some Underlying Investment Funds, including MII, that have a limited

operating history, a manager with limited private equity real estate fund management experience, or both. Such investments have inherently greater risk than more established private equity real estate funds. Accordingly, the growth of these Underlying Investment Funds may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the accounts will be successful.

Ability of Underlying Funds to Finance, Consummate and Dispose of Investment Risk. The Underlying Investment Funds' ability to generate attractive investment returns for their investors may be adversely affected to the extent the Underlying Investment Funds are unable to obtain favorable financing terms for their real estate investments and may also affect certain of our accounts' and the Underlying Investment Funds' ability to exit the investment. Certain marketplace events may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the global economies. Certain economic downturns could adversely affect the financial resources of corporate borrowers in which the Underlying Investment Funds have invested, in addition to the resources of operating partners and investment projects in which the Underlying Investment Funds participate, and result in the inability of such borrowers, partners and projects to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Underlying Investment Funds may suffer a partial or total loss of capital invested in such companies, which could, in turn, have an adverse effect on the Underlying Investment Funds' and of the accounts' returns. Such marketplace events also may restrict the ability of the Underlying Investment Funds to sell or liquidate real estate investments at favorable times or for favorable prices.

ITEM 9 DISCIPLINARY INFORMATION

The Adviser has no information applicable to this Item.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

MSIM Ltd is an indirect subsidiary of Morgan Stanley ("Morgan Stanley Parent"), a corporation whose shares are publicly held and traded on the New York Stock Exchange under the symbol "MS". Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956, as amended. As a result, MSIM Ltd is part of a large global financial services and banking group that may have relationships with MSIM Ltd's clients beyond investment advisory services. These relationships can cause conflicts of interest.

Broker-Dealer Affiliates:

MSIM Ltd is affiliated with Morgan Stanley & Co. LLC ("MS&Co."), Morgan Stanley Smith Barney LLC ("MSSB"), Morgan Stanley Distribution Inc., and Prime Dealer Services Corp., each a registered broker dealer under the Securities Exchange Act of 1934, as amended ("34 Act"). MSIM Ltd is also affiliated with foreign broker-dealers and financial services companies, including Morgan Stanley & Co. International PLC, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley India Company Private Ltd., Morgan Stanley Canada Limited, Morgan Stanley Australia Securities Limited, Morgan Stanley,

S.V., S.A., Block Interest Discovery System (BIDS), RMB Morgan Stanley, and TradeWeb LLC (hereinafter, together with affiliated broker dealers registered under the 34 Act, collectively referred to as "Affiliated Broker Dealers").

When permitted by applicable law and subject to the considerations set forth in Item 12 Brokerage Practices below, MSIM Ltd utilizes Affiliated Broker-Dealers to effect portfolio securities, currency exchange, futures and other transactions for MSIM Ltd's managed accounts. Item 11 Participation or Interest in Client Transactions below describe in greater detail the manner in which the MSIM Ltd utilizes Affiliated Broker-Dealers to effect client transactions and conflicts of interest that can arise.

Morgan Stanley Investment Management Inc. ("MSIM") is the parent company of Morgan Stanley Distribution Inc., a registered broker-dealer under the Securities Exchange Act of 1934 (the "Act").

Morgan Stanley Distribution, Inc. serves as distributor, placement agent and/or underwriter for certain registered and unregistered investment companies for which MSIM Ltd acts as investment adviser.

MSIM Ltd acts as sub-adviser to certain sub-funds of the Morgan Stanley Investment Funds a Societe d'Investissement a Capital Variable ("SICAV"). Morgan Stanley Investment Management Inc. ("MSIM"), an affiliate of Registrant and registered investment adviser under the Advisers Act (SEC File No. 801-15757) acts as Investment Adviser to the Morgan Stanley Investment Funds.

Investment Adviser Affiliates:

MSIM Ltd is affiliated with Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management (Japan) Co., Ltd, Morgan Stanley Investment Management Company and Morgan Stanley AIP GP LP, Morgan Stanley Infrastructure, Inc.; Morgan Stanley Private Equity Asia, Inc.; MS Capital Partners Adviser, Inc.; Morgan Stanley Real Estate Advisor, Inc.; MSREF III, Inc.; MSREF IV, LLC; MSREF Real Estate Advisor, Inc.; MSREF V, LLC; and MSRESS III Manager, LLC; each registered investment adviser under the Advisers Act.

MSIM Ltd is also affiliated with Morgan Stanley Investment Management Private Limited and Morgan Stanley Investment Management (Australia) Pty Limited each an investment adviser not required to be registered under the Act.

Certain employees of Morgan Stanley may perform functions for MSIM Ltd and Affiliated Advisers ("dual officers") and may be involved in the investment decision making process of accounts managed by an Affiliated Adviser as well as accounts managed by the MSIM Ltd. Procedures have been put in place to provide for the supervision of these employees and compliance with record keeping and other requirements under the Advisers Act in connection with these employees.

From time to time MSIM Ltd may, with prior client consent, and to the extent permitted by applicable law, delegate some or all of its responsibilities, duties and authority under an investment management agreement to one or more of its affiliated investment advisers. MSIM Ltd's affiliated advisers may likewise delegate some or all of their responsibilities, duties and authority to MSIM Ltd.

From time to time, MSIM Ltd may provide investment advice to clients of U.S. Affiliated Advisers pursuant to a delegation or sub-advisory agreement, as applicable, between MSIM Ltd and the relevant U.S. Affiliated Adviser.

Certain of MSIM Ltd's affiliates are commodity pool operators and/or commodity trading advisers.

Affiliates of MSIM Ltd act as general partner in several limited partnerships in which clients have been solicited to invest. In some cases, the general partner is entitled to receive an incentive allocation from a partnership. Certain of these limited partnerships are focused on private equity investing and make investments in leveraged buyouts, venture capital opportunities, research and development ventures, real estate and other businesses. Other such partnerships have been formed to act as "fund-of-fund" investment vehicles for hedge fund and private equity investments. Others invest in real estate investment trusts and fixed income instruments.

Along with Morgan Stanley, we have established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. A conflict management officer for each business unit and/or region acts as a focal point to identify and address potential conflicts of interest in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to firm management or the firm's franchise committees, for potentially significant conflicts that cannot be resolved by the conflict management officers or that otherwise require senior management review. MSIM Ltd has additionally in place a Board delegated Conflicts Committee (Chaired by the entity's conflicts management officer). The Committee's role is to identify and decide upon local conflicts matters and escalate and report to the Board accordingly. Where appropriate the MSIM group wide Franchise and Conflicts Committee will also be consulted to ensure that the local entity remains consistent with the group wide strategy on management of conflicts.

Electronic Communications Networks or Alternative Trading Systems

MSIM Ltd's affiliates have ownership interests in and/or Board seats on electronic communication networks ("ECNs") or other alternative trading systems ("ATSs"). In certain instances our affiliates may be deemed to control one or more of such ECNs or ATSs based on the level of such ownership interests and whether such affiliates are represented on the Board of such ECNs or ATSs. Consistent with our fiduciary obligation to seek best execution, we may, from time to time, directly or indirectly, effect client trades through ECNs or other ATSs in which our affiliates have or may acquire an interest or Board seat. These affiliates may receive an indirect economic benefit based upon their ownership in the ECNs or other ATSs. We will, directly or indirectly, execute through an ECN or other ATSs in which an affiliate has an interest only in situations where we or the broker dealer through whom we are accessing the ECN or ATS reasonably believes such transaction will be in the best interest of its clients and the requirements of applicable law have been satisfied. Our affiliates may own over 5% of the outstanding voting securities and/or have a member on the Board of certain trading systems (or their parent companies, including (i) the entities that own and control the Block Interest Discovery Service (commonly referred to as "BIDS"), (ii) Turquoise, (iii) TradeWeb Markets LLC, (iv) OTCDeriv Limited, (v) Municenter-thebtcenter, LLC, (vi) Source Holding Ltd., (vii) ERIS Exchange Holdings LLC, (viii) ISWAP Limited, (ix) Equilend, (x) Chi-X Global Holdings LLC (CXG), (xi) Euroclear PLC, and (xii) LCH Clearnet Group LTD. Our affiliates may acquire interests in and/or take Board seats on other ECNs or other ATSs (or increase ownership in the ATS's listed above) in the future.

Our affiliates may receive cash credits from certain ECNs and ATSs for certain orders that provide liquidity to their books. Such ECNs and ATSs may also charge explicit fees for orders that extract

liquidity from their books. From time to time, the amount of credits that our affiliates receive from one or more ECN or ATS may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Miscellaneous

MSIM Ltd outsources certain operations functions to State Street Bank and Trust Company (“State Street”). State Street now provides a full range of investment operations outsourcing services including trade settlement, portfolio administration and reporting, and reconciliation services. The agreement with State Street demonstrates our continued commitment to delivering best-in-class service to our clients, while allowing us to concentrate on our core competency: institutional asset management.

Additional information about conflicts that may be caused by these affiliations is provided in response to Items 11 and 12 of this Brochure.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

MSIM Ltd has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act. Each employee is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by MSIM Ltd's employees are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by employees with respect to their personal trading and other business activities.

Additionally, all MSIM Ltd employees are subject to firm-wide policies and procedures found in the Morgan Stanley Code of Conduct (the “Code of Conduct”) that sets forth, among other things, restrictions regarding confidential and proprietary information, information barriers, information security, privacy and data protection, private investments, outside business interests and personal trading. All MS employees, including MSIM Ltd employees are required to acknowledge that they have read, understand, are in compliance with and agree to abide by the Code of Conduct’s terms as a condition of continued employment.

The Code requires all employees to pre-clear trades for covered securities, as defined under the Code, in a personal account. A pre-clearance request generally will be denied if there is an open order for a client in the same security. The Code also imposes holding periods and reporting requirements for covered securities, which includes affiliated and sub-advised U.S. mutual funds. MSIM Ltd employees are prohibited from acquiring any security in an initial public offering or any other public underwriting. Investments in private placements or an employee's participation in an outside business activity must be pre-approved by Compliance and the employee's manager. Certain employees of MSIM Ltd who, in connection with job functions, make or participate in making recommendations regarding the purchase or sale of securities or who have real-time knowledge of such recommendations, are held to more stringent standards when placing trades in personal accounts. Violations of the Code are subject to sanction, including reprimand, demotion, suspension or termination of employment.

Upon request, MSIM Ltd will provide a copy of the Code.

Participation or Interest in Client Transactions

The following section addresses trading activities of MSIM Ltd and its affiliates and various conflicts of interest that can arise and how such conflicts have been addressed.

Broker-Dealer Affiliations

MSIM Ltd does not act as principal or broker in connection with client transactions. MSIM Ltd may, however, in the exercise of its discretion under its investment management agreement with a client, effect transactions in securities or other instruments for the client through affiliated (“Affiliated Broker-Dealers”) which perform all of the activities set forth below of this Item 11.

In connection with transactions in which Affiliated Broker-Dealers will act as principal, MSIM Ltd will disclose to the client that the trade will be conducted on a principal basis and obtain the client's consent in accordance with the provisions of and rules under the Advisers Act. MSIM Ltd will recommend that a client engage in such a transaction only when it believes that the net price for the security is at least as favorable as could have been obtained from another established dealer in such security.

MSIM Ltd's recommendations to clients may involve securities in which its Affiliated Broker-Dealers, or their officers, employees or other affiliates, have a financial interest. Affiliated Broker-Dealers and their officers, employees and other affiliates, may purchase or sell for their own accounts securities that MSIM Ltd recommends to its clients.

If permitted by a client's investment objectives and guidelines, applicable law, and MSIM Ltd's policies and procedures concerning conflicts of interest, MSIM Ltd may recommend that such client purchase, or use its discretion to effect a client purchase of, securities during the existence of an underwriting or other public or private offering of such securities involving an Affiliated Broker-Dealer as a manager, underwriter, initial purchaser, or placement agent. Generally, purchases directly from an Affiliated Broker-Dealer during an underwriting must comply with the provisions of the Advisers Act, other applicable laws and MSIM Ltd's policies and procedures relating to principal transactions. Among other things, MSIM Ltd must disclose to the client that the transaction involves an affiliate and obtain the client's consent prior to settlement of each such transaction. Purchases may be from underwriters or placement agents other than an Affiliated Broker-Dealer in distributions in which an Affiliated Broker-Dealer is a manager and/or member of a syndicate or selling group, as a result of which an Affiliated Broker-Dealer may benefit from the purchase through receipt of a fee or otherwise. Purchases from an Affiliated Broker-Dealer acting as placement agent must meet the requirements of applicable law. In situations in which a client has not permitted, or where it is prohibited by law, rule, regulation, MSIM Ltd may be unable to purchase securities for a client's account in an initial or other public or private offering of securities involving an Affiliated Broker-Dealer.

MSIM Ltd or its affiliates, may pursue acquisitions of assets and businesses and identify an investment opportunity in connection with its existing businesses or a new line of business without first offering the opportunity to fund of funds client. Such an opportunity could include a business that competes with a fund of funds or an investment fund or a Co-Investment in which a fund of funds client has invested or proposes to invest.

From time to time, MSIM Ltd or its affiliates may pursue the acquisition of investment managers who will manage private investment funds that would otherwise qualify as investments for the fund of funds clients. Due to the conflicts of interest involved and in accordance with applicable law, MSIM Ltd will not make any long-term investment for the fund of fund clients in any investment fund that is managed by an affiliate of MSIM Ltd, unless MSIM Ltd determines that (a) the investment is in accordance with the applicable fund of funds' relevant investment objectives, strategies and policies; and (b) such investment would not otherwise be prohibited by law or regulation. Accordingly, there may be investments that are unavailable to certain fund of fund clients due to the manager's affiliation with MSIM Ltd or its affiliates. Further, in the event that MSIM Ltd or its affiliates acquires a business or investment manager that is a manager of any investment fund, MSIM Ltd may need to liquidate any investment by a fund of funds client in an investment fund managed by such affiliated investment manager.

With client consent, and subject to the restrictions imposed on such transactions by Section 11(a) of the 1934 Act, as amended, and the rules thereunder, and other applicable law, MSIM Ltd will effect portfolio transactions through an Affiliated Broker-Dealer on an agency basis, including over-the-counter ("OTC") securities, where the Affiliated Broker will act as agent in connection with the purchase and sale of OTC securities from market participants and will charge MSIM Ltd's clients a commission on the transactions. Since these are agency transactions, there is no mark up or mark down on the price of the security.

MSIM Ltd will effect client transactions through an Affiliated Broker-Dealer when, in MSIM Ltd's judgment, the client may thereby obtain the best execution of the transaction. Subject to MSIM Ltd's duty to seek best execution, MSIM Ltd may effect such transactions through an Affiliated Broker Dealer even though the total brokerage commission for the transaction may be higher than that which might have been charged by another broker for the same transaction.

Cross and Agency Cross Transactions

MSIM Ltd may effect "agency cross transactions" in which an Affiliated Broker-Dealer acts as agent for both the buyer or seller in the transaction. MSIM Ltd will only trade with an Affiliated Broker-Dealer on behalf of a client on an agency cross basis when the client has consented to MSIM Ltd's effecting such transactions. Any agency cross transaction will be effected in compliance with Rule 206(3)-2 under the Act and any other applicable law, as well as MSIM Ltd's policies and procedures designed to prevent and disclose potential conflicts of interest. The Affiliated Broker-Dealer can receive a commission from the seller and the buyer when it executes transactions on an agency cross basis under certain conditions. In effecting an agency cross transaction, we have potentially conflicting divisions of loyalties and responsibilities regarding the parties to the transaction.

MSIM Ltd may effect internal "cross" transactions between client accounts in which one client will purchase securities held by another client. Such transactions are entered into generally only when MSIM Ltd deems the transaction to be in the best interests of both clients and at a price MSIM Ltd has determined by reference to independent market indicators and which MSIM Ltd believes to constitute "best execution" for both parties. Neither MSIM Ltd nor any related party receives any compensation in connection with such "cross" transactions.

MSIM Ltd and related persons of MSIM Ltd will effect portfolio transactions through an Affiliated Broker-Dealer on behalf of clients in respect of which MSIM Ltd is a "fiduciary" as defined in ERISA

only on an agency basis and with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor, as well as in accordance with the restrictions imposed on such transactions by applicable law.

MSIM Ltd may purchase securities on behalf of its ERISA clients from an underwriting or selling syndicate where an Affiliated Broker-Dealer participates as manager, or syndicate members with prior written approval from an independent fiduciary in accordance with the terms of exemptions available from the Department of Labor.

MSIM Ltd and its affiliated investment advisers may execute client transactions with broker/dealers that do not have their own clearing facilities and who may clear such transactions through an Affiliated Broker- Dealer. The affiliated Broker-Dealer will receive a clearing fee for these transactions.

Services to Issuers Activities

MSIM Ltd and its affiliates provide a variety of services for, and render advice to, various clients, including issuers of securities that MSIM Ltd may recommend for purchase or sale by clients. In the course of providing these services, MSIM Ltd and its affiliates may come into possession of material, nonpublic information which might affect MSIM Ltd's ability to buy, sell, or hold a security for a client account. Investment research materials disclose that related persons of MSIM Ltd may own, and may effect transactions in, securities of companies mentioned in such materials and also may perform or seek to perform investment banking services for those companies.

In addition, Directors, officers and employees of MSIM Ltd's affiliates may have Board seats and/or have Board observer rights with private and/or publicly traded companies in which MSIM Ltd invests on behalf of its client accounts. MSIM Ltd (and its affiliates) have adopted policies and procedures and created information barriers that are reasonably designed to prevent the flow of any material nonpublic information regarding these companies between MSIM Ltd and its affiliates. Directors, officers and employees of MSIM Ltd itself may also take Board seats or have Board observer rights with companies in which MSIM Ltd invests on behalf of its clients. Generally MSIM Ltd only does so with respect to private (not publicly traded) companies. To the extent a director, officer or employee of MSIM Ltd were to take a Board seat or have Board observer rights in a public company, MSIM Ltd (or certain investment teams within MSIM Ltd) would be limited and/or restricted in its ability to trade in the securities of the company to the extent MSIM Ltd (or certain investment teams within MSIM Ltd) possessed or were deemed to possess material nonpublic information regarding the company.

Investment Banking Activities

MSIM Ltd believes that the nature and range of clients to whom its Affiliated Broker-Dealers render investment banking and other services is such that it would be inadvisable to exclude these companies from a client's portfolio. Accordingly, unless client advises MSIM Ltd to the contrary, it is likely that client holdings will include the securities of corporations for whom its Affiliated Broker-Dealers perform investment banking and other services. Moreover, client portfolios may include the securities of companies in which its Affiliated Broker-Dealers make a market or in which MSIM Ltd, its officers and employees and its Affiliated Broker-Dealers or other related persons and their officers or employees have positions.

To meet applicable regulatory requirements, there are periods when MSIM Ltd will not initiate or recommend certain types of transactions in the securities of companies for which an Affiliated Broker Dealer is performing investment banking services. Clients will not be advised of that fact. In particular, when an Affiliated Broker-Dealer is engaged in an underwriting or other distribution of securities of a company, MSIM Ltd may be prohibited from purchasing or recommending the purchase of certain securities of that company for its clients. Notwithstanding the circumstances described above, a client, on its own initiative, may direct MSIM Ltd to place orders for specific securities transactions in a client account. In addition, MSIM Ltd generally will not initiate or recommend transactions in the securities of companies with respect to which affiliates of MSIM Ltd may have controlling interests or are affiliated.

Investment Limits

Various federal, state or foreign laws, rules and regulations, as well as certain corporate charters adopted by issuers in which MSIM Ltd may invest, limit the percentage of an issuer's securities that may be owned by MSIM Ltd and its affiliates. MSIM Ltd is more likely to run into these limitations than investment advisers with fewer assets under management and/or that are not affiliated with a large financial institution or Financial Holding Company. In certain instances, for purposes of these ownership limitations, MSIM Ltd's holdings will be aggregated with the holdings of its affiliates. These ownership limitations may be in the form of, among others: (i) a strict prohibition against owning more than a certain percentage of an issuer's securities (the "threshold"); (ii) a "poison pill" that would have a material dilutive impact on MSIM Ltd's holdings in that issuer should MSIM Ltd and its affiliates exceed the threshold; (iii) provisions that would cause MSIM Ltd and its affiliates to be considered "interested stockholders" of an issuer if MSIM Ltd and its affiliates exceed the threshold; and (iv) provisions that may cause MSIM Ltd and its affiliates to be considered an "affiliate" or "control person" of the issuer. MSIM Ltd will generally avoid exceeding the threshold in these situations. With respect to situations in which MSIM Ltd and its affiliates may be considered "interested stockholders" (or a similar term), MSIM Ltd will generally avoid exceeding the threshold because if MSIM Ltd were considered an interested stockholder, MSIM Ltd and its affiliates would be prohibited (in some cases absent Board and/or shareholder approval) from entering into certain transactions or performing certain services (including investment banking, financial advisory and securities lending) with or for the issuer. MSIM Ltd will also generally avoid exceeding a threshold in situations in which MSIM Ltd may be considered an affiliate of the issuer for the reasons set forth above, as well as the fact that should MSIM Ltd be considered an affiliate of an issuer, MSIM Ltd's ability to trade in the issuer's securities would become limited.

Investments in other MSIM Ltd Investment Funds

When permitted by applicable law and the investment guidelines applicable to individual client accounts, and considered by MSIM Ltd to be in the best interests of a client, MSIM Ltd may recommend to clients, and invest the assets of client accounts in various closed-end and open-end investment companies and other pooled investment vehicles with respect to which MSIM Ltd or its affiliates receive compensation for advisory, administration, or other services.

In certain circumstances, when required by applicable law or by agreement with the client, MSIM Ltd may waive its investment management fee with respect to assets invested in pooled investment vehicles to the extent of some or all of the compensation received by MSIM Ltd and its affiliates for services rendered with respect to such pooled investment vehicles.

Investment Management Activities

It is possible that officers or employees of MSIM Ltd may buy or sell securities or other instruments that MSIM Ltd has recommended to clients. Moreover, MSIM Ltd may recommend to clients the purchase or sale of securities in which it or its officers, employees or related persons have a financial interest. These transactions are subject to MSIM Ltd's policies and procedures regarding personal securities trading, as well as to the requirements of the Advisers Act, the 1940 Act and other applicable laws. MSIM Ltd's policies and procedures, the Advisers Act and the 1940 Act require that MSIM Ltd puts its clients' interests first.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of MSIM Ltd, its affiliates, and personnel (each, an "Advisory Affiliate" and, collectively, the "Advisory Affiliates").

The Adviser and other Advisory Affiliates may manage long and short portfolios. The simultaneous management of long and short portfolios creates potential conflicts of interest in portfolio management and trading in that opposite directional positions may be taken in client accounts managed by the same investment team, and creates potential risks such as (i) the risk that short sale activity could adversely affect the market value of long positions in one or more portfolios (and vice versa) and (ii) the risks associated with the trading desk receiving opposing orders in the same security simultaneously. The Adviser and the other Advisory Affiliates have adopted policies and procedures that are reasonably designed to mitigate these potential conflicts. The Adviser and each Advisory Affiliates may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of the mutual funds and/or managed accounts managed by them (collectively, the "Advisory Clients"). The Advisory Affiliates may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for any of the Advisory Clients.

Potential conflicts also may arise due to the fact that certain securities or instruments may be held in some Advisory Clients but not in others, or the Advisory Clients may have different levels of holdings in certain securities or instruments, and because the Advisory Clients may pay different levels of fees to MSIM Ltd. In addition, an Advisory Affiliate may give advice or take action with respect to the investments of one or more Advisory Clients that may not be given or taken with respect to other Advisory Clients with similar investment programs, objectives, and strategies. Accordingly, Advisory Clients with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser or any other Advisory Affiliate also may advise Advisory Clients with conflicting programs, objectives or strategies.

Any of the foregoing activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Advisory Clients. Finally, the Advisory Affiliates may have conflicts in allocating their time and services among their Advisory Clients. MSIM Ltd will devote as much time to each of its Advisory Clients as it deems appropriate to perform its duties in accordance with its respective management agreements.

Different clients of MSIM Ltd, including funds advised by MSIM Ltd or an affiliate, may invest in different classes of securities of the same issuer, depending on their respective client's investment

objectives and policies. As a result, MSIM Ltd may at times seek to satisfy its fiduciary obligations to certain clients owning one class of securities of a particular issuer by pursuing or enforcing rights on behalf of those clients with respect to such class of securities, and those activities may have an adverse effect on another client, which owns a different class of securities of such issuer. For example, if one client holds debt securities of an issuer and another client holds equity securities of the same issuer, if the issuer experiences financial or operational challenges, MSIM Ltd may seek a liquidation of the issuer on behalf of the client that holds the debt securities, whereas the client holding the equity securities may benefit from a reorganization of the issuer. Thus, the actions taken on behalf of one client may negatively impact securities held by another client. MSIM Ltd has adopted procedures pursuant to which conflicts of interest, including those resulting from the receipt of material nonpublic information about an issuer, are managed by MSIM Ltd's employees through information barriers and other practices.

General Process with Potential Conflicts

All of the transactions described above involve the potential for conflicts of interest between MSIM Ltd or related persons of a MSIM Ltd and its clients. The Advisers Act, the 1940 Act and ERISA impose certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. In addition, MSIM Ltd has instituted policies and procedures designed to prevent conflicts of interest from arising and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. MSIM Ltd seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the overriding best interest of the client.

Certain employees of MSIM Ltd and related persons of MSIM Ltd have been designated to review transactions where conflicts of interest may exist, including those described above of this Item 11, to ensure that the applicable policies and legal or regulatory requirements are duly followed. Further details of MSIM Ltd's approach to Conflicts management is set out in Item 10 above.

MSIM Ltd recommends transactions to clients based solely on investment considerations, including whether the investments are reasonably believed to be suitable for the client and meet the client's investment guidelines.

ITEM 12 BROKERAGE PRACTICES

In selecting a broker-dealer to execute trades on behalf of clients, we have the obligation to seek "best execution" for client transactions (i.e., the most favorable price and execution). In seeking best execution, we are not obligated to choose the broker-dealer offering the lowest available commission rate if, in our reasonable judgment, (i) there is material risk that the overall cost to purchase securities will be higher or the proceeds from the sale of securities will be lower; (ii) other considerations, such as the order size, the time required for execution, the depth and breadth of the market for the security, minimum credit quality requirements to transact business with a particular broker-dealer, or the quality of the broker-dealer's back office, or other permissible services provided dictate utilizing a different broker-dealer.

The commission rates paid by client accounts which prohibit the generation of soft dollars ("Execution Only Accounts") are not reduced below the rates paid by client accounts which generate soft dollars.

Typically, Execution Only Accounts are included in “block” trades executed on behalf of all client accounts buying or selling the same security on the same day. Accordingly, notwithstanding the fact that soft dollars are not generated from the trades effected for Execution Only Accounts, clients prohibiting soft dollars will be paying the same commission rate paid by other clients included in the block trade.

When selecting an approved broker-dealer (including an affiliate) to execute securities transaction, the trading desk may consider the following factors:

- Reliability, integrity and reputation in the industry (which may include a review of financial information and credit worthiness);
- Execution capabilities, including block positioning, speed of execution and quality and responsiveness of its trading desk;
- Knowledge of and access to the markets for the securities being traded;
- Potential ability to obtain price improvement;
- Ability to maintain confidentiality;
- Ability to handle non-traditional trades;
- Commission rates;
- Technology infrastructure;
- Clearance and settlement capabilities; and
- Such other factors as may be appropriate.

Soft Dollars – Commission Management Program

Along with our Affiliated Advisers, we have established commission sharing arrangements under a Commission Management Program (the "CMP") pursuant to which execution and research commissions are tracked separately in accordance with applicable laws, rules, and regulations of the relevant jurisdictions.

Approved Equity CMP Partner Brokers are those executing brokers with which we or our Affiliated Advisers have agreement(s) to accrue research commission credits for the benefit of clients. Over a certain time period, the research credits are pooled at the Approved Equity CMP Brokers and a third party vendor (also known as the CMP Aggregator) who will, under our supervision, act as the administrator of certain CMP related activities which may include reconciliation of research credits with brokers, as well as holding research credits in an account for purposes of distribution to applicable research providers at a later time. These research credits are subsequently used to pay for eligible research services.

Under the CMP, we maintain an Approved Equity Research Provider list and select research providers from this list to provide eligible research services. An Approved Equity Research Provider may be an executing brokerage firm or an independent research provider. Eligible research services provided by Approved Equity Research Providers are paid for upon instruction by us. We, and our Affiliated Advisers, utilize a voting system and make a good faith determination of the value of the research services provided in accordance with Section 28(e) of the Exchange Act, Financial Conduct Authority rules and other relevant regulatory requirements. Generally, we will direct an Approved Equity CMP Partner Broker and/or a CMP Aggregator to issue payments corresponding to the outcome of this evaluation process. The research credits are pooled among us and our Affiliated Advisers and allocated on behalf of both us and

our Affiliated Advisers for the benefit of our clients. Likewise, the research services obtained under the CMP are shared among us and our Affiliated Advisers.

Those costs retained by the broker-dealer, directly pay for proprietary research services in accordance with Section 28(e) of the 1934 Act and the Financial Conduct Authority's rules. Such transactions include equity transactions executed on an agency basis.

To the extent that personnel employed by us are also employed by one or more Affiliated Advisers and they are authorized to exercise investment discretion on behalf of another Affiliated Adviser, transactions involving client accounts managed by two or more Affiliated Advisers may be aggregated and executed using the services of broker-dealers that provide brokerage and research services so long as all client accounts involved in the transaction benefit from one or more of the services offered by such broker-dealer.

The research services received include those of the nature described above and other services which aid us in fulfilling our investment decision making responsibilities, including (a) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; and (b) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Where a particular item (such as proxy services) has both research and non-research related uses, we will make a reasonable allocation of the cost of the item between research and non-research uses and will only pay for the portion of the cost allocated to research uses with client brokerage transactions.

Certain investment professionals and other employees of ours are also officers of Affiliated Advisers and may provide investment advisory services to clients of such Affiliated Advisers. Research services furnished or paid for by brokers through whom we effect transactions for a particular account may be used by us or our Affiliated Advisers in servicing their other accounts and not all such services may be used for the benefit of the client which pays the brokerage commission which results in the receipt of such research services. Commissions paid to brokers providing research services may be higher than those charged by brokers not providing research services, or not part of the CMP. MSIM Ltd and our Affiliated Advisers make a good faith determination of the value of research services in accordance with Section 28(e) of the 1934 Act, UK Financial Conduct Authority Rules that also may apply and other relevant regulatory requirements.

Our personnel also provide research and trading support to personnel of certain Affiliated Advisers. Research related costs may be shared by Affiliated Advisers and may benefit the clients of such Affiliated Advisers. Research services that benefit us may be received in connection with commissions generated by clients of our Affiliated Advisers. Similarly, research services received in connection with commissions generated by our clients may benefit Affiliated Advisers and their clients. Moreover, research services provided by broker-dealers through which we effect transactions for a particular account may be used by us and/or an Affiliated Adviser in servicing its other accounts and not all such research services may be used for the benefits of the particular client, which pays the brokerage commission giving rise to the receipt of such research services.

Trade Allocations

Investment decisions for each client are made based on the individual investment mandate for each client, and in each client's best interest. We may, however, purchase or sell the same securities or instruments for a number of client accounts, including clients of our affiliates, simultaneously. These accounts may include pooled vehicles, including partnerships and investment companies for which we, along with related persons of ours, act as general partner, investment manager and/or administrator. They may also include accounts in which our officers, employees or related persons of ours have a financial interest, and accounts of deferred compensation and/or retirement plans covering our employees and those of our affiliates ("Proprietary Accounts"). As a general rule, contemporaneous orders placed on behalf of eligible clients in the same security will be blocked in a single order if the terms of the order are the same (e.g., orders at market price), to facilitate best execution and to reduce brokerage costs.

MSIM Ltd effect block transactions in a manner designed to ensure that no participating client, including any Proprietary Account, is favored over any other client. Specifically, all eligible accounts participating in a block trade receive the average price for transactions executed for that order.

Block trades are allocated to eligible client accounts in a fair and equitable manner. In general, accounts that participate in a block transaction will participate on a pro rata or other objective basis. Pro rata allocation of equity securities will generally consist of allocation based on the order size of a participating client account in proportion to the size of the orders placed for other accounts participating in the block trade.

Notwithstanding the foregoing, we may increase or decrease the amount of securities allocated to each account participating in a block trade if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if we are unable to fully execute a block transaction and we determine that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, we may allocate such securities in a manner determined in good faith to be a fair allocation.

Generally, with respect to fixed income securities and other instruments, we seek to allocate partial fills in a fair and equitable basis. However, due to the limited supply of certain securities and the differing portfolio characteristics among accounts, we may allocate such securities and other instruments using a method other than pro rata, based upon pre-determined criteria. These allocations are made in the good faith judgment of us with a goal of ensuring that fair and equitable allocation will occur over time.

Restrictions and Directed Brokerage

Limitations on our authority may vary depending upon the desires of each individual client. We, from time to time, have both Discretionary Clients (clients who have authorized us to execute transactions for their accounts without prior approval), as well as Non-Discretionary clients (clients who require that each securities transaction be authorized by them in advance). In either group, clients may limit our authority by: (1) requiring that certain securities transactions be authorized by them in advance, or (2) prohibiting or limiting the purchasing of certain securities or industry groups. In addition, a client may further limit our authority by requiring that all or a portion of the client's transactions be executed through the client's

designated broker-dealer ("Designated Broker") and/or restricting us from executing the client's transactions through a particular broker-dealer.

In situations where a client directs or restricts brokerage for their accounts ("Directed/Restricted Trades"), because the client has placed limitations on the selection of broker-dealers to execute Directed/Restricted Trades, we may be unable to obtain best execution for such trades. We will direct to the Designated Brokers only agency transactions for the account that involve securities listed or quoted on a national securities exchange; a client direction may restrict our ability to obtain as favorable a transaction price or commission rate as we might otherwise be able to obtain; the account may forego benefits from savings on execution costs that may otherwise be obtained, most notably by aggregating brokerage orders for various client accounts; if a Designated Broker is not on our approved list of brokers, there may be additional credit and/or settlement risk for such trades; we will not be obligated to, and in most cases will not, negotiate with a Designated Broker to obtain commission rates more favorable or otherwise different than those to which the client has agreed; a Directed/Restricted Trade, may result in a client account paying higher or otherwise different commissions than other clients of ours for transactions in the same security; and where we effect a transaction through a Designated Broker pursuant to a Directed/Restricted Trade, we may effect such transaction after it has effected transactions in the same security for client accounts for which we have discretion to select the broker and trading venue. Where a client has directed brokerage for its account and maintains that we remain subject to best execution, if eligible we may aggregate those directed trades along with trades executed for other client accounts through the broker-dealer that we believe will offer the best execution for such transaction and, thereafter, instruct such broker-dealer to "step-out" or allocate a portion of the trades to the client's Designated Broker for billing and settlement. In other instances, where (i) the client has waived our best execution obligation and has been informed of the consequences of doing so; (ii) the client has represented to us that it has independently determined best execution; or (iii) we have determined that the trade is consistent with our obligation to seek best execution, Directed/Restricted Trades may not be aggregated or "blocked" for execution with transactions in the same securities for other clients and may be traded after the order for the other client accounts has been completed. As a result, such clients may pay higher commissions or receive less favorable net prices than would be the case if we were authorized to choose the broker and trading venue through which to execute transactions for the client's account.

In situations in which a client has restricted or prohibited trading by us through our affiliated broker-dealer (or other broker-dealers) and we determine, subject to our obligation to seek best execution, to place a trade through that affiliated (or other) broker-dealer on behalf of our other client accounts, the restricted or prohibited trades may not be aggregated or "blocked" for execution with transactions in the same securities for other clients and may be traded after the order for the other client accounts has been completed. As a result, such clients may pay higher commissions or receive less favorable net prices than would be the case if we were authorized to execute such trades through our affiliated (or other) broker-dealer for the client's account.

If we agree to satisfy your direction to execute transactions for your account through Designated Brokers, you may be required to confirm that: (i) your direction is suitable and appropriate in respect of the account and you have not relied on investment advice from us (or any affiliate of ours) in connection with your direction; (ii) all services provided by any Designated Broker will inure solely to the benefit of the account and any beneficiaries of the account, are proper and permissible expenses of the account, and

may properly be provided in consideration for brokerage commissions or other remuneration paid to such Designated Broker in connection with securities transactions effected for the account; (iii) any client direction to use a Designated Broker will be in the best interests of the account and any beneficiaries of the account, taking into consideration the services provided to the account by such Designated Broker; (iv) your direction will not conflict with any obligations that persons acting for the account may have to the account, its beneficiaries or any third parties, including any fiduciary obligations that persons acting for the account may have to obtain best price and execution for the account and its beneficiaries; and (v) persons acting for the account have the requisite power and authority to provide the client directions set forth therein on behalf of the account and have obtained all consents, approvals or authorizations from any beneficiaries of the account and third parties that may be required under applicable law or any of the client's governing documents.

MSIM Ltd have adopted a Directed Brokerage Policy designed to balance the needs and requests of clients that have Directed/Restricted trades with those clients who do not partake in directed or restricted brokerage programs. Under our Directed Brokerage Policy: (i) only certain types of orders qualify for directed brokerage and (ii) Designated Brokers may only charge (or recapture) that part of the bundled commission that is consistent with the services being provided to us. In certain instances you may negotiate directed brokerage arrangements that differ from our Directed Brokerage Policy. Requests for such arrangements are addressed by us on a case by case basis.

ITEM 13 REVIEW OF ACCOUNTS

The portfolio managers of MSIM Ltd regularly review all accounts. Accounts are reviewed for a number of factors, including but not limited to, performance, sector and asset allocation, adherence to MSIM Ltd's investment policies and strategies and specific security ownership, all within the context of client guidelines and objectives.

Clients for whom MSIM Ltd manages separate accounts are provided reports of transactions as they are effected (if requested by the client), portfolio valuations and summaries of portfolio changes on a quarterly basis or as otherwise negotiated with the client. Additionally, MSIM Ltd meets with clients quarterly, annually or as requested to discuss the performance of the client's account, MSIM Ltd's management of the client's account, and any other issues of concern to the client. MSIM Ltd will provide additional reports or information to the client upon request.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

MSIM Ltd has compensated, and may continue to compensate affiliates and unrelated third parties for client referrals in accordance with Rule 206(4)-3 of the Advisers Act. The compensation paid to any such entity will typically consist of a cash payment stated as a percentage of MSIM Ltd's advisory fee, but may include cash payments determined in other ways.

ITEM 15 CUSTODY

MSIM Ltd may be deemed to have "custody" of client assets in a variety of circumstances, and in each case we will comply with the custody requirements under the Advisers Act. MSIM Ltd has custody of client assets any time that we have authority or ability to obtain possession of client assets. MSIM Ltd may be deemed to have custody of the assets of the funds for which we or an affiliate serves as general partner or for which we or an affiliate serves as the managing member or otherwise has the authority or

ability to obtain possession of fund assets. In those cases, the funds generally provide audited financial statements on an annual basis in accordance with applicable law. Additionally, where we are deemed to have custody over other advisory client accounts, clients will receive quarterly account statements from the qualified custodian for such account. Clients should carefully review the account statements received from the qualified custodian and compare them to statements received from us.

ITEM 16 INVESTMENT DISCRETION

MSIM Ltd typically receive discretionary authority to select the securities and other instruments to be bought or sold at the time we establish an advisory relationship with you by entering into an investment management agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines. As discussed under Item 12 of this Brochure, clients may impose certain limitations on MSIM Ltd's use of broker-dealers.

For registered investment companies, MSIM Ltd's authority to trade securities may also be limited by certain federal securities and tax laws that require among other things, diversification of investments..

ITEM 17 VOTING CLIENT SECURITIES

MSIM uses its best efforts to vote proxies as part of its authority to manage, acquire and dispose of account assets. With respect to the Morgan Stanley Funds, MSIM votes proxies under the MSIM Proxy Voting Policies and Procedures (the "Policy"). MSIM will not vote proxies unless the investment management or investment advisory agreement explicitly authorizes MSIM to vote proxies.

MSIM and its affiliates will vote proxies in a prudent and diligent manner and in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which MSIM and its affiliates manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In certain situations, a client or its fiduciary may provide MSIM with a proxy voting policy. In these situations, MSIM will comply with the client's policy.

The Policy addresses a broad range of issues, and provides general voting parameters on proposals that arise most frequently. However, details of specific proposals vary, and those details affect particular voting decisions, as do factors specific to a given company. MSIM endeavors to integrate governance and proxy voting policy with investment goals, using the vote to encourage portfolio companies to enhance long-term shareholder value and to provide a high standard of transparency such that equity markets can value corporate assets appropriately.

MSIM seeks to follow the Client Proxy Standard for each client. At times, this may result in split votes, for example when different clients have varying economic interests in the outcome of a particular voting matter (such as a case in which varied ownership interests in two companies involved in a merger result in different stakes in the outcome). MSIM also may split votes at times based on differing views of portfolio managers.

MSIM may abstain on matters for which disclosure is inadequate. MSIM usually supports routine management proposals except for certain "other business" and "meeting adjournment" proposals.

From time to time, MSIM retains third-party advisers to provide a variety of proxy-related services, including in-depth research, global issuer analysis, and voting recommendations ("Research Providers").

While MSIM may review and utilize the recommendations of such Research Providers, MSIM is in no way obligated to follow such recommendations, and votes all proxies based on the Policy and Client Proxy Standard. MSIM periodically performs due diligence on the Research Providers it retains.

Votes on board nominees can involve balancing a variety of consideration, including those related to board and board committee independence, term length, whether nominees may be overcommitted, director attendance and diligence, financial knowledge and experience, executive and director remuneration practices, and board responsiveness. MSIM considers withholding support from or voting against a nominee if it believes a direct conflict exists between the interests of the nominee and the public shareholders, including failure to meet fiduciary standards of care and/or loyalty. MSIM may oppose directors where it concludes that actions of directors are unlawful, unethical or negligent. MSIM considers opposing individual board members or an entire slate if it believes the board is entrenched and/or dealing inadequately with performance problems; if it believes the board is acting with insufficient independence between the board and management; or if it believes the board has not been sufficiently forthcoming with information on key governance or other material matters.

MSIM examines a range of issues—including proxy contests and proposals relating to mergers, acquisitions and other special corporate transactions— on a case-by-case basis in the interests of each client. MSIM supports substantial management/board discretion on capital structure, but within limits that take into consideration articulated uses of capital, existence of preemptive rights, and certain shareholder protections provided by market rules and practices. MSIM is generally supportive of reasonable shareholder rights.

MSIM votes on advisory votes on executive pay on a case-by-case basis. MSIM generally supports equity compensation plans if MSIM views potential dilution/cost as reasonable, and if plan provisions sufficiently protect shareholder interests. MSIM also supports appropriately structured bonus and employee stock purchase plans. MSIM support proposals that if implemented would enhance useful disclosure, but we generally vote against proposals requesting reports that we believe are duplicative, related to matters not material to the business, or that would impose unnecessary or excessive costs.

MSIM considers social and environmental shareholder proposals on a case-by-case basis.

Process: An MSIM Proxy Review Committee (the “Committee”) has overall responsibility for the Policy. Because proxy voting is an investment responsibility and impacts shareholder value, and because of their knowledge of companies and markets, portfolio managers and other members of investment staff play a key role in proxy voting, although the Committee has final authority over proxy votes.

The Committee meets at least quarterly, and reviews and considers changes to the Policy at least annually. If the Director of MSIM’s Corporate Governance Team (the “CGT”) determines that an issue raises a material conflict of interest, the Director may request a special committee to review, and recommend a course of action with respect to, the conflict(s) in question.

The CGT will document in writing all Committee and special committee decisions and actions, which documentation will be maintained by the CGT for a period of at least six years. To the extent these decisions relate to a security held by an MSIM Fund, the CGT will report the decisions to each applicable Board of Trustees/Directors of those Funds at each Board’s next regularly scheduled Board meeting.

Further Information: Clients may contact their Client Representative or Financial Advisor for information on how to obtain a copy of the Policy or proxy voting records. In the case of registered investment companies advised by the Adviser, the fund's proxy voting records filed with the SEC is available (i) without charge by accessing the Mutual Fund Center on the Adviser's web site at www.morganstanley.com/funds and (ii) on the SEC's web site at www.sec.gov.

ITEM 18 FINANCIAL INFORMATION

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MSIM Ltd's financial condition. MSIM Ltd is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.