At Morgan Stanley Investment Management, we remain committed to delivering to our investors the highest degree of transparency into the composition of our money market funds. In accordance with this objective, we have decided to include an additional risk measure, Weighted Average Life (WAL), on our investor communications. As most investors are aware, Weighted Average Maturity (WAM) has long served as an important metric for money market fund investors evaluating different funds. As a complement to WAM, we believe that the added WAL metric will keep our investors better informed of the strategic positioning of our money market portfolios.

The traditional WAM calculation—as defined by SEC Rule 2a-7—has long served investors as a basic gauge of a money market fund’s maturity profile. When calculating WAM under Rule 2a-7, a fund adviser is permitted to use the interest-rate reset date, rather than a security’s stated final maturity, for variable- and floating-rate securities. By looking to a portfolio’s interest rate reset schedule in lieu of final maturity dates, the WAM measure effectively captures a fund’s exposure to interest rate movements and the potential price impact resulting from interest rate movements.

Because of its reliance on interest rate reset dates, WAM does not measure the risk faced by a fund required to hold its entire portfolio of securities to their final maturities. In order to provide investors with greater transparency, we are introducing WAL to supplement our WAM reporting. The WAL calculation is based on a security’s stated final maturity date or, when relevant, the date of the next demand feature when the fund may receive payment of principal and interest (such as a put feature). Accordingly, WAL reflects how a portfolio would react to deteriorating credit (widening spreads) or tightening liquidity conditions. We believe that when viewed alongside WAM, the supplemental WAL disclosure will provide investors with a further degree of insight into our portfolios’ structure.

In addition to ensuring the highest possible degree of transparency for our shareholders, we are also adding the WAL measure in order to respond proactively to anticipated regulatory reforms. The U.S. Securities Exchange Commission has recently proposed a series of rule amendments designed to strengthen the regulatory framework for money market funds. Among its many proposed1 rule changes, the SEC has suggested funds have a maximum WAL of 120 days and thus affirmed its commitment to the disclosure of this metric. While the outcome of potential regulatory changes remains uncertain, we foresee WAL to be a standard reporting metric under a revised SEC Rule 2a-7.

To help you better understand the difference between Weighted Average Maturity (WAM) and Weighted Average Life (WAL), we have provided the calculation methodologies for each below:

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\text{WAL} = \sum \left[ \frac{\text{Individual Security Amortized Cost x Days to Maturity for security}}{\text{Total Fund Amortized Cost}} \right]
\]

\[
\text{WAM} = \sum \left[ \frac{\text{Individual Security Amortized Cost x Days to Maturity for security}}{\text{Total Fund Amortized Cost}} \right]
\]

Days to Maturity for WAL is the lower of the stated maturity date or next demand feature date. Days to Maturity for WAM is the lower of the stated maturity date or next interest rate reset date.

In the example of a one-year (365-day) floating rate note with monthly (30-day) interest rate resets, WAM would assign such a security a 30-day maturity, while WAL would assign the security a 365-day maturity.

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1 Securities Exchange Commission Open Hearing, SEC Proposes Rule Amendments to Strengthen Regulatory Framework for Money Market Funds, June 24, 2009, 10:00am EDT.
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An investment in the money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.

Please consider the investment objectives, risks, charges and expenses of the funds carefully before investing. The prospectus contains this and other information about the funds. To obtain a prospectus, contact Morgan Stanley Investment Management or download one at morganstanley.com/im. Please read the prospectus carefully before investing.

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