

Commentary

February 2, 2010

Money Market Fund Update

In June of 2009, the Securities & Exchange Commission (SEC) unanimously voted to strengthen the regulatory requirements governing money market funds in order to help mitigate risks associated with economic stresses and liquidity runs. The SEC sought public comment on proposals that would require money market funds to:

- Improve liquidity
- Maintain higher credit quality
- Increase portfolio disclosure
- Shorten maturity limits
- Conduct periodic stress tests
- Improve money market fund operations

On January 27, 2010, the SEC approved a series of amendments to Rule 2a-7 designed to strengthen the regulatory framework for money market funds. The following are among the rule amendments that were agreed upon:

U.S. money market funds are required to (have):

Portfolio Liquidity	at least 10% of portfolio assets in cash, U.S. Treasury securities or securities that convert into cash within one day (required for taxable money market funds only); at least 30% of portfolio assets must be in cash, U.S. treasury securities, certain other government securities with remaining maturities of 60 days or less or securities that convert into cash within one week; at most 5% of portfolio assets can be invested in illiquid securities which are defined as securities that cannot be sold or disposed of within 7 days at carrying value
Portfolio Maturity	a maximum Weighted Average Maturity (WAM) of 60 days and a maximum Weighted Average Life (WAL) of 120 days
Eligible Securities	at most 3% of portfolio holdings in second-tier securities with a concentration limit of 0.5% in any single second-tier issuer and maturity limit of 45 days
Rating Agencies	annually designate at least four Nationally Recognized Statistical Rating Organizations whose ratings the fund's board considers to be reliable to establish a framework for establishing security eligibility
Periodic Stress Tests	stress tests to examine the fund's ability to maintain a stable net asset value (NAV) per share in the event of market shocks, such as, interest rate changes, higher redemptions and changes in credit quality of the portfolio
Portfolio Disclosure	on a monthly basis, post portfolio holdings to the fund's website and report to the SEC detailed portfolio schedules, including, "shadow" NAV, or the mark-to-market value of the fund's net assets; information reported to the SEC will be available to the public 60 days later
Suspension of Redemptions	maintain the right to suspend redemptions when the NAV falls below \$1.00 and the fund's board decides to liquidate the fund, given the fund notifies the SEC before relying on this rule
Processing of Transactions	maintain the right to process purchases and redemptions electronically at prices other than \$1.00 per share

Given previous reports of discussions regarding the rule amendments, we have already begun to implement the anticipated regulatory changes in our management and reporting strategies. We have been operating in accordance with the portfolio structure aspects of the regulatory changes, such as portfolio liquidity, portfolio maturity (WAM and WAL) and eligible securities. We do not anticipate the recent announcement making any further impact on our current management strategy.

In light of changing market conditions, we have worked to maintain a conservative investment approach with respect to liquidity and credit quality in the management of our money market funds. Our money market funds continue to function as designed by striving to maintain a stable NAV of \$1.00 per share. We remain committed to meeting the Funds' stated objectives of capital preservation and liquidity.

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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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