

**Form ADV Brochure**

**Part 2A**

**MORGAN STANLEY INVESTMENT MANAGEMENT (Japan) Co., LTD.**

**YEBISU GARDEN PLACE TOWER 4-20-3 EBISU  
SHIBUYA-KU, TOKYO, JAPAN 150-6009**

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**June 25, 2013**

This Brochure provides information about the qualifications and business practices of Morgan Stanley Investment Management (Japan) Co., Ltd. If you have any questions about the contents of this Brochure, please contact us (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](http://www.adviserinfo.sec.gov).

**ITEM 2        MATERIAL CHANGES**

There have been no material changes to this Form ADV, Part 2A Brochure since the last annual amendment dated June 19, 2012.

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#### **ITEM 4           ADVISORY BUSINESS**

Morgan Stanley Investment Management (Japan) Co., Ltd (“MSIMJ”), established in 1987, is the local presence of the investment management division of Morgan Stanley Group in Japan. The ultimate parent company of MSIMJ is Morgan Stanley, a publicly-held company. MSIMJ was registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”) in 2003.

MSIMJ 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 two decades of asset management experience, our investment strategies span the risk/return spectrum across geographies, investment styles and asset classes, including equity and fixed income. 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 of March 31, 2013 MSIMJ, had assets under management of \$6,050,168,325 of which \$5,370,107,773 managed on a discretionary basis and \$680,060,552 was managed on a non-discretionary basis.

## ITEM 5 FEES AND COMPENSATION

### **Management Fees**

MSIMJ's fees may vary from the applicable schedule above due to the particular circumstances of the client or as otherwise negotiated with particular clients. MSIMJ may provide investment advisory 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. Holdings in a client's account may include investment companies for which a separate management fee is charged, including investment companies advised by MSIMJ or a related person.

Fees are generally billed semi-annually in arrears based on average of month-end market values. Typically, MSIMJ's services are terminable by either party upon written notification in accordance with the applicable contractual notice provision. Upon termination the fees described above will generally be prorated.

The fees below are only the advisory fees charged by MSIMJ and do not reflect custodial or other fees that may be applicable to a clients account.

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

### **Fee Schedules**

#### Global Fixed Income

Account Minimum: JPY 5 billion

- 0.375% on the first JPY 5 billion of assets under management
- 0.300% on the next JPY 5 billion of assets under management
- 0.200% on the next JPY 5 billion of assets under management
- 0.150% on assets in excess of JPY 15 billion

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

MSIMJ has no information applicable to this Item.

**ITEM 7            TYPES OF CLIENTS**

MSIMJ provides advice to public pension, corporate pension and foreign regulated funds such as Japanese investment trust management funds.

## 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.

**MSIMJ has the following significant Fixed Income Investment Strategies:**

### **Global Fixed Income (includes US and non-US investing)**

#### **Investment Process**

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

**Marco analysis:** The process begins with a top-down value assessment of the bond universe, including a consideration of macroeconomic conditions, the corporate earnings environment and relative valuations. The team examines swap spreads as a proxy for the liquidity premium embedded within corporate spreads, and assesses factors such as leverage and asset volatility (which drive both equity volatility and default spreads) as an indicator of future default expectations.

**Screening:** The team applies a unique combination of quantitative and qualitative filters to identify bond issuers that meet its investment criteria in terms of competitive position, franchise value and management quality. The team uses a proprietary quantitative model, Distance-to-Default, to calculate how far an issuer is from theoretical default. Plotting this metric against a bond's yield spread allows the team to identify bonds offering potential attractive rewards relative to their associated risk.

**Credit analysis:** The team focuses on financial risk, business risk and management ability/intentions. When analyzing business risk, the team assesses an issuer's competitive position, its diversification and growth potential, the value of its franchise and the flexibility of its business model in terms of the variability of its cost structure. Financial risk involves an examination of an issuer's financial statements to assess the suitability of the issuer's capital structure for the risk entailed in the issuer's business. The team's forward-looking proprietary cash flow models enable them to understand the likely future financial profile. The group also seeks to understand management's intentions, in terms of business development and capital structure, and ability to execute.

**Valuation analysis:** The team then conducts a relative valuation assessment on potential investment candidates. Using default data and average risk premia, the team derives a fair value spread for each bond that is compared to the market spread to determine a bond's under/overvaluation.

**Portfolio construction:** A portfolio based on specific client guidelines is constructed, with sector allocation driven primarily from bottom-up security selection (subject to the team's risk management guidelines). Integral to the team's portfolio construction process is the measurement and monitoring of market risk, duration and volatility, and credit risk through the use of proprietary risk measures and proprietary models. The team actively manages spread duration with a target range of +/- two years versus the benchmark, with portfolio duration targeted at +/- one year around the benchmark.



**The Fixed Income Investment Strategies are subject to the following risks considerations:**

**Fixed Income Securities.** 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.

**Municipal Securities.** 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 Portfolio to reinvest the proceeds at a lower rate of interest.

**Mortgage Securities.** Investments in mortgage securities are subject to the risk that if interest rates decline, borrowers may pay off their mortgages sooner than expected which may adversely affect a portfolio's return. Investments in TBAs may give rise to a form of leverage and may cause a portfolio's turnover rate to appear higher. Leverage may cause a portfolio to be more volatile than if a portfolio had not been leveraged.

**Asset-Backed Securities.** 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.

**High Yield Securities.** A portfolio'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.

**Foreign and Emerging Market Securities.** 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, a portfolio's investments 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 a portfolio's investments.

**Derivatives Risk.** 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, indices or interest rates to which they relate and risks that the transactions may not be liquid. Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss.

**ITEM 9        DISCIPLINARY INFORMATION**

MSIMJ has no information applicable to this Item.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

MSIMJ 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, MSIMJ is part of a large global financial services and banking group that may have relationships with MSIMJ's clients beyond investment advisory services. These relationships can cause conflicts of interest.

### **Broker-Dealer Affiliates:**

MSIMJ is affiliated with Morgan Stanley & Co. Incorporated ("MS&Co."), Morgan Stanley Smith Barney LLC, Morgan Stanley Distributors Inc., Morgan Stanley Distribution Inc., Morgan Stanley Market Products Inc., MS Securities Services Inc., Prime Dealer Services Corp., each a registered broker dealer under the Securities Exchange Act of 1934, as amended ("34 Act"). MSIMJ is also affiliated with foreign broker-dealers and financial services companies, including Morgan Stanley & Co. International PLC, Morgan Stanley Securities Ltd., Morgan Stanley Japan Securities Co. Ltd., Morgan Stanley India Company Private Ltd., Morgan Stanley Asia Ltd., Morgan Stanley Canada Limited, Morgan Stanley Australia Securities Limited, Morgan Stanley Australia Limited, Bank Morgan Stanley AG, HC Securities and Investments, Morgan Stanley, S.V., S.A., Morgan Stanley Huaxin Securities Company Ltd., Block Interest Discovery System (BIDS), Better Alternative Trading System (BATS), RMB Morgan Stanley, HTI Valori Mobiliare S.A., TradeWeb LLC and OliveTree (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, MSIMJ utilizes Affiliated Broker-Dealers to effect portfolio securities, currency exchange, futures and other transactions for MSIMJ's managed accounts. Item 11 Participation or Interest in Client Transactions below describe in greater detail the manner in which the MSIMJ utilizes Affiliated Broker-Dealers to effect client transactions and conflicts of interest that can arise.

### **Investment Adviser Affiliates:**

MSIMJ is affiliated with Morgan Stanley Investment Management Inc., Morgan Stanley Investment Management Company, Morgan Stanley Investment Management Limited, Morgan Stanley AIP GP LP and Private Investment Partners Inc. each a registered investment adviser under the Advisers Act. MSIMJ is also affiliated with Morgan Stanley Alternative Investment Partners LP, Morgan Stanley Investment Management Private Limited and Morgan Stanley Investment Management (Australia) Pty Limited, each an investment adviser which is not required to be registered under the Act.

From time to time MSIMJ 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. MSIMJ's affiliated advisers may likewise delegate some or all of their responsibilities, duties and authority to MSIMJ.

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

Affiliates of MSIMJ 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. Other invest in real estate investment trusts and fixed income instruments.

Along with Morgan Stanley, MSIMJ 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.

MSIMJ 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**

MSIMJ 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 MSIMJ'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.

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 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. MSIMJ's 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 MSIMJ 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, MSIMJ will provide a copy of the Code to any client or prospective client.

**Participation or Interest in Client Transactions**

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

**Broker-Dealer Affiliations**

MSIMJ does not act as principal or broker in connection with client transactions. MSIMJ 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, MSIMJ 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. MSIMJ 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.

MSIMJ'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 MSIMJ recommends to its clients.

If permitted by a client's investment objectives and guidelines, applicable law, and MSIMJ's policies and

procedures concerning conflicts of interest, MSIMJ 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 MSIMJ's policies and procedures relating to principal transactions. Among other things, MSIMJ 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, MSIMJ 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.

MSIMJ 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, MSIMJ 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, MSIMJ will not make any long-term investment for the fund of fund clients in any investment fund that is managed by an affiliate of MSIMJ, unless MSIMJ 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 MSIMJ or its affiliates. Further, in the event that MSIMJ or its affiliates acquires a business or investment manager that is a manager of any investment fund, MSIMJ 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, MSIMJ 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 MSIMJ'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.

MSIMJ will effect client transactions through an Affiliated Broker-Dealer when, in MSIMJ's judgment, the client may thereby obtain the best execution of the transaction. Subject to MSIMJ's duty to seek best execution, MSIMJ 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.

MSIMJ may effect "agency cross transactions" in which an Affiliated Broker-Dealer acts as agent for both the buyer or seller in the transaction. MSIMJ will only trade with an Affiliated Broker-Dealer on behalf of a client on an agency cross basis when the client has consented to MSIMJ's effecting such transactions or when no commission is charged on either side of the transaction. 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 MSIMJ'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.

On occasion, MSIMJ 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 MSIMJ deems the transaction to be in the best interests of both clients and at a price MSIMJ has determined by reference to independent market indicators and which MSIMJ believes to constitute "best execution" for both parties. Neither MSIMJ nor any related party receives any compensation in connection with such "cross" transactions.

MSIMJ 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.

### **ECN and ATS Activities**

MSIMJ's affiliates have ownership interests in and/or Board seats on electronic communication networks ("ECNs") or other alternative trading systems ("ATSs"). In certain instances, MSIMJ's 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. MSIMJ, consistent with its fiduciary obligation to seek best execution, may from time to time, directly or indirectly, effect client trades through ECNs or other ATSs in which MSIMJ's 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. MSIMJ will, directly or indirectly, execute through an ECN or other ATSs in which an affiliate has an interest only in situations where MSIMJ or the broker dealer through whom MSIMJ is 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. Currently, affiliates of MSIMJ own over 5% of the outstanding voting securities and/or have a member on the Board of (i) BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly referred to as "BATS") (ii) the entities that own and control the Block Interest Discovery Service (commonly referred to as "BIDS") (iii) the entity that owns and controls Pure Trading, (iv) Turquoise, (v) TradeWeb Newco, (vi) OTC Derivnet, (vii) Municenter, (viii) Markit, (ix) Source Holding, (x) ELX Futures; (xi) MTS Denmark, (xii) MTS Portugal, (xiii) NYSE LIFFE US, (xiv) ERIS Exchange Holdings LLC, (xv) ISWAP, (xvi) equilend; and (xvii) Chi-X Global Holdings LLC (CXG). MSIMJ's 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.

MSIMJ's affiliates receive cash credits from certain ECNs and ATSs for orders that provide liquidity to their books such ECNs and ATSs also charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that MSIMJ's 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.

### **Services to Issuers Activities**

MSIMJ and its affiliates provide a variety of services for, and render advice to, various clients, including issuers of securities that MSIMJ may recommend for purchase or sale by clients. In the course of providing these services, MSIMJ and its affiliates may come into possession of material, nonpublic information which might affect MSIMJ's ability to buy, sell, or hold a security for a client account. Investment research materials disclose that related persons of MSIMJ 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 MSIMJ's affiliates may have Board seats and/or have Board observer rights with private and/or publicly traded companies in which MSIMJ invests on behalf of its client accounts. MSIMJ (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 MSIMJ and its affiliates. Directors, officers and employees of MSIMJ itself may also take Board seats or have Board observer rights with companies in which MSIMJ invests on behalf of its clients. Generally MSIMJ only does so with respect to private (not publicly traded) companies. To the extent a director, officer or employee of MSIMJ were to take a Board seat or have Board observer rights in a public company, MSIMJ (or certain investment teams within MSIMJ) would be limited and/or restricted in its ability to trade in the securities of the company to the extent MSIMJ (or certain investment teams within MSIMJ) possessed or were deemed to possess material nonpublic information regarding the company.

### **Investment Banking Activities**

MSIMJ 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 MSIMJ 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 MSIMJ, 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 MSIMJ 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, MSIMJ 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 MSIMJ to place orders for specific securities transactions in a client account. In addition, MSIMJ generally will not initiate or recommend transactions in the securities of companies with respect to which affiliates of MSIMJ 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 MSIMJ may invest, limit the percentage of an issuer's securities that may be owned by MSIMJ and its affiliates. MSIMJ 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, MSIMJ'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 MSIMJ's holdings in that issuer should MSIMJ and its affiliates exceed the threshold; (iii) provisions that would cause MSIMJ and its affiliates to be considered "interested stockholders" of an issuer if MSIMJ and its affiliates exceed the threshold; and (iv) provisions that may cause MSIMJ and its affiliates to be considered an "affiliate" or "control person" of the issuer. MSIMJ will generally avoid exceeding the



threshold in these situations. With respect to situations in which MSIMJ and its affiliates may be considered "interested stockholders" (or a similar term), MSIMJ will generally avoid exceeding the threshold because if MSIMJ were considered an interested stockholder, MSIMJ 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. MSIMJ will also generally avoid exceeding a threshold in situations in which MSIMJ may be considered an affiliate of the issuer for the reasons set forth above, as well as the fact that should MSIMJ be considered an affiliate of an issuer, MSIMJ's ability to trade in the issuer's securities would become limited.

### **Investments in Other MSIMJ Investment Funds**

When permitted by applicable law and the investment guidelines applicable to individual client accounts, and considered by MSIMJ to be in the best interests of a client, MSIMJ 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 MSIMJ 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, MSIMJ 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 MSIMJ and its affiliates for services rendered with respect to such pooled investment vehicles.

### **Investment Management Activities**

It is possible that officers or employees of MSIMJ may buy or sell securities or other instruments that MSIMJ has recommended to clients. Moreover, MSIMJ 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 MSIMJ'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. MSIMJ's policies and procedures, the Advisers Act and the 1940 Act require that MSIMJ 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 MSIMJ, its affiliates, and personnel (each, an "Advisory Affiliate" and, collectively, the "Advisory Affiliates").

The 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 MSIMJ. 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. MSIMJ 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 MSIMJ, including funds advised by MSIMJ 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, MSIMJ 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, MSIMJ 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. MSIMJ 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 MSIMJ'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 MSIMJ or related persons of a MSIMJ 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, MSIMJ 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. MSIMJ 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 MSIMJ and related persons of MSIMJ 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.

MSIMJ 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, MSIMJ generally seeks to obtain "best execution" for client transactions (i.e., the most favorable price and execution). In seeking best execution, MSIMJ is not obligated to choose the broker-dealer offering the lowest available commission rate if, in MSIMJ's 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) a higher commission is justified by the trading or research services provided by the broker-dealer that fall within the safe harbor of Section 28(e) of the 1934 Act, or (iii) 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 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 "bunched" trades effected on behalf of all client accounts buying 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 bunched trade which, as explained above, may be a higher commission rate than another broker would have charged.

### **Soft Dollar - Commission Management Program**

MSIMJ and its Affiliated Advisers have established commission sharing arrangements under a commission management program (the "Commission Management Program" or "CMP") pursuant to which execution and research costs or a portion of those costs are decoupled in accordance with applicable laws, rules and regulations. Under the CMP, MSIMJ and its Affiliated Advisers select approved equity brokers (which include MSIMJ's affiliates) for execution services and after accumulation of commissions at the broker then instruct these approved equity brokers to transfer a predetermined percentage of commissions to an aggregator. We then instruct the aggregator to utilize these balances to pay for eligible research provided by executing brokers or third-party research providers. Generally, MSIMJ and its Affiliated Advisers will direct the aggregator to record research credits based upon a previously agreed allocation and will periodically instruct the aggregator to direct specified dollar amounts from that pool to pay for eligible research services provided by third-party research providers and executing brokers. The research credits are pooled among MSIMJ and its Affiliated Advisers and allocated on behalf of both MSIMJ and its Affiliated Advisers. Likewise, the research services obtained under the CMP are shared among MSIMJ and its Affiliated Advisers.

Selection of approved equity brokers for execution is based on three main criteria: access to liquidity, provision of capital and quality of execution. Under the CMP, the approved equity broker is responsible for the payment of fees for research services and obtains the research services pursuant to written agreements between the approved equity broker and the third-party research provider.

For those costs not decoupled, but retained by broker-dealer, MSIMJ also effects transactions with brokers which directly pay for research services provided by third parties in accordance with Section 28(e) of the 1934 Act. Such transactions include equity and may include fixed-income transactions effected on an agency basis.

To the extent that personnel employed by MSIMJ 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 third party benefits/research so long as: (i) all client accounts involved in the transaction benefit from one or more of the services offered by such broker-dealer; (ii) each Affiliated Adviser has approved the use of such broker-dealer and the services provided thereby.

The research services received include those of the nature described above and other services which aid MSIMJ in fulfilling its 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, MSIMJ 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. Research services furnished or paid for by brokers through whom MSIMJ effects transactions for a particular account may be used by MSIMJ or its 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 services. MSIMJ and its 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 Services Authority Rules that also may apply and other relevant regulatory requirements.

Certain investment professionals and other employees of MSIMJ are also officers of Affiliated Advisers and may provide investment advisory services to clients of such Affiliated Advisers. MSIMJ's 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 MSIMJ may be received in connection with commissions generated by clients of its Affiliated Advisers. Similarly, research services received in connection with commissions generated by MSIMJ's clients may benefit Affiliated Advisers and their clients. Moreover, research services provided by broker-dealers through which MSIMJ effects transactions for a particular account may be used by MSIMJ and/or an Affiliated Adviser in servicing its other accounts and not all such research services may be used for the benefit 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. MSIMJ may, however, purchase or sell the same securities or instruments for a number of client accounts, including clients of its affiliates, simultaneously. These accounts may include pooled vehicles, including partnerships and investment companies for which MSIMJ and related persons of MSIMJ act as general partner, investment manager and/or administrator. They may also include accounts in which MSIMJ, its officers, employees or its related persons have a financial interest, and accounts of deferred compensation and/or retirement plans covering employees of MSIMJ and its 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 commissions or other costs.

MSIMJ effects 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.

Generally, with respect to fixed income securities and other instruments, MSIMJ seeks 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, MSIMJ 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 the MSIMJ with a goal of ensuring that fair and equitable allocation will occur over time.

Notwithstanding the foregoing, MSIMJ 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 MSIMJ is unable to fully execute a block transaction and MSIMJ determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, MSIMJ may allocate such securities in a manner determined in good faith to be a fair allocation.

### **Directed Brokerage**

Limitations on MSIMJ's authority may vary depending upon the desires of each individual client. MSIMJ, from time to time, has both Discretionary Clients (clients who have authorized MSIMJ 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 MSIMJ's 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 MSIMJ's authority by (i) requiring that all or a portion of the client's transactions be executed through the client's designated broker-dealer ("Designated Broker") and/or (ii) restricting MSIMJ 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, MSIMJ may be unable to obtain best execution for such trades. MSIMJ 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 MSIMJ's ability to obtain as favorable a transaction price or commission rate as MSIMJ 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 MSIMJ's approved list of brokers, there may be additional credit and/or settlement risk for such trades; MSIMJ 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 MSIMJ for transactions in the same security; and where MSIMJ effects a transaction through a designated broker pursuant to a Directed/Restricted Trade, MSIMJ may effect such transaction after it has effected transactions in the same security for client accounts for which MSIMJ has discretion

to select the broker. Where a client has directed brokerage for its account and maintains that MSIMJ remains subject to best execution, MSIMJ may aggregate those directed trades along with trades executed for other client accounts through the broker-dealer that MSIMJ believes 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 MSIMJ's best execution obligation and has been informed of the consequences of doing so; (ii) the client has represented to the MSIMJ that the client has independently determined best execution; or (iii) MSIMJ has determined that the trade is consistent with its best execution obligation, 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 MSIMJ were authorized to choose the broker through which to execute transactions for the client's account.

In situations in which a client has restricted or prohibited trading by MSIMJ through its affiliated broker-dealer (or other broker-dealers) and MSIMJ determines, subject to its obligation to seek best execution, to place a trade through that affiliated (or other) broker-dealer on behalf of its 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 MSIMJ were authorized to execute such trades through its affiliated (or other) broker for the client's account.

If MSIMJ agrees to satisfy a client's directions to execute transactions for its account through Designated Brokers, the client will generally be required to confirm that: (i) any client direction is suitable and appropriate in respect of the account and the client has not relied on investment advice from MSIMJ (or any affiliate of MSIMJ) in connection with any client 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) no client direction will 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.

MSIMJ has 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 MSIMJ's Directed Brokerage Policy: (i) only certain types of orders qualify for directed brokerage; (ii) Designated Brokers may only charge (or recapture) that part of the bundled commission that is consistent with the services being provided to MSIMJ. In certain instances clients of MSIMJ may negotiate directed brokerage arrangements that differ from MSIMJ's Directed Brokerage Policy. Requests for such arrangements are addressed by MSIMJ on a case by case basis.

**ITEM 13      REVIEW OF ACCOUNTS**

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

Clients for whom MSIMJ manages separate accounts are provided reports of transactions as they are effected (if requested by the client), portfolio valuations quarterly or as otherwise negotiated with the client and summaries of portfolio changes quarterly (or at other intervals as negotiated with the client). Additionally, MSIMJ meets with clients as frequently as quarterly or as infrequently as annually (as agreed with the client) to discuss the performance of the client's account, MSIMJ's management of the client's account, and any other issues of concern to the client. MSIMJ may, if requested by client, provide additional reports or information at these meetings or otherwise.

**ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

Not applicable for MSIMJ's business.



**ITEM 15      CUSTODY**

Not applicable. MSIMJ does not take custody of any client assets/funds.

## **ITEM 16      INVESTMENT DISCRETION**

MSIMJ usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account. As discussed under Item 12 of this Brochure, clients may impose certain limitations on MSIMJ's use of broker-dealers. Other limitations may be negotiated between MSIMJ and its clients on a case-by-case basis.

When selecting securities and determining amounts MSIMJ observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, MSIMJ's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

## ITEM17 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 MSIM registered management investment companies (“MSIM Funds”), MSIM votes proxies under the MSIM Proxy Voting and Procedures (the “Policy”) pursuant to authority granted under applicable investment advisory agreement or, in the absence of such authority, as authorized by the Board of Directors/Trustees of the MSIM Funds. 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.

Votes on director 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, director skills and the balance of expertise on the board, 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 and burn rates as reasonable, and if plan provisions sufficiently protect shareholder interests. MSIM also supports appropriately structured bonus and employee stock purchase plans.

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 Corporate Governance 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.

**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 at [www.morganstanley.com/funds](http://www.morganstanley.com/funds) and (ii) on the SEC’s web site at [www.sec.gov](http://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 MSIMJ's financial condition. MSIMj 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.