

## Commentary

September 16, 2008

# Institutional Liquidity Funds Update

Morgan Stanley Investment Management is dedicated to providing our shareholders and prospective investors with relevant information regarding the positioning of our money market funds. Given recent developments in the short-term credit markets, we believe the following points are relevant when assessing the current positioning of the Morgan Stanley Institutional Liquidity Funds.

1. The Funds do not have any exposure to AIG, Lehman Brothers and Merrill Lynch.
2. The Funds continue to invest in the senior debt obligations of Fannie Mae and Freddie Mac. We are comfortable with the implications of the recently-announced U.S. Treasury plan for the two GSEs and are confident in the credit quality of the senior debt obligations that we continue to invest.
3. The Funds do not have any exposure to structured investment vehicles (SIVs).
4. The Funds do not have any exposure to auction rate securities.
5. The Funds do not have any exposure to single-seller mortgage conduits or structured liquidity notes.
6. The Funds do not have any direct, unsecured exposure to any sub-prime asset classes.
7. The Funds continue to invest in traditional asset backed conduits where our credit and risk teams have confidence in the quality of the assets, the structure of the conduits, and the financial strength of the sponsoring institutions.
8. The Funds continue to purchase deposit liabilities and senior obligations of strong financial institutions and corporations.
9. Specific to our Tax-Exempt Funds, we continue to invest in tax-exempt securities, including Variable Rate Demand Obligations (VRDOs), where our credit and risk teams have confidence in the quality of the issuer, the structure of the program, and the financial strength of the supporting institutions. We have identified and eliminated any securities enhanced by the troubled mono-line insurers that do not have the benefit of additional guarantees or protection, such as the presence of an irrevocable Letter of Credit.

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| NOT FDIC INSURED                             | OFFER NO BANK GUARANTEE | MAY LOSE VALUE |
| NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY |                         | NOT A DEPOSIT  |

**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.**

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**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/msim](http://morganstanley.com/msim). Please read the prospectus carefully before investing.**

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