

Morgan Stanley
Funds p.l.c.

**Annual Report and
Audited Financial
Statements**

31st July 2009

Table of Contents

2	Organisation
3	Background to the Fund
6	Investment Manager's Reports
8	Sub-Investment Manager's Reports
10	Custodian's Report
11	Directors' Report
14	Independent Auditor's Report
16	Profit and Loss Account
17	Statement of Net Assets
18	Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders
19	Notes to the Financial Statements

SCHEDULE OF INVESTMENTS

45	US Dollar Liquidity Fund
47	Euro Liquidity Fund
49	Sterling Liquidity Fund
51	US Dollar Treasury Liquidity Fund

SCHEDULE OF PORTFOLIO CHANGES (UNAUDITED)

52	US Dollar Liquidity Fund
53	Euro Liquidity Fund
54	Sterling Liquidity Fund
55	US Dollar Treasury Liquidity Fund

Organisation

BOARD OF DIRECTORS

James Dilworth (United States/United Kingdom resident)
(resigned 9th March 2009)

Michael Kevin Griffin (Ireland)*

Noel Langlois (United States)

Andrew John Mack (United Kingdom)

(appointed 15th April 2009)

David McGeough (Ireland)*

(appointed 8th July 2008)

Ursula Schliessler (United Kingdom)

(resigned 22nd December 2008)

All Directors of the Board are non-executive.

*Independent Directors.

REGISTERED OFFICE

25/28 North Wall Quay

International Financial Services Centre

Dublin 1

Ireland

INVESTMENT MANAGER

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York

New York 10036

United States of America

SUB-INVESTMENT MANAGER AND DISTRIBUTOR

Morgan Stanley Investment Management Limited

25 Cabot Square

Canary Wharf

London E14 4QA

United Kingdom

CUSTODIAN

State Street Custodial Services (Ireland) Limited

Guild House

Guild Street

International Financial Services Centre

Dublin 1

Ireland

ADMINISTRATOR AND REGISTRAR

State Street Fund Services (Ireland) Limited

Guild House

Guild Street

International Financial Services Centre

Dublin 1

Ireland

SECRETARY

Goodbody Secretarial Limited

International Financial Services Centre

North Wall Quay

Dublin 1

Ireland

INDEPENDENT AUDITORS

Ernst & Young

Chartered Accountants

Ernst & Young Building

Harcourt Centre

Harcourt Street

Dublin 2

Ireland

IRISH LEGAL ADVISORS

A & L Goodbody

International Financial Services Centre

North Wall Quay

Dublin 1

Ireland

SPONSORING BROKER

A & L Listing Limited

International Financial Services Centre

North Wall Quay

Dublin 1

Ireland

Background to the Fund

Please refer to the Prospectus for the definitions of words or terms starting with capital letters that are not defined in this document.

Morgan Stanley Funds p.l.c. (the “Fund”) is an umbrella investment company with variable capital and with segregated liability between Sub-Funds, incorporated on 22nd April 2003 and is authorised in Ireland as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended. The Fund commenced operations on 10th June 2003.

The authorisation of the Fund by the Financial Regulator shall not constitute a warranty as to the performance of the Fund and the Financial Regulator shall not be liable for the performance or default of the Fund.

The value of, and income from, Redeemable Participating Shares (the “Shares”) in the Fund may change and you may not get back the amount you have invested in the Fund.

As an umbrella investment company, the Fund may create different Sub-Funds from time to time. The current Sub-Funds and denominated currency of each are listed below:

<i>Sub-Fund Name</i>	<i>Denominated Currency</i>	<i>Launch Date</i>
US Dollar Liquidity Fund (the “US Dollar Sub-Fund”)	United States Dollars	10th June 2003
Euro Liquidity Fund (the “Euro Sub-Fund”)	Euro	10th June 2003
Sterling Liquidity Fund (the “Sterling Sub-Fund”)	Sterling	10th June 2003
US Dollar Treasury Liquidity Fund (the “US Dollar Treasury Sub-Fund”)	United States Dollars	29th October 2008

Shares in each Sub-Fund are divided into Classes. The Share Classes of the Sub-Funds are Institutional Shares, Advisory Shares, Cash Reserve I Shares, Cash Reserve II Shares, Institutional Accumulating Shares, and Advisory Accumulating Shares (collectively deemed to be “Redeemable Participating Shares”). The Cash Reserve II Share Class is only in issue on the Sterling Liquidity Sub-Fund. The Institutional Accumulating Share Class launched in the Euro Liquidity Sub-Fund on 4th May 2007, launched in the US Dollar Liquidity Sub-Fund and Sterling Liquidity Sub-Fund on 18th May 2007 and in the US Dollar Treasury Liquidity Sub-Fund on 29th October 2008. The Advisory Accumulating Shares in the Euro Liquidity Sub-Fund launched on 4th June 2008 and the Advisory and Corporate Accumulating shares in the US Dollar Liquidity Sub-Fund launched on 30th May 2008 and on 19th June 2008 respectively. All of the Share Classes of each Sub-Fund are listed on the Irish Stock Exchange.

The following Share Classes of the Sub-Funds closed on 12th February 2009:

Corporate and Advisory Share Classes of Euro Liquidity Sub-Fund.
 Corporate Share Classes of Sterling Liquidity Sub-Fund.
 Corporate and Advisory Share Classes of US Dollar Liquidity Sub-Fund.

The Corporate Accumulating Share Class of US Dollar Liquidity Sub-Fund closed on 24th February 2009.

Each Share Class has different fee rates which are detailed in Note 8 within the Notes to the Financial Statements.

INVESTMENT OBJECTIVES

Please refer to the Prospectus for the full objectives and policies. The following are the Sub-Funds’ objectives and summaries of the investment policies.

US Dollar Liquidity Fund

The US Dollar Sub-Fund’s investment objective is to provide liquidity and an attractive rate of income, to the extent consistent with the preservation of capital. The US Dollar Sub-Fund will seek to achieve its investment objective primarily by investing in high quality short-term transferable debt securities (which may include by way of example fixed or floating rate instruments including without limitation commercial paper, certificates of deposit, freely transferable promissory notes, government and corporate bonds and asset backed securities) that are denominated in US Dollars. The US Dollar Sub-Fund may on an ancillary basis, invest in non-US Dollar denominated debt securities (which it will seek to hedge back to US Dollar in accordance with the efficient portfolio management provisions set out in the prospectus) and hold liquid assets such as cash and cash equivalents, including time deposits in depositary institutions.

Background to the Fund (continued)

Euro Liquidity Fund

The Euro Sub-Fund's investment objective is to provide liquidity and an attractive rate of income, to the extent consistent with the preservation of capital. The Euro Sub-Fund will seek to achieve its investment objective primarily by investing in high quality short-term transferable debt securities (which may include by way of example fixed or floating rate instruments including without limitation commercial paper, certificates of deposit, freely transferable promissory notes, government and corporate bonds and asset backed securities) that are denominated in Euro. The Euro Sub-Fund may on an ancillary basis, invest in non-Euro denominated debt securities (which it will seek to hedge back to Euro in accordance with the efficient portfolio management provisions set out in the Prospectus) and hold liquid assets such as cash and cash equivalents, including time deposits in depository institutions.

Sterling Liquidity Fund

The Sterling Sub-Fund's investment objective is to provide liquidity and an attractive rate of income, to the extent consistent with the preservation of capital. The Sterling Sub-Fund will seek to achieve its investment objective primarily by investing in high quality short-term transferable debt securities (which may include by way of example fixed or floating rate instruments including without limitation commercial paper, certificates of deposit, freely transferable promissory notes, government and corporate bonds and asset backed securities) that are denominated in Sterling. The Sterling Sub-Fund may on an ancillary basis, invest in non-Sterling denominated debt securities (which it will seek to hedge back to Sterling in accordance with the efficient portfolio management provisions set out in the Prospectus) and hold liquid assets such as cash and cash equivalents, including time deposits in depository institutions.

US Dollar Treasury Liquidity Fund

The US Treasury Sub-Fund's investment objective is to provide liquidity and an attractive rate of income, to the extent consistent with the preservation of capital. The US Treasury Sub-Fund will seek to achieve its investment objective primarily by investing in high quality short-term money market instruments comprising transferable debt securities issued by the United States government (which may include by way of example treasury bills and notes) that are denominated in US Dollars. The US Treasury Sub-Fund will to a significant extent also enter into repurchase and/or reverse repurchase agreements in respect of treasuries which constitute money market instruments for the purposes of efficient portfolio management in accordance with market practice and the requirements of the Financial Regulator. The US Treasury Sub-Fund may also hold cash.

DIVIDEND POLICY

Institutional Shares, Corporate Shares, Advisory Shares, Cash Reserve I Shares, Cash Reserve II Shares, Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares (collectively deemed to be "Redeemable Participating Shares")

The Directors intend to declare all net income of the US Dollar Liquidity Sub-Fund, Euro Liquidity Sub-Fund, Sterling Liquidity Sub-Fund and US Dollar Treasury Liquidity Sub-Fund with the exception of the Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares on each Dealing Day as a dividend to Shareholders on the register of members as at the close of business on the relevant Dealing Day in an attempt to stabilise the Net Asset Value per Share of each class at US\$1.00 in the case of the US Dollar Liquidity Sub-Fund, €1.00 in the case of the Euro Liquidity Sub-Fund, £1.00 in the case of the Sterling Liquidity Sub-Fund and US\$1.00 in the case of the US Dollar Treasury Liquidity Sub-Fund. Dividends will be declared daily and are payable monthly on or about the first Business Day of each following month. For this purpose, net income of each Sub-Fund (from the time immediately preceding determination thereof) shall consist of interest and dividends earned by each Sub-Fund and realised and unrealised profits on the disposal/valuation of investments as may be lawfully distributed less realised and unrealised losses (including fees and expenses) of each Sub-Fund.

In the case of the Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares the US Dollar Liquidity Sub-Fund, Euro Liquidity Sub-Fund, Sterling Liquidity Sub-Fund and US Dollar Treasury Liquidity Sub-Fund intend to retain the net income and/or capital gains attributable to such Shares and the value of these Shares will change accordingly. The Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares will not have a stable Net Asset Value per Share.

Background to the Fund (continued)

CALCULATION OF NET ASSET VALUE

The price at which Shares of any Sub-Fund will be issued on a Dealing Day, after the initial issue, is calculated by ascertaining the Net Asset Value of the relevant Sub-Fund (i.e. the value of the assets of the Sub-Fund having deducted the liabilities of the Sub-Fund) as at the Valuation Point for that Sub-Fund for the relevant Dealing Day. The Net Asset Value per Share of the relevant Sub-Fund is calculated by dividing the Net Asset Value of the relevant Sub-Fund, by the total number of Shares in issue in the Sub-Fund at the relevant Valuation Point and rounding the result to four decimal places.

Where applicable, the Net Asset Value per Share of each Class in a Sub-Fund is calculated by determining that portion of the Net Asset Value of the Sub-Fund which is attributable to the relevant Class and by dividing this sum by the total number of Shares of the relevant Class in issue at the relevant Valuation Point and rounding the resulting amount to four decimal places.

The Net Asset Value per Share of each class in each Sub-Fund together with the dividend yield (for Accumulating Classes only a Net Asset Value per Share is issued) will be available from the Administrator, will be notified without delay to the Irish Stock Exchange following calculation and will be published on the Irish Stock Exchange website.

Investment Manager's Report

for the year ended 31st July 2009

US DOLLAR LIQUIDITY FUND

The financial markets deteriorated considerably in the latter months of 2008 as the global credit crisis unfolded. Following the Lehman Brothers bankruptcy and government takeover of mortgage giants Fannie Mae and Freddie Mac in September, other financial institutions fell victim to the crisis as the credit markets seized and investor confidence plummeted, creating a tremendous amount of dislocation in the markets. The credit bellwether 3-month London Interbank Offered Rate (LIBOR), which stood at 2.81% in mid-September, rose to 4.82% by 10th of October, an astonishing increase in such a short period of time. The dire market conditions put further pressure on the already weakening economy as job losses mounted, the housing market continued to contract and manufacturing activity declined.

The U.S. government and the Federal Reserve (the "Fed"), in coordination with central banks and governments around the world, enacted several measures aimed at helping the economy and the markets regain some stability, including reducing interest rates to enhance liquidity and thaw the credit markets. The Fed made its first rate cut of the reporting period on 8th October 2008, followed by a second cut later that month, bringing the target federal funds rate to 1.00%. Nonetheless, the market remained volatile and consumer confidence continued to wane. In December, the Fed cut interest rates again to a range of 0.00% to 0.25%, effectively ushering in zero interest-rate policy. By year end, it appeared that this and other liquidity features put in place, which included the U.S. Treasury's Temporary Guarantee Program for Money Market Funds, the Commercial Paper Funding Facility, and the Asset Backed Commercial Paper Money Market Fund Liquidity Facility, were beginning to take hold and 3-month LIBOR fell to 1.42%.

In 2009, credit concerns gradually eased, financial market performance began to improve, and the contraction in economic growth moderated slightly. The 3-month LIBOR rate continued to decline and as of 31st July, stood at 0.48%. In addition, the LIBOR/OIS spread, which had gapped out to 364 basis points in October, had declined to 28 basis points. The decline in LIBOR levels and the LIBOR/OIS spread is indicative of improved financing conditions as the various government-sponsored programs globally reinvigorated financing activities thus far this year. Although many of the government sponsored liquidity programs and their usage had materially declined by late June as the financial markets moved closer to normalcy, the Fed Board of Governors approved the extension of and modifications to a number of these programs until 1st of February 2010 in an effort to continue to promote financial stability and support the flow of credit to households and businesses.

During the reporting period, we continued to place a strong emphasis on purchasing high quality corporate, financial, and banking obligations. We focused on maintaining high levels of liquidity and a short weighted average maturity to guard against the uncertainty caused by volatility in the financial markets. Our strategy in managing the Sub-Fund remained consistent with our long-term focus on capital preservation and very high liquidity and as in the past, we adhered to a conservative approach. We continue to review all eligible securities on our purchase list to ensure that they continue to meet our high standards of minimal credit risk.

MORGAN STANLEY INVESTMENT MANAGEMENT INC.

August 2009

Investment Manager's Report (continued)

US DOLLAR TREASURY LIQUIDITY FUND

The financial markets deteriorated considerably in the latter months of 2008 as the global credit crisis unfolded. Following the Lehman Brothers bankruptcy and government takeover of mortgage giants Fannie Mae and Freddie Mac in September, other financial institutions fell victim to the crisis as the credit markets seized and investor confidence plummeted, creating a tremendous amount of dislocation in the markets. The credit bellwether 3-month London Interbank Offered Rate (LIBOR), which stood at 2.81% in mid-September, rose to 4.82% by 10th of October, an astonishing increase in such a short period of time. The dire market conditions put further pressure on the already weakening economy as job losses mounted, the housing market continued to contract and manufacturing activity declined.

The U.S. government and the Federal Reserve (the "Fed"), in coordination with central banks and governments around the world, enacted several measures aimed at helping the economy and the markets regain some stability, including reducing interest rates to enhance liquidity and thaw the credit markets. The Fed made its first rate cut of the reporting period on 8th October 2008, followed by a second cut later that month, bringing the target federal funds rate to 1.00%. Nonetheless, the market remained volatile and consumer confidence continued to wane. In December, the Fed cut interest rates again to a range of 0.00% to 0.25%, effectively ushering in zero interest-rate policy. By year end, it appeared that this and other liquidity features put in place, which included the U.S. Treasury's Temporary Guarantee Program for Money Market Funds, the Commercial Paper Funding Facility, and the Asset Backed Commercial Paper Money Market Fund Liquidity Facility, were beginning to take hold and 3-month LIBOR fell to 1.42%.

In 2009, credit concerns gradually eased, financial market performance began to improve, and the contraction in economic growth moderated slightly. The 3-month LIBOR rate continued to decline and as of 31st July, stood at 0.48%. In addition, the LIBOR/OIS spread, which had gapped out to 364 basis points in October, had declined to 28 basis points. The decline in LIBOR levels and the LIBOR/OIS spread is indicative of improved financing conditions as the various government-sponsored programs globally reinvigorated financing activities thus far this year. Although many of the government sponsored liquidity programs and their usage had materially declined by late June as the financial markets moved closer to normalcy, the Fed Board of Governors approved the extension of and modifications to a number of these programs until 1st of February 2010 in an effort to continue to promote financial stability and support the flow of credit to households and businesses.

On 29th October 2008, the USD Treasury Liquidity Fund launched. During the reporting period, we continued to place a strong emphasis on purchasing significant amounts of overnight repos backed by Treasury securities. We focused on maintaining high levels of liquidity and a short weighted average maturity to guard against the uncertainty caused by volatility in the financial markets. The short end of the treasury yield curve remained very flat and offered little incentive to extending maturities. As such the portfolio has been positioned with an emphasis on overnight repos. Our strategy in managing the Sub-Fund remained consistent with our long-term focus on capital preservation and very high liquidity.

MORGAN STANLEY INVESTMENT MANAGEMENT INC.

August 2009

Sub-Investment Manager's Report

for the year ended 31st July 2009

EURO LIQUIDITY FUND

Market Review

The year to 31st July 2009 saw unprecedented dislocations across many sectors of the financial markets. Over the normally quiet summer period, concerns continued to build surrounding the potential extent of losses at Lehman Brothers, with volatility indexes rising to very elevated levels at the end of quarter 3, 2008. Given the precedent that was set with the rescue of Bear Stearns, the market was expecting some form of brokered takeover of Lehman going into the weekend of 13th September. Following the official default on the 15th, credit spreads moved sharply wider. This set off a cascade of events in the money market world, following the "breaking of the buck" by one fund. The subsequent huge withdrawals of assets from mutual funds, money market funds and hedge funds resulted in large scale forced asset sales, which was particularly painful for leveraged investors, who were forced to accept whatever bid they could find in order to meet redemption requests. This cycle drove spreads of lower rated bonds, including convertibles, sharply wider in quarter 4; lower rated traditional industrials had previously been left behind in the financial-led widening of quarter 1 and quarter 3.

As the equity of the pure "investment banks" went into freefall, the market began to question the sustainability of the pure broker-dealer model. The US authorities stepped in to support AIG and later chose to inject capital into a large number of institutions with the aim of preventing a large scale collapse of the banking sector. A series of programmes and initiatives followed in quarter 4 and quarter 1 2009 in order to try and attempt to restore some normality to the markets. By this point, however, it was widely recognised that the reduction of credit had fed through to the real economy and economic indicators began to plunge.

Faced with rising unemployment, authorities have announced large scale fiscal injections, central banks have slashed policy rates and selective banks, such as the UK and the Fed, have initiated Quantitative Easing programmes. Going into summer of 2009, forward looking economic indicators have improved significantly and risk appetite has returned to the markets. This has resulted in a significant rally in risk assets and the prospect for a quick return to trend growth is pressuring central banks to discuss their 'exit strategies' from their unprecedented easy policy stances. However, low inflation and large output gaps will allow the European Central Bank (ECB) to keep policy rates low for an extended period. As well as cutting the policy rate from 4.25% in summer of 2008 to 1% by May 2009, the ECB channelled hundreds of billions of Euros in one-year loans into the euro zone's banking system, providing record amounts of finance aimed at unlocking credit markets to one of the most impacted regions of this financial crisis. The ECB lent an unprecedented €442.2 billion to more than 1,100 banks at its current benchmark interest rate of 1%. High demand for the funds, in what was the ECB's first ever auction for one-year loans, reflected a view that funding may not be available again on such favourable terms. In addition, the overnight rate remains well below the target rate of 1%, suggesting further 'stealth' easing by the ECB.

Portfolio Activity

Given the uncertain outlook and market volatility, the investment strategy in the Sub-Fund continued to be prudent and defensive in nature. We remain conservative in our approach to both credit, duration and liquidity management keeping high levels of liquidity in the Sub-Fund as well as targeting high quality and high liquidity names.

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

August 2009

Sub-Investment Manager's Report (continued)

STERLING LIQUIDITY FUND

Market Review

The year to 31st July 2009 saw unprecedented dislocations across many sectors of the financial markets. Over the normally quiet summer period, concerns continued to build surrounding the potential extent of losses at Lehman Brothers, with volatility indexes rising to very elevated levels at the end of quarter 3 2008. Given the precedent that was set with the rescue of Bear Stearns, the market was expecting some form of brokered takeover of Lehman going into the weekend of 13th September. Following the official default on the 15th, credit spreads moved sharply wider. This set off a cascade of events in the money market world, following the "breaking of the buck" by one fund. The subsequent huge withdrawals of assets from mutual funds, money market funds and hedge funds resulted in large scale forced asset sales, which was particularly painful for leveraged investors, who were forced to accept whatever bid they could find in order to meet redemption requests. This cycle drove spreads of lower rated bonds, including convertibles, sharply wider in quarter 4; lower rated traditional industrials had previously been left behind in the financial-led widening of quarter 1 and quarter 3.

As the equity of the pure "investment banks" went into freefall, the market began to question the sustainability of the pure broker-dealer model. The US authorities stepped in to support AIG and later chose to inject capital into a large number of institutions with the aim of preventing a large scale collapse of the banking sector. A series of programs and initiatives followed in quarter 4 and quarter 1 2009 in order to try and attempt to restore some normality to the markets. By this point, however, it was widely recognised that the reduction of credit had fed through to the real economy and economic indicators began to plunge.

Faced with rising unemployment, authorities have announced large scale fiscal injections, central banks have slashed policy rates and selective banks, such as the UK and the Fed, have initiated Quantitative Easing programmes. Going into summer of 2009, forward looking economic indicators have improved significantly and risk appetite has returned to the markets. This has resulted in a significant rally in risk assets and the prospect for a quick return to trend growth is pressuring central banks to discuss their 'exit strategies' from their unprecedented easy policy stances. However, low inflation and large output gaps will allow the Bank of England to keep policy rates low for an extended period. As well as cutting the policy rate from 5% in summer of 2008 to 0.5% by March 2009, the Bank of England announced an extension of its Quantitative Easing programme in July, as inflation projections continued to undershoot the 2% target over a two year time horizon. Indeed, UK economic news through July generally had a weaker slant to it. Quarter 2 GDP figures mean that the UK economy has now contracted by 5.7% from its peak, with GDP levels now at their lowest since the end of 2005.

Portfolio Activity

Given the uncertain outlook and market volatility, the investment strategy in the Sub-Fund continued to be prudent and defensive in nature. We remain conservative in our approach to both credit, duration and liquidity management keeping high levels of liquidity in the Sub-Fund as well as targeting high quality and high liquidity names.

MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED

August 2009

Custodian's Report

We have enquired into the conduct of Morgan Stanley Funds p.l.c. (the "Fund") for the year ended 31st July 2009, in our Capacity as Custodian to the Fund.

This report including the opinion has been prepared for and solely for the shareholders in the Fund as a body, in accordance with the Financial Regulator's UCITS Notice 4, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

RESPONSIBILITIES OF THE CUSTODIAN

Our duties and responsibilities are outlined in the Financial Regulator's UCITS Notice 4. One of those duties is to enquire into the conduct of the Fund in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Fund has been managed in that period in accordance with the provisions of the Fund's Memorandum and Articles of Association and the UCITS Regulations. It is the overall responsibility of the Fund to comply with these provisions. If the Fund has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

BASIS OF CUSTODIAN OPINION

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in UCITS Notice 4 and to ensure that, in all material respects, the Fund has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Fund's constitutional documentation and the appropriate regulations.

OPINION

In our opinion, the Company has been managed during the year, in all material respects:

- i) in accordance with the limitations imposed on the investment and borrowing powers of the Fund by the Memorandum & Articles of Association and by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended, (the "Regulations"); and
- ii) otherwise in accordance with the provisions of the Memorandum & Articles of Association and the Regulations.

STATE STREET CUSTODIAL SERVICES (IRELAND) LIMITED

12th November 2009

Directors' Report

The Directors present herewith the audited Financial Statements for the year ended 31st July 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable Irish Law and Generally Accepted Accounting Practices in Ireland including the Accounting Standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish Company Law requires the Directors to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and which enable them to ensure that the Financial Statements are prepared in accordance with the accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended (the "UCITS Regulations"). To this end, the Fund has appointed State Street Fund Services (Ireland) Limited to provide it with fund accounting, administration and transfer agency services. The Directors are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. To this end, the Fund has appointed State Street Custodial Services (Ireland) Limited as trustee and custodian of its assets.

BOOKS OF ACCOUNT

The measures taken by the Directors to secure compliance with the Fund's obligation to keep proper books of account, as outlined in Section 202 of the Companies Act 1990, are the use of appropriate systems and procedures and the appointment of competent persons. To this end, the Directors have appointed a service organisation, State Street Fund Services (Ireland) Limited for the purpose of maintaining proper books of accounts. Accordingly, the books of account are kept at State Street Fund Services (Ireland) Limited, Guild House, Guild Street, International Financial Services Centre, Dublin 1, Ireland.

PRINCIPAL ACTIVITIES

The Fund has been approved by the Financial Regulator as an investment company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The increase in the Net Asset Value for the year over its performance benchmark, the 1 week USD LIBID, was 0.15% for the US Dollar Liquidity Fund. The increase in the Net Asset Value for the period since launch over its performance benchmark, the Lipper Institutional US Treasury Money Market Average, was 0.22% for the US Dollar Treasury Liquidity Fund. The increase in the Net Asset Value for the year over its performance benchmark, the 1 week EUR LIBID, was 0.37% for the Euro Liquidity Fund. The increase in the Net Asset Value for the period over its performance benchmark, the 1 week GBP LIBID, was 0.51% for the Sterling Liquidity Fund. The Directors believe that these percentages, calculated using the Net Asset Values of Institutional Share Class, are key indicators of the performance of the Sub-Funds. A detailed review of the business and future developments is included in the Investment Manager's/Sub-Investment Manager's Report on pages 6 to 9.

Directors' Report (continued)

RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objectives of the Sub-Funds are outlined on pages 3 and 4.

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks referred to in Note 13 within the Notes to the Financial Statements.

RESULTS AND DISTRIBUTIONS

The results and distributions for the year are set out in the Profit and Loss Account on page 16.

DIRECTORS

The Directors of the Fund as at 31st July 2009, who served for the entire year, except where indicated, are set out below:

James Dilworth (resigned 9th March 2009)
Michael Kevin Griffin*
Noel Langlois
Andrew John Mack (appointed 15th April 2009)
David McGeough (appointed 8th July 2008)*
Ursula Schliessler (resigned 22nd December 2008)

All Directors are non-executive.

*Independent Directors.

DIRECTORS' REMUNERATION AND TRANSACTIONS INVOLVING DIRECTORS

The Board of Directors are not aware of any contracts or arrangements of any significance in relation to the business of the Fund in which the Directors or Company Secretary had any interest as defined in the Companies Act, 1990, at any time during the year ended 31st July 2009 other than as disclosed in Note 10 within the Notes to the Financial Statements. Directors' remuneration is disclosed in Note 4 and Note 8 within the Notes to the Financial Statements.

DIRECTORS' AND SECRETARY'S INTERESTS

The Directors and Secretary held no interests in the Shares of the Fund during the year.

EMPLOYEES

There were no employees of the Fund throughout the year.

SIGNIFICANT EVENTS DURING THE YEAR

Revised Prospectus for the Fund was issued on 21st October 2008.

The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

The following Share Classes of the Sub-Funds closed on 12th February 2009:

Corporate and Advisory Share Classes of Euro Liquidity Sub-Fund.
Corporate Share Classes of Sterling Liquidity Sub-Fund.
Corporate and Advisory Share Classes of US Dollar Liquidity Sub-Fund.

The Corporate Accumulating Share Class of US Dollar Liquidity Sub-Fund closed on 24th February 2009.

Mr. David McGeough was appointed as a Director of Morgan Stanley Funds p.l.c. on 8th July 2008.

Ms. Ursula Schliessler resigned as a Director of Morgan Stanley Funds p.l.c. on 22nd December 2008.

Mr. James Dilworth resigned as a Director of Morgan Stanley Funds p.l.c. on 9th March 2009.

Mr. Andrew John Mack was appointed as a Director of Morgan Stanley Funds p.l.c. on 15th April 2009.

Directors' Report (continued)

During the year ended 31st July 2009 the US Dollar Liquidity Fund (the "Fund") sold certain investment positions to Morgan Stanley, an affiliate. These transactions were executed at amortised cost plus accrued interest amounting to USD6.009 billion (Par value being USD6.019 billion and Fair Value being USD5.993 billion), as on the date of the transaction. These sale transactions, which were approved by the Custodian, caused no dilution to the Fund and were executed in the best interest of the shareholders.

Further, there were 3 facilities ("Facility 1", "Facility 2" and "Facility 3") made available to the Fund by MSIM by way of transferring investment holdings as a "Gift-in-kind" to the Fund at zero cost. These holdings would help support the Fund by being utilised as a tool to offset any losses realised through the sale of securities.

Facility 1 was funded by MSIM on 15th October 2008 by transferring holdings with a face value of USD4,480,920 to the Fund account held with the Custodian. Facility 2 was funded by MSIM on 22nd October 2008 by transferring holdings with a face value of USD249,315 to the Funds account held with the Custodian. Facility 3 was funded by MSIM on 18th November 2008 by transferring holdings with a face value of USD2,470,025 to the Funds account held with the Custodian. As at 31st July 2009, Facility 1, 2 and 3 were drawn down in full.

Excess cash collateral held with the Custodian in respect of the capital support facility may not be considered for the purposes of calculating the Net Asset Value of the Fund.

EVENTS SINCE THE YEAR END

There have been no significant events since the year end.

INDEPENDENT AUDITORS

The auditors, Ernst & Young, chartered accountants, will continue in office in accordance with Section 160 (2) of the Companies Act 1963.

ON BEHALF OF THE BOARD

Director

Director

12th November 2009

Independent Auditor's Report

To the Members of Morgan Stanley Funds p.l.c. (the "Fund")

We have audited the Financial Statements of Morgan Stanley Funds p.l.c. for the year ended 31st July 2009, which comprise the Profit and Loss Account, Statement of Net Assets, Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders and the related Notes to the Financial Statements 1 to 18. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Fund's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the Financial Statements in accordance with applicable Irish law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland ("Generally Accepted Accounting Practice in Ireland") as set out in the Statement of Directors' Responsibilities.

The Directors are also responsible for preparing a Schedule of Investments in accordance with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended, Notices (the "UCITS Notices") issued by the Irish Financial Services Regulatory Authority ("the Financial Regulator").

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act, 1963 to 2009 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended. We also report to you our opinion as to: whether proper books of account have been kept by the Fund; and whether the information given in the Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the Financial Statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Schedule of Investments has been prepared in accordance with the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended, Notices (the "UCITS Notices") issued by the Financial Regulator and we report if it does not.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Background to the Fund, Directors' Report, Investment Manager's Report, Sub-Investment Manager's Reports and the Custodian's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Independent Auditor's Report (continued)

OPINION

In our opinion the Financial Statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the affairs of the Fund as at 31st July 2009 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Fund. The Financial Statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the Financial Statements.

ERNST & YOUNG

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

Dublin

12th November 2009

Financial Statements

Profit and Loss Account

FOR THE YEAR ENDED 31st JULY 2009

	Notes	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Operating Income	3	131,679,009	73,076,629	56,492,607	17,902,930	107,101
Net Realised (Losses)/Gains on Sale of Investments		(9,521,721)	(12,938,032)	30,510	(5,240)	15,547
Net Receipts from Affiliates	10	9,518,235	12,884,835	-	-	-
Net Unrealised Gains/(Losses) on Investments		15,506,128	20,265,453	541,093	(5,265)	1,125
Operating Expenses	4	(9,336,813)	(6,198,767)	(3,481,031)	(1,044,284)	(60,185)
Increase in Net Assets resulting from Operations		137,844,838	87,090,118	53,583,179	16,848,141	63,588
Finance Costs:						
Distribution		(115,804,354)	(63,859,933)	(50,631,789)	(15,214,372)	(62,463)
Net increase in Net Assets Attributable to Redeemable Participating Shareholders resulting from Operations		22,040,484	23,230,185	2,951,390	1,633,769	1,125

There are no recognised gains or losses arising in the year other than the increase in Net Assets Attributable to Redeemable Participating Shareholders resulting from Operations. In arriving at the results for the financial year, all amounts above relate to continuing operations.

The accompanying notes are an integral part of these Financial Statements.

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

ON BEHALF OF THE BOARD

Director

Director

12th November 2009

Profit and Loss Account

FOR THE YEAR ENDED 31st JULY 2008

	Notes	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund** 2008 USD	Euro Enhanced Yield Fund** 2008 EUR
Operating Income	3	464,477,171	460,167,634	115,153,668	27,236,183	2,114,930	4,579,229
Net Realised Losses on Sale of Investments		(19,649,865)	(17,095,852)	(251,690)	(5,818)	(8,359,942)	(2,411,944)
Net Receipts from Affiliates		11,265,690	16,890,649	-	-	-	-
Net Unrealised (Losses)/Gains on Investments		(13,671,152)	(20,260,081)	(191,127)	33,584	(43,945)	17,414
Operating Expenses	4	(17,566,593)	(17,655,058)	(4,190,522)	(1,009,465)	(81,327)	(196,742)
Increase/(decrease) in Net Assets resulting from Operations		424,855,251	422,047,292	110,520,329	26,254,484	(6,370,284)	1,987,957
Finance Costs:							
Distribution		(419,639,520)	(423,575,012)	(102,952,747)	(22,436,784)	-	(4,175,891)
Net increase/(decrease) in Net Assets Attributable to Redeemable Participating Shareholders resulting from Operations		5,215,731	(1,527,720)	7,567,582	3,817,700	(6,370,284)	(2,187,934)

There are no recognised gains or losses arising in the year other than the increase in Net Assets Attributable to Redeemable Participating Shareholders resulting from Operations. In arriving at the results for the financial year, all amounts above relate to continuing operations, except for the US Dollar and Euro Enhanced Sub-Funds which ceased operations on 30th July 2008.

The accompanying notes are an integral part of these Financial Statements.

** Ceased operations on 30th July 2008.

Financial Statements

Statement of Net Assets

AS AT 31st JULY 2009

	Notes	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Current Assets						
Financial Assets at Fair Value through Profit or Loss						
Investments Held For Trading	13	2,998,074,916	827,541,950	1,871,374,865	458,320,194	10,004,591
Securities purchased, under agreements to resell	13	571,070,600	791,170,000	–	–	18,436,790
Cash and cash equivalents		7,491	6,400	–	–	4,220
Debtors	5	743,577	336,442	201,022	230,983	49,828
Total Current Assets		3,569,896,584	1,619,054,792	1,871,575,887	458,551,177	28,495,429
Creditors						
(amounts falling due within one year)	6	(130,839,904)	(50,435,012)	(87,942,030)	(6,233,570)	(47,660)
Net Assets Attributable to Redeemable Participating Shareholders	7	3,439,056,680	1,568,619,780	1,783,633,857	452,317,607	28,447,769

The accompanying notes are an integral part of these Financial Statements.

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

ON BEHALF OF THE BOARD

Director

Director

12th November 2009

Statement of Net Assets

AS AT 31st JULY 2008

	Notes	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund** 2008 USD	Euro Enhanced Yield Fund** 2008 EUR
Current Assets							
Financial Assets at Fair Value through Profit or Loss							
Investments Held For Trading	13	11,397,362,500	12,045,818,419	2,681,311,897	784,436,387	–	–
Securities purchased, under agreements to resell	13	1,834,756,137	2,862,770,000	–	–	–	–
Cash and Cash Equivalents	1	39,913	–	–	–	–	39,913
Debtors	5	43,450,455	18,085,238	28,410,609	2,707,114	19,100	–
Total Current Assets		13,275,609,005	14,926,673,657	2,709,722,506	787,143,501	19,100	39,913
Creditors							
(amounts falling due within one year)	6	(253,647,090)	(144,748,748)	(88,489,970)	(56,978,395)	(19,100)	(39,913)
Net Assets Attributable to Redeemable Participating Shareholders	7	13,021,961,915	14,781,924,909	2,621,232,536	730,165,106	–	–

The accompanying notes are an integral part of these Financial Statements.

** Ceased operations on 30th July 2008.

Financial Statements

Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders

FOR THE YEAR ENDED 31st JULY 2009

Notes	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Net Assets Attributable to Redeemable Participating Shareholders at beginning of year	13,021,961,915	14,781,924,909	2,621,232,536	730,165,106	-
Profits from Operations	137,844,838	87,090,118	53,583,179	16,848,141	63,588
Total Distributions	(115,804,354)	(63,859,933)	(50,631,789)	(15,214,372)	(62,463)
Net increase in Net Assets Attributable to Redeemable Participating Shareholders resulting from Operations	22,040,484	23,230,185	2,951,390	1,633,769	1,125
Proceeds from Redeemable Participating Shares Issued	33,662,872,534	38,029,406,826	2,893,091,257	2,069,445,298	318,149,805
Payments for Redeemable Participating Shares Redeemed	(44,590,221,912)	(51,265,942,140)	(3,733,641,326)	(2,348,926,566)	(289,703,161)
(Decrease)/increase in Net Assets resulting from Redeemable Participating Share Transactions	(10,927,349,378)	(13,236,535,314)	(840,550,069)	(279,481,268)	28,446,644
Currency Translation	1(c) 1,322,403,659	-	-	-	-
Total (decrease)/increase in Net Assets Attributable to Redeemable Participating Shareholders	(9,582,905,235)	(13,213,305,129)	(837,598,679)	(277,847,499)	28,447,769
Net Assets Attributable to Redeemable Participating Shareholders at end of year	3,439,056,680	1,568,619,780	1,783,633,857	452,317,607	28,447,769

The accompanying notes are an integral part of these Financial Statements.

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders

FOR THE YEAR ENDED 31st JULY 2008

Notes	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund** 2008 USD	Euro Enhanced Yield Fund** 2008 EUR
Net Assets Attributable to Redeemable Participating Shareholders at beginning of year	11,270,177,498	9,833,644,847	3,203,948,722	506,449,970	50,394,647	93,948,331
Profits from Operations	424,855,251	422,047,292	110,520,329	26,254,484	(6,370,284)	1,987,957
Total Distributions	(419,639,520)	(423,575,012)	(102,952,747)	(22,436,784)	-	(4,175,891)
Net increase/(decrease) in Net Assets Attributable to Redeemable Participating Shareholders resulting from Operations	5,215,731	(1,527,720)	7,567,582	3,817,700	(6,370,284)	(2,187,934)
Proceeds from Redeemable Participating Shares Issued	76,926,548,459	96,969,408,543	7,325,171,701	3,673,369,694	-	14,000,000
Payments for Redeemable Participating Shares Redeemed	(74,042,562,859)	(92,019,600,761)	(7,915,455,469)	(3,453,472,258)	(44,024,363)	(105,760,397)
Increase/(decrease) in Net Assets resulting from Redeemable Participating Share Transactions	2,883,985,600	4,949,807,782	(590,283,768)	219,897,436	(44,024,363)	(91,760,397)
Currency Translation	1(c) (1,137,416,914)	-	-	-	-	-
Total increase/(decrease) in Net Assets Attributable to Redeemable Participating Shareholders	1,751,784,417	4,948,280,062	(582,716,186)	223,715,136	(50,394,647)	(93,948,331)
Net Assets Attributable to Redeemable Participating Shareholders at end of year	13,021,961,915	14,781,924,909	2,621,232,536	730,165,106	-	-

The accompanying notes are an integral part of these Financial Statements.

** Ceased operations on 30th July 2008.

Notes to the Financial Statements

For the year ended 31st July 2009

1. ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Financial Statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009, and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board. The Financial Statements have been prepared on an historical cost basis, except for financial instruments classified at fair value through profit or loss.

The Financial Statements have been prepared using Format 1, of the Companies (Amendment) Act, 1986, as modified to reflect the nature of the Fund's business. In addition, the Balance Sheet is referred to as the Statement of Net Assets.

The Fund has availed of the exemption available to open-ended investment funds under Financial Reporting Standard No. 1 not to prepare a cash flow statement.

The Financial Statements have been prepared using the last dealing date valuation in the year, Friday, 31st July 2009.

Significant accounting policies adopted by the Fund are detailed below:

a) Investments

i) *Valuation of Investments at fair value*

The Fund has designated its financial assets and financial liabilities at fair value through profit or loss. Investments held for trading are acquired principally for the purpose of selling in the short-term, these include debt instruments purchased with less than one year to maturity or reset date in the case of floating rate notes and time deposits.

The financial instruments categorised at fair value through profit or loss are measured initially at fair value with transaction costs for such instruments being recognised in the Profit and Loss Account.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their value recognised in the Profit and Loss Account.

The quoted bid price, where available, in an active market for an instrument held is taken as the best evidence of fair value. When current bid prices are unavailable, the price of the most recent transaction provides evidence of the current fair value. If the market for a financial instrument is not active, the Sub-Fund establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Sub-Fund uses that technique. Estimation methods and valuation models may be used to calculate fair value.

ii) *Accounting for Investments*

Regular way purchases and sales of securities are accounted for on the day the transaction takes place (i.e. the trade date) – the date on which the Sub-Fund commits to purchase or sell the asset.

iii) *Realised Gains and Losses on Sales of Investments*

Gains and losses arising from financial assets at fair value through profit or loss are included in the Profit and Loss Account in the period in which they arise. The computation of realised gains and losses on sales of investments is made on the basis of average cost.

iv) *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Net Assets when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

b) Income from Investments

Interest Income/Interest Expense

Interest income and expense are recognised on an accrual basis in line with the contractual terms. Interest is accrued on a daily basis.

Notes to the Financial Statements

For the year ended 31st July 2009

1. ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION (continued)

c) Foreign Currency Translation

Functional and Presentation Currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Financial Statements of the US Dollar Liquidity Sub-Fund and US Dollar Treasury Liquidity Sub-Fund are expressed in US Dollars (USD), the Sterling Sub-Fund is expressed in Sterling (GBP) and the Euro Liquidity Sub-Fund is expressed in Euro (EUR).

The Fund has adopted EUR as its presentation currency. The Fund's results and the financial position of the US Dollar Liquidity Sub-Fund, the US Dollar Treasury Liquidity Sub-Fund and the Sterling Liquidity Sub-Fund are translated from its functional currency to its presentation currency, as follows:

- i) assets and liabilities, including net assets attributable to holders of Redeemable Participating Shares, are translated at the closing rate at each Statement of Net Assets date;
- ii) proceeds from subscriptions and amounts paid on redemption of Redeemable Participating Shares are translated at average rates, which approximate the rates prevailing at the dates of the transactions. Translation differences on non-monetary items, such as equities, held at fair value through profit or loss are reported as part of the fair value gain or loss; and
- iii) income and expenses are translated at the average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions).

For the purpose of combining the Financial Statements of the Sub-Funds to arrive at Fund figures (required under Irish Company Law), the amounts in the Financial Statements have been translated to EUR, using the procedures outlined above. This method of translation has no effect on the Net Asset Value per Redeemable Participating Share attributable to the individual Sub-Funds.

The foreign currency translation adjustment of EUR1,322,403,659 (31st July 2008: (EUR1,137,416,914)) included in the Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders is due to the movement in

exchange rates between 1st August 2008 and 31st July 2009. This is a notional gain which has no impact on the Net Asset Value of the Sub-Funds.

d) Foreign Currency Transactions

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the closing rates of exchange at each year end. Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in realised and unrealised gain and loss on investments in the Profit and Loss Account.

The rates of exchange ruling at the year end were EUR1 =

	31st July 2009	31st July 2008
USD	1.4177	1.5603
GBP	0.8552	0.7877

The average exchange rates used in the combined Profit and Loss Account and Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders at the year end were EUR1 =

	31st July 2009	31st July 2008
USD	1.3537	1.4993
GBP	0.8475	0.7480

e) Net Asset Value per Redeemable Participating Share

The Net Asset Value per Redeemable Participating Share is calculated in accordance with the Prospectus, by dividing the net assets included in the Statement of Net Assets by the number of Shares in issue at the year end.

f) Expenses

All expenses, including management fees, are recognised in the Profit and Loss Account on an accruals basis.

g) Distributions to holders of Redeemable Participating Shares

Distributions to holders of Redeemable Participating Shares are recorded in the Profit and Loss Account and recorded as Finance Cost when payable to the holders of participating shares.

h) Redeemable Participating Shares

Redeemable Participating Shares are redeemable at the Shareholder's option and are classified as financial liabilities.

These Shares can be put back to the Fund on any dealing day for cash equal to a proportionate share of the Fund's Net Asset Value.

Notes to the Financial Statements

For the year ended 31st July 2009

1. ACCOUNTING POLICIES (continued)

BASIS OF PRESENTATION (continued)

i) Share Capital Subscriber Shares

The Fund's Subscriber Shares are classified as equity in accordance with the Company's Articles of Association. Subscriber Shares do not participate in the profits of the Fund.

j) Cash and Cash Equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

k) Anti-dilution Levy

When calculating the issue or redemption price, the Fund may adjust the issue price in respect of such subscriptions or redemptions by including an anti-dilution levy. Further details are set out in the Fund's offering memorandum.

2. DERIVATIVE CONTRACTS

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and economically hedge investments to enhance performance and reduce risk to the Fund (the Fund does not designate any derivatives as hedges for hedge accounting purposes as described under FRS 26). The derivative contracts that the Fund holds or issues are forward foreign exchange contracts and futures contracts.

The Fund records its derivative activities on a mark-to-market basis. Fair values are determined using counterparty prices. For OTC contracts, the Fund enters into master netting agreements with its counterparties, therefore, assets represent the Fund's unrealised gains, less unrealized losses for OTC contracts in which the Fund has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts.

The primary difference in the risk associated with OTC contracts and exchange-traded contracts is credit risk. The Fund is exposed to credit risk from OTC contracts when two conditions are present (i) the OTC contracts have unrealised gains, net of any collateral and (ii) the counterparty to the contracts defaults. The credit risk related to exchange-traded contracts is minimal because the exchange ensures that these contracts are always honoured.

i) Forward Foreign Exchange Contracts

The Fund enters into forward foreign exchange contracts for the purpose of efficient portfolio management. Forward foreign exchange contracts are valued at the forward rate and are marked to market on the valuation date. The change in value is included in net change in unrealised gains and losses on sale of investments in the Profit and Loss Account. When the contract is closed, the Fund records a realised gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The unrealised gain or loss on open forward foreign exchange contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract. Realised gains or losses include net gains or losses on contracts which have been settled or offset by other contracts.

ii) Futures Contracts

Futures are contracts for delayed delivery of commodities, securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified commodity or instrument, at a specified price or yield. Gains or losses on futures are recorded by the Fund based upon market fluctuations and are recorded as realised or unrealised gains or losses on the sale of investments in the Profit and Loss Account.

As of 31st July 2009 there were no open derivative investments held by the Fund.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

3. OPERATING INCOME

	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Interest Income	131,679,009	73,076,629	56,492,607	17,902,930	107,101
	131,679,009	73,076,629	56,492,607	17,902,930	107,101

OPERATING INCOME

	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund** 2008 USD	Euro Enhanced Yield Fund** 2008 EUR
Interest Income	464,477,171	460,167,634	115,153,668	27,236,183	2,114,930	4,579,229
	464,477,171	460,167,634	115,153,668	27,236,183	2,114,930	4,579,229

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

** Ceased operations on 30th July 2008.

4. OPERATING EXPENSES (NOTE 8)

	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Management Fees	12,091,486	8,193,978	4,484,499	1,264,685	83,536
Administrative/Custodian Fees	1,318,702	720,749	597,346	152,109	12,789
Directors Fees* and Insurance	104,998	43,413	31,485	26,025	14,532
Audit Fees	62,000	21,400	15,043	13,003	21,400
Legal Fees	219,787	85,604	68,350	58,581	25,826
Other Fees	249,229	99,505	74,404	48,439	59,780
Reimbursement of Fund Expenses	(1,866,948)	(932,984)	(739,636)	(287,893)	(133,211)
Management Fees Waiver	(2,842,440)	(2,032,898)	(1,050,460)	(230,665)	(24,467)
	9,336,813	6,198,767	3,481,031	1,044,284	60,185

OPERATING EXPENSES (NOTE 8)

	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund*** 2008 USD	Euro Enhanced Yield Fund*** 2008 EUR
Management Fees	22,829,198	23,397,729	5,402,087	1,170,679	89,241	196,742
Administrative/Custodian Fees	2,373,224	2,490,865	491,188	91,388	69,462	52,178
Directors Fees* and Insurance	97,066	41,290	29,355	20,312	8,509	7,341
Audit Fees	53,690	20,124	13,423	10,040	10,062	6,711
Legal Fees	238,869	129,834	42,466	28,126	54,493	35,859
Other Fees	286,609	84,563	55,883	31,698	92,079	70,533
Reimbursement of Fund Expenses	(3,054,736)	(2,766,676)	(632,315)	(181,564)	(242,519)	(172,622)
Management Fees Waiver	(5,257,327)	(5,742,671)	(1,211,565)	(161,214)	-	-
	17,566,593	17,655,058	4,190,522	1,009,465	81,327	196,742

* Total Directors fees charged in the year were EUR44,800 (2008: EUR31,466).

** The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

*** Ceased operations on 30th July 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

5. DEBTORS

	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Interest Income Receivable	729,732	336,442	201,022	219,143	49,828
Other Receivable Income	13,845	-	-	11,840	-
	743,577	336,442	201,022	230,983	49,828

DEBTORS

	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund** 2008 USD	Euro Enhanced Yield Fund** 2008 EUR
Interest Income Receivable	18,466,854	18,085,238	3,454,282	2,695,273	-	-
Other Receivable Income	24,983,601	-	24,956,327	11,841	19,100	-
	43,450,455	18,085,238	28,410,609	2,707,114	19,100	-

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

** Ceased operations on 30th July 2008.

6. CREDITORS (amounts falling due within one year)

	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Purchase of Securities Awaiting Settlement	129,250,200	49,987,000	86,977,150	5,998,225	-
Distribution Payable	993,968	236,741	654,023	145,798	3,504
Expenses Payable	595,736	211,271	310,857	89,547	44,156
	130,839,904	50,435,012	87,942,030	6,233,570	47,660

CREDITORS (amounts falling due within one year)

	Fund Total 2008 EUR	US Dollar Liquidity Fund 2008 USD	Euro Liquidity Fund 2008 EUR	Sterling Liquidity Fund 2008 GBP	US Dollar Enhanced Yield Fund** 2008 USD	Euro Enhanced Yield Fund** 2008 EUR
Bank Overdraft	493,746	751,292	-	-	19,100	-
Purchase of Securities Awaiting Settlement	219,520,772	109,558,597	79,652,618	54,864,713	-	-
Distribution Payable	30,363,659	30,429,559	8,351,449	1,976,995	-	-
Expenses Payable	3,268,913	4,009,300	485,903	136,687	-	39,913
	253,647,090	144,748,748	88,489,970	56,978,395	19,100	39,913

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

** Ceased operations on 30th July 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

7. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES

Subscriber Shares

	Total 2009
Shares in issue at beginning of year	7
Shares issued	–
Shares redeemed	–
Shares in issue at end of year	7

The Subscriber Shares are fully paid up to the value of €7 and as they do not form part of the Redeemable Participating Shares of the Fund, they do not form part of the Net Asset Value of the Fund. They are thus disclosed in the Financial Statements by way of this note only.

Subscriber Shares do not entitle the Holders to any dividend and on a winding-up, entitle the Holders to a return of the nominal amount of capital paid, provided that sufficient funds exist. At a general meeting, the Holders of Subscriber Shares shall, on a show of hands and on a poll, be entitled to one vote per Subscriber Share.

Redeemable Participating Shares

The Net Assets Attributable to holders of Redeemable Participating Shares are at all times equal to the Net Asset Value of the Fund. Redeemable Participating Shares are redeemable at the shareholder's option and are classified as financial liabilities. The Redeemable Participating Shares can be put back to the Fund on any dealing day for cash equal to a proportionate share of the Fund's Net Asset Value.

The rights attaching to the Redeemable Participating Shares are as follows:

Each of the Redeemable Participating Shares entitles the Shareholder to participate equally on a pro-rata basis in the dividends and net assets of the Fund in respect of which they are issued, save in the case of dividends declared prior to becoming a Shareholder.

Each of the Shares entitles the holder to attend and vote at meetings of the Fund. No class of Shares confers on the holder thereof any preferential or pre-emptive rights or any rights to participate in the profits and dividends of any other class of Shares or any voting rights in relation to matters relating solely to any other class of Shares.

Share Rights

Institutional Shares, Advisory Shares, Cash Reserve I Shares, Cash Reserve II Shares are entitled to such dividends as the Directors may from time to time declare and in the event of a winding-up, have the entitlements referred to in the Fund's Prospectus.

In the case of Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares the US Dollar Liquidity Sub-Fund, the Euro Liquidity Sub-Fund, the Sterling Liquidity Sub-Fund and the US Dollar Treasury Liquidity Sub-Fund intends to retain the net income and/or capital gains attributable to such Shares within the Sub-Fund and the value of the Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares shall rise accordingly. Given that any income and/or capital gains attributable to the Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares will not be distributed, the Institutional Accumulating Shares, Advisory Accumulating Shares and Corporate Accumulating Shares will not have a stable Net Asset Value per Share. At a general meeting, on both a show of hands and on a poll, every Shareholder present in person or by proxy shall be entitled to one vote in respect of each Share held by the Shareholder.

Fair Value Reconciliation

The Net Assets attributable to holders of Redeemable Participating Shares of each Sub-Fund are at all times equal to the Net Asset Value ("NAV") of the Fund. Redeemable Participating Shares are redeemable at the Shareholder's option and are classified as financial liabilities. The NAV per Share at which Shareholders may subscribe to or redeem from each Sub-Fund (i.e. the "dealing price") differs slightly from that presented in these Financial Statements. This is due to the difference in valuation principles adopted for the two purposes, whereby the NAV per Share per dealing price is based on valuation at last trade price while the NAV per fair value prices, in the Statement of Net Assets, is based on valuation at bid price. The valuation at bid price is not used for dealing. Please see Note 1. Also please see the fair value reconciliation in the following table:

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

7. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

	Fund Total 2009 EUR	US Dollar Liquidity Fund 2009 USD	Euro Liquidity Fund 2009 EUR	Sterling Liquidity Fund 2009 GBP	US Dollar Treasury Liquidity Fund* 2009 USD
Fair Value Reconciliation as at 31st July 2009					
Net Asset Value per fair value prices	3,439,056,680	1,568,619,780	1,783,633,857	452,317,607	28,447,769
Fair Value adjustment	(39,434)	(2,516)	(64,669)	91,226	(1,125)
Net Asset Value per dealing prices	3,439,017,246	1,568,617,264	1,783,569,188	452,408,833	28,446,644
Fair Value Reconciliation as at 31st July 2008					
Net Asset Value per fair value prices	13,021,961,915	14,781,924,909	2,621,232,536	730,165,106	–
Fair Value adjustment	13,572,117	20,262,937	476,424	85,960	–
Net Asset Value per dealing prices	13,035,534,032	14,802,187,846	2,621,708,960	730,251,066	–

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Authorised

The authorised capital of the Fund is 1,000,000,000,000 Redeemable Participating Shares of no par value, initially designated as unclassified Shares and available for issue as Shares. The unclassified Shares are available for issue as Institutional Shares, Advisory Shares, Cash Reserve I Shares, Cash Reserve II Shares (“Sterling Sub-Fund” only), Institutional Accumulating Shares, Institutional Distributing Shares, Advisory Accumulating Shares and Corporate Accumulating Shares (collectively deemed to be “Redeemable Participating Shares”).

Each Share Class has different fee rates attaching, which are detailed in Note 8 of these Financial Statements.

The Corporate Share Class of all Sub-Funds closed on 12th February 2009. The Advisory Share Class of US Dollar Liquidity Sub-Funds and Euro Liquidity Sub-Funds closed on 12th February 2009. The Corporate Accumulating Share Class of US Dollar Liquidity Sub-Fund closed on 24th February 2009.

Issued and fully paid	US Dollar Liquidity Fund	Euro Liquidity Fund	Sterling Liquidity Fund	US Dollar Treasury Liquidity Fund*
INSTITUTIONAL SHARES				
Redeemable Participating Shares in issue at beginning of year	14,108,277,086	2,354,639,360	556,189,918	–
Redeemable Participating Shares issued	37,309,789,744	2,314,033,590	1,283,986,320	318,149,805
Redeemable Participating Shares redeemed	(49,913,423,067)	(3,013,335,576)	(1,489,175,292)	(289,703,161)
Redeemable Participating Shares in issue at end of year	1,504,643,763	1,655,337,374	351,000,946	28,446,644
Proportionate Net Asset Value for Shareholders as at 31st July 2009	\$1,504,643,763	€1,655,337,374	£351,000,946	\$28,446,644
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	\$1.00	€1.00	£1.00	\$1.00
Proportionate Net Asset Value for Shareholders as at 31st July 2008	\$14,108,277,086	€2,354,639,360	£556,189,918	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$1.00	€1.00	£1.00	–
Proportionate Net Asset Value for Shareholders as at 31st July 2007	\$9,769,575,952	€2,628,194,056	£267,957,026	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	\$1.00	€1.00	£1.00	–
Initial Issue Price	\$1.00	€1.00	£1.00	\$1.00

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

7. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

Issued and fully paid	US Dollar Liquidity Fund	Euro Liquidity Fund	Sterling Liquidity Fund	US Dollar Treasury Liquidity Fund**
CORPORATE SHARES*				
Redeemable Participating Shares in issue at beginning of year	1,167	1,135	1,251	-
Redeemable Participating Shares issued	-	-	3,007,610	-
Redeemable Participating Shares redeemed	(1,167)	(1,135)	(3,008,861)	-
Redeemable Participating Shares in issue at end of year	-	-	-	-
Proportionate Net Asset Value for Shareholders as at 31st July 2009	-	-	-	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	-	-	-	-
Proportionate Net Asset Value for Shareholders as at 31st July 2008	€1,167	€1,135	£1,251	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$1.00	€1.00	£1.00	-
Proportionate Net Asset Value for Shareholders as at 31st July 2007	\$1,123	€1,095	£1,188	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	\$1.00	€1.00	£1.00	-
Initial Issue Price	\$1.00	€1.00	£1.00	-

* The Corporate Share Class of all Sub-Funds closed on 12th February 2009.

** The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Issued and fully paid	US Dollar Liquidity Fund	Euro Liquidity Fund	Sterling Liquidity Fund	US Dollar Treasury Liquidity Fund**
ADVISORY SHARES*				
Redeemable Participating Shares in issue at beginning of year	1,651,164	1,135	1,243	-
Redeemable Participating Shares issued	5,796,781	1	2,395,522	-
Redeemable Participating Shares redeemed	(7,447,945)	(1,136)	(1,396,345)	-
Redeemable Participating Shares in issue at end of year	-	-	1,000,420	-
Proportionate Net Asset Value for Shareholders as at 31st July 2009	-	-	£1,000,420	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	-	-	£1.00	-
Proportionate Net Asset Value for Shareholders as at 31st July 2008	\$1,651,164	€1,135	£1,243	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$1.00	€1.00	£1.00	-
Proportionate Net Asset Value for Shareholders as at 31st July 2007	\$1,122	€1,095	£7,450,432	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	\$1.00	€1.00	£1.00	-
Initial Issue Price	\$1.00	€1.00	£1.00	-

* The Advisory Share Class of US Dollar Liquidity and Euro Liquidity Sub-Funds closed on 12th February 2009.

** The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

7. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

Issued and fully paid	US Dollar Liquidity Fund	Euro Liquidity Fund	Sterling Liquidity Fund	US Dollar Treasury Liquidity Fund*
CASH RESERVE I SHARES				
Redeemable Participating Shares in issue at beginning of year	56,058,976	102,156,536	68,756,483	–
Redeemable Participating Shares issued	216,476,155	271,925,053	447,953,827	–
Redeemable Participating Shares redeemed	(258,911,020)	(320,640,099)	(454,007,660)	–
Redeemable Participating Shares in issue at end of year	13,624,111	53,441,490	62,702,650	–
Proportionate Net Asset Value for Shareholders as at 31st July 2009	\$13,624,111	€53,441,490	£62,702,650	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	\$1.00	€1.00	£1.00	–
Proportionate Net Asset Value for Shareholders as at 31st July 2008	\$56,058,976	€102,156,536	£68,756,483	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$1.00	€1.00	£1.00	–
Proportionate Net Asset Value for Shareholders as at 31st July 2007	\$52,562,415	€172,156,962	£96,227,308	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	\$1.00	€1.00	£1.00	–
Initial Issue Price	\$1.00	€1.00	£1.00	–
CASH RESERVE II SHARES				
Redeemable Participating Shares in issue at beginning of year	–	–	10,561,865	–
Redeemable Participating Shares issued	–	–	182,893,969	–
Redeemable Participating Shares redeemed	–	–	(178,593,762)	–
Redeemable Participating Shares in issue at end of year	–	–	14,862,072	–
Proportionate Net Asset Value for Shareholders as at 31st July 2009	–	–	£14,862,072	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	–	–	£1.00	–
Proportionate Net Asset Value for Shareholders as at 31st July 2008	–	–	£10,561,865	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	–	–	£1.00	–
Proportionate Net Asset Value for Shareholders as at 31st July 2007	–	–	£93,696,675	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	–	–	£1.00	–
Initial Issue Price	–	–	£1.00	–

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

7. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

Issued and fully paid	US Dollar Liquidity Fund	Euro Liquidity Fund	Sterling Liquidity Fund	US Dollar Treasury Liquidity Fund*
INSTITUTIONAL ACCUMULATING SHARES				
Redeemable Participating Shares in issue at beginning of year	5,238,682	1,135,650	884,431	–
Redeemable Participating Shares issued	2,479,167	2,861,934	1,369,459	–
Redeemable Participating Shares redeemed	(7,253,117)	(3,323,567)	(2,046,042)	–
Redeemable Participating Shares in issue at end of year	464,732	674,017	207,848	–
Proportionate Net Asset Value for Shareholders as at 31st July 2009	\$49,319,795	€72,757,815	£22,842,745	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	\$106.13	€107.95	£109.90	–
Proportionate Net Asset Value for Shareholders as at 31st July 2008	\$551,205,129	€119,728,583	£94,740,306	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$105.22	€105.43	£107.12	–
Proportionate Net Asset Value for Shareholders as at 31st July 2007	\$11,507,091	€403,880,811	£41,236,885	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	\$101.08	€100.95	£101.14	–
Initial Issue Price	\$100.00	€100.00	£100.00	–
CORPORATE ACCUMULATING SHARES**				
Redeemable Participating Shares in issue at beginning of year	57,244	–	–	–
Redeemable Participating Shares issued	254,785	–	–	–
Redeemable Participating Shares redeemed	(312,029)	–	–	–
Redeemable Participating Shares in issue at end of year	–	–	–	–
Proportionate Net Asset Value for Shareholders as at 31st July 2009	–	–	–	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	–	–	–	–
Proportionate Net Asset Value for Shareholders as at 31st July 2008	\$5,740,423	–	–	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$100.28	–	–	–
Proportionate Net Asset Value for Shareholders as at 31st July 2007	–	–	–	–
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	–	–	–	–
Initial Issue Price	\$100.00	–	–	–

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

** The Corporate Accumulating Share Class of US Dollar Liquidity Sub-Fund closed on 24th February 2009.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

7. SHARE CAPITAL AND REDEEMABLE PARTICIPATING SHARES (continued)

Issued and fully paid	US Dollar Liquidity Fund	Euro Liquidity Fund	Sterling Liquidity Fund	US Dollar Treasury Liquidity Fund*
ADVISORY ACCUMULATING SHARES				
Redeemable Participating Shares in issue at beginning of year	789,561	448,881	-	-
Redeemable Participating Shares issued	2,082,291	20,000	-	-
Redeemable Participating Shares redeemed	(2,861,661)	(448,881)	-	-
Redeemable Participating Shares in issue at end of year	10,191	20,000	-	-
Proportionate Net Asset Value for Shareholders as at 31st July 2009	\$1,029,595	€2,032,509	-	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2009	\$101.03	€101.63	-	-
Proportionate Net Asset Value for Shareholders as at 31st July 2008	\$79,253,901	€45,182,211	-	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2008	\$100.38	€100.66	-	-
Proportionate Net Asset Value for Shareholders as at 31st July 2007	-	-	-	-
Net Asset Value Per Redeemable Participating Share as at 31st July 2007	-	-	-	-
Initial Issue Price	\$100.00	€100.00	-	-
Total Net Assets of the Fund at Dealing Prices				
31st July 2009	\$1,568,617,264	€1,783,569,188	£452,408,833	\$28,446,644
31st July 2008	\$14,802,187,846	€2,621,708,960	£730,251,066	-
31st July 2007	\$9,833,647,703	€3,204,234,019	£506,569,514	-

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

8. FEES

The total annual management charges and expenses of each Sub-Fund are based on a percentage of the Net Asset Value of each Share Class of each Sub-Fund prior to the deduction of any fees or expenses, percentage rates as detailed in table below. The management charges and expenses will cover the fees and expenses of the Investment Manager, the Custodian, the Administrator and the Distributor (all of which are paid monthly in arrears). The fees of the Sub-Investment Manager will be paid out of the Investment Manager's fees. The fees incurred by each Sub-Fund are detailed in Note 4.

The Investment Manager fee within each Sub-Fund will be per annum as follows:

Share Class	% of Net Asset Value
Institutional Shares*	0.200%
Corporate Shares	0.300%
Advisory Shares	0.450%
Cash Reserve I Shares	0.415%
Cash Reserve II Shares	0.200%
Institutional Accumulating Shares*	0.200%
Corporate Accumulating Shares	0.300%
Advisory Accumulating Shares	0.450%

* There is a permanent 5 basis point Investment Manager fee waiver on these Share Classes from 1st June 2005 for the US Dollar Liquidity Sub-Fund, from 1st June 2007 for the Euro and Sterling Liquidity Sub-Funds and from 29th October 2008 for the US Dollar Treasury Liquidity Sub-Fund.

As at 31st July 2009, the Investment Management fee payable for the US Dollar Liquidity Sub-Fund was USD83,096 (31st July 2008: USD3,153,437), the Euro Liquidity Sub-Fund was EUR178,187 (31st July 2008: EUR287,120), the Sterling Liquidity Sub-Fund was GBP46,235 (31st July 2008: GBP66,848). The Investment Management fee receivable for the US Dollar Treasury Liquidity Fund was USD14,939. This was due to expenses being capped on the Sub-Funds as per above table. Expenses over the cap are reimbursed to the Sub-Fund from the Investment Manager. In the case of the US Dollar Treasury Fund the reimbursement due was larger than the fee payable, thus resulting in a receivable.

The fee calculation for Administration/Custody fees charged is based on the Total Net Assets for the US Dollar, Euro, Sterling and US Dollar Treasury Liquidity Sub-Funds using the following percentages: first USD2 billion at 4 basis points, next USD2 billion at 2.5 basis points, next USD4 billion at 1.75 basis points and the excess at 1.5 basis points. As at 31st July 2009, the Administrative/Custodian fee payable for the US Dollar Liquidity Sub-Fund was USD77,519 (31st July 2008: USD870,552), the Euro Liquidity Sub-Fund was EUR94,331 (31st July 2008: EUR123,222), the Sterling Liquidity Sub-Fund was GBP22,298 (31st July 2008: GBP26,926) and the US Dollar Treasury Liquidity Sub-Fund was USD2,385.

Until 4th May 2009 the Investment Manager agreed that any expenses other than the Custody fees and Investment Management fee within a Sub-Fund be capped at the Investment Management fee percentages per table above to reimburse the Sub-Fund for those expenses.

From 5th May 2009, any expenses other than the Investment Management fee and the Administration/Custodian fee will be deducted from each Sub-Fund's assets by up to a maximum of 1 basis point on an annualised basis, any excess being reimbursed to the Sub-Fund from the Investment Manager. Note, the Administration/Custodian fee will continue to be fully reimbursed from the Investment Manager.

The Fund will pay all ongoing charges and expenses and in turn charge such fees and expenses to each Sub-Fund in respect of which they were incurred or, where an expense is not considered by the Directors to be attributable to any one Sub-Fund, the expense will be allocated by the Directors with the approval of the Custodian, in such manner and on such basis as the Directors in their discretion deem fair and equitable.

In the case of any fees or expenses of a regular or recurring nature, such as audit fees, the Directors may calculate such fees and expenses on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any period.

The Audit fee, for the Fund, amounts to EUR62,000 (31st July 2008: EUR53,690). Total Directors fees paid during the period were EUR32,700 (31st July 2008: EUR16,876).

9. TAXATION

Under current law and practice, the Fund qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. It is not chargeable to Irish tax on its income or capital gains. However, a tax can arise on the happening of a "chargeable event" in the Fund. A chargeable event includes any distribution payments to Shareholders or any encashment, redemption or transfer of Shares.

Any tax arising on a chargeable event is a liability of the Shareholder, albeit paid by the Fund (although if the Fund fails to deduct the tax or the correct amount of tax it becomes ultimately a liability of the Fund). No tax will arise in respect of chargeable events in respect of a Shareholder who is an Exempt Irish Investor (as defined by Section 739D of the Taxes Consolidation Act, 1997, as amended) or who is neither an Irish resident nor ordinarily a resident in Ireland at the time of the chargeable event provided that the necessary signed declaration is in place.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

9. TAXATION (continued)

Capital gains, dividends and interest received by the Fund may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Fund or its Shareholders.

Following Legislative changes in the Finance Act 2006, the holding of shares at the end of a Relevant Period will, in respect of Irish Resident investors, also constitute a chargeable event.

To the extent that any tax issues arise on such a chargeable event, such tax will be allowed as a credit against any tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant Shares.

Relevant Period is defined as a period of 8 years beginning with the acquisition of a Share by a Shareholder and each subsequent period of 8 years beginning immediately after the preceding relevant period.

No stamp, transfer or registration tax is payable in Ireland on the issue, redemption or transfer of Redeemable Participating Shares in the Fund. Capital gains, dividends and interest received by the Fund may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Fund or its Shareholders.

10. RELATED PARTY TRANSACTIONS AND AFFILIATIONS

Morgan Stanley Investment Management Inc. ("MSIM") is the Investment Manager of the Fund and Morgan Stanley Investment Management Limited is the Sub-Investment Manager of the Fund. The Investment Manager receives fees from the Fund as disclosed in Note 8. From 1st August 2008 to 31st July 2009 no fees were paid to the Morgan Stanley affiliated Directors of the Board, James Dilworth, Noel Langlois, Andrew John Mack and Ursula Schliessler. The Directors not connected with the Investment Manager, Michael Kevin Griffin and David McGeough, who served during the year, did not waive their entitlement to a fee.

During the year ended 31st July 2009 the US Dollar Liquidity Fund (the "Sub-Fund") sold certain investment positions to Morgan Stanley, an affiliate. These transactions were executed at amortised cost plus accrued interest amounting to USD6.009 billion (Par value being USD6.019 billion and Fair Value being USD5.993 billion), as on the date of the transaction. These sale transactions, which were approved by the Custodian, caused no dilution to the Sub-Fund and were executed in the best interest of the shareholders.

Capital Contributions

Further, during the year ended 31st July 2009, there were 3 facilities ("Facility 1", "Facility 2" and "Facility 3") made available to the Fund by MSIM by way of transferring investment holdings as a "Gift-in-kind" to the Fund at zero cost. These holdings would help support the Fund by being utilised as a tool to offset any losses realised through the sale of securities.

Facility 1 was funded by MSIM on 15th October 2008 by transferring holdings with a face value of USD4,480,920 to the Fund account held with the Custodian. Facility 2 was funded by MSIM on 22nd October 2008 by transferring holdings with a face value of USD249,315 to the Funds account held with the Custodian. Facility 3 was funded by MSIM on 18th November 2008 by transferring holdings with a face value of USD2,470,025 to the Funds account held with the Custodian. As at 31st July 2009, Facility 1, 2 and 3 were drawn down in full.

Excess cash collateral held with the Custodian in respect of the capital support facility may not be considered for the purposes of calculating the Net Asset Value of the Fund.

The affiliations of the Directors to related parties are as follows:

Mr. Noel Langlois is an Executive Director of Morgan Stanley Investment Management Inc.

Mr. Andrew John Mack is a Managing Director of Morgan Stanley Investment Management Limited. (Appointed as a Director of Morgan Stanley Funds p.l.c. on 15th April 2009).

Mr. James Dilworth was a Managing Director of Morgan Stanley Investment Management Limited. (Resigned as a Director of Morgan Stanley Funds p.l.c. on 9th March 2009).

Ms. Ursula Schliessler was a Managing Director of Morgan Stanley Investment Management Limited. (Resigned as a Director of Morgan Stanley Funds p.l.c. on 22nd December 2008).

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

11. SOFT COMMISSION ARRANGEMENTS

There were no soft commission arrangements entered into by the Investment Manager or Sub-Investment Manager, on behalf of the Fund, during the year ended 31st July 2009.

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Repurchase Agreements

The Fund may utilise repurchase agreements for efficient portfolio management purposes. A repurchase agreement arises when an investor purchases a security and simultaneously agrees to resell it to the counterparty to the repurchase agreement at an agreed-upon future date, normally within a short time period such as 7 days. The resale price is greater than the purchase price, reflecting an agreed-upon rate which is effective for the period of time the investor's money is invested in the security and which is not related to the coupon rate on the purchased security. Repurchase agreements permit the Fund to remain fully invested pending the purchase of appropriate longer-term investments. The Fund will enter into repurchase agreements only with financial institutions deemed to be creditworthy by the Investment Manager, pursuant to guidelines established by the Directors. The value of collateral held by these financial institutions for repurchase agreements on the US Dollar Liquidity Sub-Fund at 31st July 2009 was USD814,906,168 (31st July 2008: USD2,921,027,121) and on the US Dollar Treasury Liquidity Sub-Fund at 31st July 2009 was USD18,813,810. During the term of any repurchase agreement, the creditworthiness of the seller will be monitored by the Investment Manager to ensure that the seller has a minimum credit rating of A1 from a regulated statistical rating organisation ("RSRO") and the seller must maintain the value of the securities subject to the agreement in an amount that is greater than the repurchase price. Default or bankruptcy of the seller would, however, expose the Fund to possible loss because of adverse market action or delays in connection with the disposal of the underlying obligations. Due to the seller's repurchase obligations, the securities subject to repurchase agreements do not have maturity limitations. The value of repurchase agreements at 31st July 2009 was USD809,606,790 (31st July 2008 was USD2,862,770,000).

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

In accordance with FRS 29 Financial Instruments: Disclosure, this note details the specific exposures of each Sub-Fund to the various categories of risk and the risk management policies employed by the Fund.

Morgan Stanley Funds plc (the "Fund") is exposed to market risk (which includes market price risk, foreign currency risk

and interest rate risk), credit risk and liquidity risk arising from the financial instruments held within the US Dollar Liquidity, Euro Liquidity, Sterling Liquidity and US Dollar Treasury Liquidity Sub-Funds.

The Fund adheres to strict investment guidelines that set out the business and investment strategy and objectives applicable to each of the US Dollar, Euro, Sterling and US Dollar Treasury Liquidity Sub-Funds and operates within a detailed risk framework.

The responsibility for ensuring the correct risk management framework is followed by the Fund lies primarily with the respective portfolio manager of each of the individual Sub-Funds. The portfolio manager is responsible for ensuring that client guidelines surrounding potential risk are followed.

The Fund seeks to manage the effects of risk associated with a diverse range of financial instruments by implementing risk management techniques, and utilising derivative instruments to ensure effective portfolio management where applicable. The Fund's accounting policies in relation to investments are set out within Note 1 on page 19.

The Fund operates a portfolio management process which mitigates risk exposure, and limits the authority of any individual portfolio manager by segregation of functions. In addition, the Fund operates within a risk framework that ensures any risk associated with financial instruments is monitored on a regular basis.

Risks associated with financial instruments held by the US Dollar Liquidity, Euro Liquidity, Sterling Liquidity and US Dollar Treasury Liquidity Sub-Funds can be defined as:

a) **Market Risk**

Market risk encompasses the potential for both gains and losses and includes currency risk, interest rate risk and market price risk. Each Sub-Fund's market risk management strategy is driven by that Sub-Fund's investment objective.

Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to an individual financial instrument or its issuer, or other factors affecting similar financial instrument traded in the market.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Market Price Risk (continued)

MSIM has an independent unit, Global Risk & Analysis that among other things is responsible for performance measurement and analysis. The unit also monitors and measures historic and prospective portfolio risk. The team conducts in-depth evaluative and prospective risk analysis on a regular basis. The team uses Factset, Northfield, APT, Wilshire, and proprietary systems to conduct these analyses. High level and detailed summaries are produced regularly for MSIM investment teams and Divisional management, as well as the Division's Risk Management Committee.

The Fund operates a risk management process that makes use of risk management systems to measure the risk profile of each of the US Dollar, Euro, Sterling and US Dollar Liquidity Sub-Funds. Each of the Sub-Funds is measured against a cash benchmark and is actively managed to be diversified across security types. The Sub-Funds are 'benchmark aware' rather than 'benchmark-driven'. In general the Sub-Funds will not be significantly affected by changes in the benchmark.

US Dollar Liquidity Fund – 1 Week US LIBID

Sterling Liquidity Fund – 1 Week GBP LIBID

Euro Liquidity Fund – 1 Week EURO LIBID

US Dollar Treasury Liquidity Fund – Lipper Institutional US Treasury Money Market Average

The following table reflects the market risk exposure of each portfolio by strategy at 31st July 2009:

	US Dollar Liquidity Fund USD	Euro Liquidity Fund EUR	Sterling Liquidity Fund GBP	US Dollar Treasury Liquidity Fund* USD
Certificate of Deposit	239,965,250	239,877,603	86,000,483	–
Commercial Paper	382,639,280	901,583,084	199,947,203	–
Floating Rate Note	204,937,420	68,942,613	48,646,717	–
Treasury Bill Treasury Note	–	304,881,469	35,384,988	10,004,591
Deposits with Credit Institutions	791,170,000	356,090,096	88,340,803	18,436,790
Total	1,618,711,950	1,871,374,865	458,320,194	28,441,381

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

The following table reflects the market risk exposure of each portfolio by strategy at 31st July 2008:

	US Dollar Liquidity Fund USD	Euro Liquidity Fund EUR	Sterling Liquidity Fund GBP	US Dollar Enhanced Yield Fund* USD	Euro Enhanced Yield Fund** EUR
Certificate of Deposit	2,030,733,050	238,422,202	121,275,354	–	–
Commercial Paper	7,637,353,259	1,684,806,773	366,137,294	–	–
Floating Rate Note	2,257,732,110	561,219,199	146,523,240	–	–
Deposits with Credit Institutions	2,982,770,000	196,863,723	150,500,499	–	–
Total	14,908,588,419	2,681,311,897	784,436,387	–	–

** Ceased operations on 30th July 2008.

The sensitivity analysis presented below discloses management's best estimates of the effect of market price risk on the portfolios, holding all other factors constant, by measuring the effect of a given change in value of the instrument-types to which the Fund is most exposed. In practice the actual trading results may differ from the below sensitivity analysis and the difference could be material.

If the 1 Week US LIBID Index as at 31st July 2009 had increased by 5%, with all other variables remaining constant, the Investment Manager estimates that this would have increased the net assets of the US Dollar Liquidity Fund by approximately USD80,345,694 or 5.122% (2008: USD788,320,055 or 5.333%). If the 1 Week EURO LIBID Index as at 31st July 2009 had increased by 5%, with all other variables remaining constant, the Investment Manager estimates that this would have increased the net assets of the Euro Liquidity Fund by approximately EUR95,128,860 or 5.333% (2008: EUR143,564,906 or 5.477%). If the 1 Week GBP LIBID Index as at 31st July 2009 had increased by 5%, with all other variables remaining constant, the Investment Manager estimates that this would have increased the net assets of the Sterling Liquidity Fund by approximately GBP21,888,644 or 4.839% (2008: GBP38,180,333 or 5.229%). If the Lipper Institutional US Treasury Money Market Average Index as at 31st July 2009 had increased by 5%, with all other variables remaining constant, the Investment Manager estimates that this would have increased the net assets of the US Dollar Treasury Liquidity Fund by approximately USD819,849 or 2.882%. Conversely, the Investment Manager estimates that a 5% decrease would result in an equal but opposite effect.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

A proportion of a Portfolio's net assets may be denominated in currencies other than its functional currency. Thus, the Statement of Net Assets could be significantly affected by any movement in foreign exchange rates.

The financial assets of each of the Sub-Funds are denominated in a single currency i.e. US Dollars (US Dollar Liquidity and US Dollar Treasury Liquidity Sub-Funds), Euro (Euro Liquidity Sub-Fund) and Sterling (Sterling Liquidity Sub-Fund).

Morgan Stanley Funds plc had no foreign exchange contracts, monetary assets or non-monetary assets that were exposed to a currency other than their functional currency, as at 31st July 2009.

Interest Rate Risks

Interest rate risk is defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. This risk will arise on financial instruments whose fair value or future cash flows are affected by changes in interest rates.

The US Dollar Liquidity, Euro Liquidity, Sterling Liquidity and US Dollar Treasury Liquidity Sub-Funds follow a value-driven investment approach based on the level of real interest rates, prospective inflation and yield curve. In doing so the portfolio manager focuses on analysing the implicit economics and policies inherent in prevailing market expectations and on deconstructing central bank policy, rhetoric and reputation as these factors are key drivers behind the timing and magnitude of changes in short-term interest rates. This analysis allows the portfolio managers to effectively manage the weighted average maturity of the Sub-Fund's strategies.

The portfolio managers of the US Dollar Liquidity, Euro Liquidity, Sterling Liquidity and US Dollar Treasury Liquidity Sub-Funds seek to manage interest rate risk by establishing and maintaining a weighted average maturity target of 30 days or less.

The tables below summarise each Sub-Fund's significant exposure to interest rate risks. The Sub-Fund's assets and liabilities are categorised by the earlier of contractual repricing or maturity dates. Also included are non-interest bearing assets and liabilities.

US Dollar Liquidity Fund at 31st July 2009

	Repricing/ Maturity Date Less than 1 year USD	Repricing/ Maturity Date 1-5 years USD	Repricing/ Maturity Date More than 5 years USD	Non-Interest Bearing USD	Total Fair Value USD
CURRENT ASSETS					
Investments Held for Trading	39,970,000	164,967,420	-	-	204,937,420
Money Market Instruments	622,604,530	-	-	-	622,604,530
Deposits with Credit Institutions	791,170,000	-	-	-	791,170,000
Cash and cash equivalents	-	-	-	6,400	6,400
Debtors	-	-	-	336,442	336,442
TOTAL CURRENT ASSETS	1,453,744,530	164,967,420	-	342,842	1,619,054,792
CREDITORS					
Creditors	-	-	-	(50,435,012)	(50,435,012)
TOTAL CURRENT LIABILITIES	-	-	-	(50,435,012)	(50,435,012)

US Dollar Liquidity Fund at 31st July 2008

	Repricing/ Maturity Date Less than 1 year USD	Repricing/ Maturity Date 1-5 years USD	Repricing/ Maturity Date More than 5 years USD	Non-Interest Bearing USD	Total Fair Value USD
CURRENT ASSETS					
Investments Held for Trading	2,257,732,110	-	-	-	2,257,732,110
Money Market Instruments	9,668,086,309	-	-	-	9,668,086,309
Deposits with Credit Institutions	2,982,770,000	-	-	-	2,982,770,000
Debtors	-	-	-	18,085,238	18,085,238
TOTAL CURRENT ASSETS	14,908,588,419	-	-	18,085,238	14,926,673,657
CREDITORS					
Bank overdraft	(751,292)	-	-	-	(751,292)
Creditors	-	-	-	(143,997,456)	(143,997,456)
TOTAL CURRENT LIABILITIES	(751,292)	-	-	(143,997,456)	(144,748,748)

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Interest Rate Risks (continued)

Euro Liquidity Fund at 31st July 2009

	Repricing/ Maturity Date Less than 1 year EUR	Repricing/ Maturity Date 1-5 years EUR	Repricing/ Maturity Date More than 5 years EUR	Non-Interest Bearing EUR	Total Fair Value EUR
CURRENT ASSETS					
Investments Held for Trading	373,824,082	-	-	-	373,824,082
Money Market Instruments	1,141,460,687	-	-	-	1,141,460,687
Deposits with Credit Institutions	356,090,096	-	-	-	356,090,096
Debtors	-	-	-	201,022	201,022
TOTAL CURRENT ASSETS	1,871,374,865	-	-	201,022	1,871,575,887
CREDITORS					
Creditors	-	-	-	(87,942,030)	(87,942,030)
TOTAL CURRENT LIABILITIES	-	-	-	(87,942,030)	(87,942,030)

Euro Liquidity Fund at 31st July 2008

	Repricing/ Maturity Date Less than 1 year EUR	Repricing/ Maturity Date 1-5 years EUR	Repricing/ Maturity Date More than 5 years EUR	Non-Interest Bearing EUR	Total Fair Value EUR
CURRENT ASSETS					
Investments Held for Trading	561,219,199	-	-	-	561,219,199
Money Market Instruments	1,923,228,975	-	-	-	1,923,228,975
Deposits with Credit Institutions	196,863,723	-	-	-	196,863,723
Debtors	-	-	-	28,410,609	28,410,609
TOTAL CURRENT ASSETS	2,681,311,897	-	-	28,410,609	2,709,722,506
CREDITORS					
Creditors	-	-	-	(88,489,970)	(88,489,970)
TOTAL CURRENT LIABILITIES	-	-	-	(88,489,970)	(88,489,970)

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

Interest Rate Risks (continued)

Sterling Liquidity Fund at 31st July 2009

	Repricing/ Maturity Date Less than 1 year GBP	Repricing/ Maturity Date 1-5 years GBP	Repricing/ Maturity Date More than 5 years GBP	Non-Interest Bearing GBP	Total Fair Value GBP
CURRENT ASSETS					
Investments Held for Trading	84,031,705	-	-	-	84,031,705
Money Market Instruments	285,947,686	-	-	-	285,947,686
Deposits with Credit Institutions	88,340,803	-	-	-	88,340,803
Debtors	-	-	-	230,983	230,983
TOTAL CURRENT ASSETS	458,320,194	-	-	230,983	458,551,177
CREDITORS					
Creditors	-	-	-	(6,233,570)	(6,233,570)
TOTAL CURRENT LIABILITIES	-	-	-	(6,233,570)	(6,233,570)

Sterling Liquidity Fund at 31st July 2008

	Repricing/ Maturity Date Less than 1 year GBP	Repricing/ Maturity Date 1-5 years GBP	Repricing/ Maturity Date More than 5 years GBP	Non-Interest Bearing GBP	Total Fair Value GBP
CURRENT ASSETS					
Investments Held for Trading	117,850,900	28,672,340	-	-	146,523,240
Money Market Instruments	487,412,648	-	-	-	487,412,648
Deposits with Credit Institutions	150,500,499	-	-	-	150,500,499
Debtors	-	-	-	2,707,114	2,707,114
TOTAL CURRENT ASSETS	755,764,047	28,672,340	-	2,707,114	787,143,501
CREDITORS					
Creditors	-	-	-	(56,978,395)	(56,978,395)
TOTAL CURRENT LIABILITIES	-	-	-	(56,978,395)	(56,978,395)

US Dollar Treasury Liquidity Fund at 31st July 2009*

	Repricing/ Maturity Date Less than 1 year USD	Repricing/ Maturity Date 1-5 years USD	Repricing/ Maturity Date More than 5 years USD	Non-Interest Bearing USD	Total Fair Value USD
CURRENT ASSETS					
Investments Held for Trading	10,004,591	-	-	-	10,004,591
Deposits with Credit Institutions	18,436,790	-	-	-	18,436,790
Cash	-	-	-	4,220	4,220
Debtors	-	-	-	49,828	49,828
TOTAL CURRENT ASSETS	28,441,381	-	-	54,048	28,495,429
CREDITORS					
Creditors	-	-	-	(47,660)	(47,660)
TOTAL CURRENT LIABILITIES	-	-	-	(47,660)	(47,660)

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

The sensitivity of the Profit and Loss Account is the effect of the assumed changes in interest rates on the net assets for one year, based on the floating rate trading financial assets and financial liabilities held as at 31st July 2009. The sensitivity of net assets is calculated by revaluing fixed rate fair value through profit and loss financial assets at 31st July 2009 for the effects of the assumed changes in interest rates. The sensitivity of net assets is analysed by maturity of the asset. The total sensitivity of net assets is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes. In practice the actual trading results may differ from the below sensitivity analysis and the difference could be material.

If interest rates as at 31st July 2009 had increased by 5% (for example an increase from 4.00% to 4.20%), with all other variables remaining constant, the Investment Manager estimates that this would have increased the Net Assets of the US Dollar Liquidity Fund by approximately USD91,312 or 0.006% (31st July 2008: USD5,266,519 or 0.036%), the Euro Liquidity Fund by approximately EUR134,621 or 0.008% (31st July 2008: EUR1,604,132 or 0.061%), the Sterling Liquidity Fund by approximately GBP52,895 or 0.012% (31st July 2008: GBP542,934 or 0.074%) and the US Dollar Treasury Liquidity Fund

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

by approximately USD1,011 or 0.004%. Conversely, the Investment Manager estimates that a 5% decrease would result in an equal but opposite effect.

b) Liquidity Risk

Liquidity Risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund has availed itself of the segregated liability provisions of Investment Funds, Companies and Miscellaneous Provisions Act, 2005. As such, there is no potential for cross liability between the Sub-Funds. This means the liquidity risk needs to be managed at the Sub-Fund level.

The Sub-Funds manage and reduce their liquidity risk by utilising investments into a Liquidity Cash Fund, this enables same day settlement on cash instruments, the management of payments for liabilities is therefore significantly reduced and in the event of an unexpected call upon the property of the Sub-Funds there is adequate time to accommodate the payment with no detrimental affect to the Sub-Fund. The contracts which are entered into as part of the strategy are done on a cash at maturity basis, this therefore allows investment into the instruments prior to the cash being received for the subscription. The payment of monies in the form of redemptions also has the facility of being closed/adjusted with settlement prior to the redemption.

It may not always be possible for a Shareholder to exit a Sub-Fund on a particular Redemption Day (as defined in the Fund's or a Sub-Fund's Prospectus), either due to market conditions on exchanges or due to restrictions on the transferability of the securities held by the investment funds in which a Sub-Fund invests. In addition, the investment funds in which a Sub-Fund invests may themselves have limited liquidity. Shareholders should be aware that the effect of an investor placing a large redemption request would be that their request would monopolise the redemption limit, as set out in each Sub-Funds Prospectus.

The Fund's assets comprise mainly of readily realisable securities, which can be readily sold. The main liability of the Fund is the redemption of any Shares that investors wish to sell. The short term nature as well as the tier A rating (rated "A" by at least two rating agencies) of the underlying investments allows great flexibility to the portfolio managers in terms of raising cash very quickly or relying on maturities. The US Dollar, Euro and Sterling Liquidity

Sub-Funds invest in highly liquid short term securities, such as high quality commercial paper, certificates of deposit, time deposits, fixed and floating short-term bonds, government bills and repo's (see Note 12), which are denominated in each Sub-Funds base currency and predominantly mature within 1 year. During the year ended 31st July 2009 the Fund also received liquidity injections from MSIM (see Note 10).

The following table details the Sub-Fund's expected maturities for its financial assets.

US Dollar Liquidity Fund

31st July 2009	Investments USD	Cash Equivalents USD	Other Assets USD	Total USD
Less than 1 month	1,083,931,430	-	-	1,083,931,430
1-12 months	369,813,100	-	-	369,813,100
More than 1 year	164,967,420	-	-	164,967,420
No stated maturity	-	6,400	336,442	342,842
Total	1,618,711,950	6,400	336,442	1,619,054,792

Euro Liquidity Fund

31st July 2009	Investments EUR	Cash Equivalents EUR	Other Assets EUR	Total EUR
Less than 1 month	1,098,993,223	-	-	1,098,993,223
1-12 months	772,381,642	-	-	772,381,642
No stated maturity	-	-	201,022	201,022
Total	1,871,374,865	-	201,022	1,871,575,887

Sterling Liquidity Fund

31st July 2009	Investments GBP	Cash Equivalents GBP	Other Assets GBP	Total GBP
Less than 1 month	332,056,752	-	-	332,056,752
1-12 months	126,263,442	-	-	126,263,442
No stated maturity	-	-	230,983	230,983
Total	458,320,194	-	230,983	458,551,177

US Dollar Treasury Liquidity Fund*

31st July 2009	Investments USD	Cash Equivalents USD	Other Assets USD	Total USD
Less than 1 month	20,438,578	-	-	20,438,578
1-12 months	8,002,803	-	-	8,002,803
No stated maturity	-	4,220	49,828	54,048
Total	28,441,381	4,220	49,828	28,495,429

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

b) Liquidity Risk (continued)

The following table details the Sub-Fund's expected maturities for its financial liabilities.

US Dollar Liquidity Fund

31st July 2009	Bank Overdrafts USD	Other Liabilities USD	Share Capital* USD	Total USD
No stated maturity	-	50,435,012	1,568,619,780	1,619,054,792
Total	-	50,435,012	1,568,619,780	1,619,054,792

Euro Liquidity Fund

31st July 2009	Bank Overdrafts EUR	Other Liabilities EUR	Share Capital* EUR	Total EUR
No stated maturity	-	87,942,030	1,783,633,857	1,871,575,887
Total	-	87,942,030	1,783,633,857	1,871,575,887

Sterling Liquidity Fund

31st July 2009	Bank Overdrafts GBP	Other Liabilities GBP	Share Capital* GBP	Total GBP
No stated maturity	-	6,233,570	452,317,607	458,551,177
Total	-	6,233,570	452,317,607	458,551,177

US Dollar Treasury Liquidity Fund**

31st July 2009	Bank Overdrafts USD	Other Liabilities USD	Share Capital* USD	Total USD
No stated maturity	-	47,660	28,447,769	28,495,429
Total	-	47,660	28,447,769	28,495,429

* Net Assets Attributable to Redeemable Participating Shareholders.

** The US Dollar Treasury Liquidity Fund commenced on 29th October 2008.

The following table details the Sub-Fund's expected maturities for its financial assets.

US Dollar Liquidity Fund

31st July 2008	Investments USD	Cash Equivalents USD	Other Assets USD	Total USD
Less than 1 month	7,197,435,565	-	-	7,197,435,565
1-12 months	7,711,152,854	-	-	7,711,152,854
No stated maturity	-	-	18,085,238	18,085,238
Total	14,908,588,419	-	18,085,238	14,926,673,657

Euro Liquidity Fund

31st July 2008	Investments EUR	Cash Equivalents EUR	Other Assets EUR	Total EUR
Less than 1 month	1,210,855,356	-	-	1,210,855,356
1-12 months	1,461,492,910	-	-	1,461,492,910
More than 1 year	8,963,631	-	-	8,963,631
No stated maturity	-	-	28,410,609	28,410,609
Total	2,681,311,897	-	28,410,609	2,709,722,506

Sterling Liquidity Fund

31st July 2008	Investments GBP	Cash Equivalents GBP	Other Assets GBP	Total GBP
Less than 1 month	460,594,662	-	-	460,594,662
1-12 months	295,169,385	-	-	295,169,385
More than 1 year	28,672,340	-	-	28,672,340
No stated maturity	-	-	2,707,114	2,707,114
Total	784,436,387	-	2,707,114	787,143,501

US Dollar Enhanced Yield Fund*

31st July 2008	Investments USD	Cash Equivalents USD	Other Assets USD	Total USD
No stated maturity	-	-	19,100	19,100
Total	-	-	19,100	19,100

Euro Enhanced Yield Fund*

31st July 2008	Investments EUR	Cash Equivalents EUR	Other Assets EUR	Total EUR
No stated maturity	-	39,913	-	39,913
Total	-	39,913	-	39,913

* Ceased operations on 30th July 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

b) Liquidity Risk (continued)

The following table details the Sub-Fund's expected maturities for its financial liabilities.

US Dollar Liquidity Fund

31st July 2008	Bank Overdrafts USD	Other Liabilities USD	Share Capital* USD	Total USD
No stated maturity	751,292	143,997,456	14,781,924,909	14,926,673,657
Total	751,292	143,997,456	14,781,924,909	14,926,673,657

Euro Liquidity Fund

31st July 2008	Bank Overdrafts EUR	Other Liabilities EUR	Share Capital* EUR	Total EUR
No stated maturity	–	88,489,970	2,621,232,536	2,709,722,506
Total	–	88,489,970	2,621,232,536	2,709,722,506

Sterling Liquidity Fund

31st July 2008	Bank Overdrafts GBP	Other Liabilities GBP	Share Capital* GBP	Total GBP
No stated maturity	–	56,978,395	730,165,106	787,143,501
Total	–	56,978,395	730,165,106	787,143,501

US Dollar Enhanced Yield Fund**

31st July 2008	Bank Overdrafts USD	Other Liabilities USD	Share Capital* USD	Total USD
Less than 1 month	–	–	–	–
1-12 months	–	–	–	–
No stated maturity	19,100	–	–	19,100
Total	19,100	–	–	19,100

Euro Enhanced Yield Fund**

31st July 2008	Bank Overdrafts EUR	Other Liabilities EUR	Share Capital* EUR	Total EUR
Less than 1 month	–	–	–	–
1-12 months	–	–	–	–
No stated maturity	–	39,913	–	39,913
Total	–	39,913	–	39,913

* Net Assets Attributable to Redeemable Participating Shareholders.

** Ceased operations on 30th July 2008.

Investments

The following table shows an analysis of financial instruments recorded at fair value, where 1) fair value is based on quoted market prices in active markets, 2) fair

value involves valuation techniques where model inputs are observable in the market and 3) securities where the valuation technique involve the use of non-market observable inputs.

The first column “Quoted Market Price” represents securities that have been fair valued by way of obtaining quoted prices from active market sources (i.e. prices obtained from third party pricing vendors such as IDC or Bloomberg, or trading prices received directly from third party brokers).

The second column “Valuation Techniques – Market Observable Inputs” represents securities that have been fair valued by the use of prices derived from market observable inputs. Market observable inputs for these money market securities include issue date, maturity date and coupon rate, and are used in conjunction with relevant money market curves from Bloomberg to populate a price for all money market instruments whereby a quoted market price is not available. Bloomberg money market curves are updated daily to reflect prevailing market rates. A curve is selected based on security type, issuer rating and currency.

The third column “Valuation Techniques – Non-Market Observable Inputs” represents securities that have been valued at amortised cost or at par. Securities which are valued at amortised cost are typically purchased with a next day maturity or purchased close to the year-end date; this provides indicative evidence of current fair value. Once a quoted market price is made available for these securities, this will be applied for valuation purposes. Time deposits and repurchase agreements are valued at par.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

b) Liquidity Risk (continued)

Investments (continued)

The following tables are a summary of the inputs used as of 31st July 2009 and 31st July 2008 in valuing the Fund's investments:

US Dollar Liquidity Fund

	Quoted Market price 2009	Valuation Techniques– Market observable inputs 2009	Valuation Techniques– Non-Market observable inputs 2009	Total Fair Value 2009	Cost at end of year 2009
Certificate of Deposit	239,965,250	–	–	239,965,250	240,000,000
Commercial Paper	311,873,280	–	70,766,000	382,639,280	382,597,720
Floating Rate Note	204,937,420	–	–	204,937,420	204,939,672
Deposits with Credit Institutions	–	–	791,170,000	791,170,000	791,170,000
Total	756,775,950	–	861,936,000	1,618,711,950	1,618,707,392

	Quoted Market price 2008	Valuation Techniques– Market observable inputs 2008	Valuation Techniques– Non-Market observable inputs 2008	Total Fair Value 2008	Cost at end of year 2008
Certificate of Deposit	2,030,733,050	–	–	2,030,733,050	2,030,512,914
Commercial Paper	7,058,327,344	–	579,025,915	7,637,353,259	7,636,949,196
Floating Rate Note	2,148,499,350	–	109,232,760	2,257,732,110	2,278,619,246
Deposits with Credit Institutions	–	–	2,982,770,000	2,982,770,000	2,982,770,000
Total	11,237,559,744	–	3,671,028,675	14,908,588,419	14,928,851,356

Euro Liquidity Fund

	Quoted Market price 2009	Valuation Techniques– Market observable inputs 2009	Valuation Techniques– Non-Market observable inputs 2009	Total Fair Value 2009	Cost at end of year 2009
Certificate of Deposit	–	217,877,326	22,000,278	239,877,604	239,869,346
Commercial Paper	17,976,553	738,608,717	144,997,813	901,583,083	901,473,224
Floating Rate Note	68,942,613	–	–	68,942,613	68,992,623
Treasury Bills	244,902,678	–	59,978,791	304,881,469	304,884,907
Deposits with Credit Institutions	–	–	356,090,096	356,090,096	356,090,096
Total	331,821,844	956,486,043	583,066,978	1,871,374,865	1,871,310,196

	Quoted Market price 2008	Valuation Techniques– Market observable inputs 2008	Valuation Techniques– Non-Market observable inputs 2008	Total Fair Value 2008	Cost at end of year 2008
Certificate of Deposit	59,167,671	149,497,956	29,756,575	238,422,202	238,531,090
Commercial Paper	59,763,127	1,484,147,602	140,896,044	1,684,806,773	1,684,656,345
Floating Rate Note	561,219,199	–	–	561,219,199	561,737,163
Deposits with Credit Institutions	–	–	196,863,723	196,863,723	196,863,723
Total	680,149,997	1,633,645,558	367,516,342	2,681,311,897	2,681,788,321

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

b) Liquidity Risk (continued) Investments (continued)

Sterling Liquidity Fund

	Quoted Market price 2009	Valuation Techniques– Market observable inputs 2009	Valuation Techniques– Non-Market observable inputs 2009	Total Fair Value 2009	Cost at end of year 2009
Certificate of Deposit	5,000,871	80,999,612	–	86,000,483	85,998,487
Commercial Paper	16,987,906	163,961,072	18,998,225	199,947,203	199,934,622
Floating Rate Note	48,646,717	–	–	48,646,717	48,753,342
Treasury Bills	35,384,988	–	–	35,384,988	35,384,164
Deposits with Credit Institutions	–	–	88,340,803	88,340,803	88,340,803
Total	106,020,482	244,960,684	107,339,028	458,320,194	458,411,418

	Quoted Market price 2008	Valuation Techniques– Market observable inputs 2008	Valuation Techniques– Non-Market observable inputs 2008	Total Fair Value 2008	Cost at end of year 2008
Certificate of Deposit	9,001,563	112,273,791	–	121,275,354	121,269,015
Commercial Paper	29,885,087	290,467,830	45,784,377	366,137,294	366,075,088
Floating Rate Note	125,522,360	–	21,000,880	146,523,240	146,677,745
Deposits with Credit Institutions	–	–	150,500,499	150,500,499	150,500,499
Total	164,409,010	402,741,621	217,285,756	784,436,387	784,522,347

US Dollar Treasury Liquidity Fund*

	Quoted Market price 2009	Valuation Techniques– Market observable inputs 2009	Valuation Techniques– Non-Market observable inputs 2009	Total Fair Value 2009	Cost at end of year 2009
Treasury Bills/Treasury Notes	10,004,591	–	–	10,004,591	10,003,256
Deposits with Credit Institutions	6,999,790	–	11,437,000	18,436,790	18,437,000
Total	17,004,381	–	11,437,000	28,441,381	28,440,256

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

13. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (continued)

c) Credit Risk

Credit Risk is the risk that a counterparty to a financial instrument is unable or unwilling to honour the terms of their contractual obligations. This includes counterparty risk and issuer risk. The risk is mitigated through the careful evaluation of counterparties and dealing with only the strongest counterparties across several key areas such as credit rating, strength and depth of organisation and the ability to provide the desired exposure. MSIM has a formal approval process for signing up counterparties that uses resources from across all of Morgan Stanley, including credit and risk management groups, to ensure the creditworthiness of counterparties.

The Fund will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. The Fund minimises concentration of credit risk by undertaking transactions with a large number of counterparties.

The Fund is also exposed to issuer risk. Issuer risk is associated with transacting in exchange traded debt securities and is monitored on an ongoing basis by the Investment Manager who reviews the associated issuer credit ratings. For Sub-Funds investing in debt securities, their investment objectives provide details of credit rating restrictions imposed on that Sub-Fund, which are monitored on an ongoing basis by the Investment Manager and the Custodian.

The portfolio managers of the US Dollar Liquidity, US Dollar Treasury Liquidity, Euro Liquidity and Sterling Liquidity Sub-Funds manage risk through diversification across the sectors of the fixed income market. This risk is managed through maintaining a weighted average maturity (WAM) of the Sub-Fund's portfolio through investing in securities with a minimum short term credit quality of A-1 (A long term) and imposing a 10% limit on the size of any one issuer within the Sub-Fund.

The tables below give details of the schedule of investments by rating category for each of the Sub-Funds.

US Dollar Liquidity Fund

	31st July 2009	31st July 2008
AAA/Aaa	8.34%	0.50%
AA+	0.00%	0.93%
AA/AA-	3.09%	20.82%
A+	3.09%	3.27%
A-1/A-1+	85.48%	74.48%

Euro Liquidity Fund

	31st July 2009	31st July 2008
AAA/Aaa	0.00%	3.16%
AA+	0.00%	2.33%
AA/AA-	2.62%	20.60%
A+	1.07%	2.16%
A/A-	0.00%	2.42%
A-1/A-1+	96.31%	69.33%

Sterling Liquidity Fund

	31st July 2009	31st July 2008
AAA/Aaa	0.00%	0.00%
AA+	4.09%	0.00%
AA/AA-	2.18%	26.22%
A+	4.35%	1.40%
A/A-	0.00%	1.26%
A-1/A-1+	89.38%	71.12%

US Dollar Treasury Liquidity Fund*

	31st July 2009	31st July 2008
AAA/Aaa	0.00%	-
AA+	0.00%	-
AA/AA-	0.00%	-
A+	0.00%	-
A/A-	0.00%	-
A-1/A-1+	100.00%	-

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

14. SEGREGATED LIABILITY AND OTHER MATTERS

The Fund is structured as an umbrella fund with segregated liability between its Sub-Funds.

As a matter of Irish law, the assets of one Sub-Fund are not available to meet the liabilities of another. However, the Fund is still a single legal entity that may operate or have assets held on its behalf. While the provisions of the Companies Act 1963 to 2009 provide for segregated liability between Sub-Funds, these provisions have yet to be tested in foreign courts, in particular, in satisfying local creditors' claims. Accordingly, it is not free from doubt that the assets of any Sub-Fund of the Fund may not be exposed to the liabilities of other Sub-Funds of the Fund.

15. DIRECTORS' REMUNERATION

The Directors not connected with the Investment Manager are entitled to remuneration for their services as Directors provided however that the aggregate emoluments of each Director in respect of any twelve month accounting period shall not exceed £20,000 or such higher amount as may be approved by the board of Directors. Mr. Michael Kevin Griffin and Mr. David McGeough are the only Directors who receive remuneration. The Fund also bears the cost of Director insurance and VAT.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

16. SIGNIFICANT EVENTS DURING THE YEAR

Revised Prospectus for the Fund was issued on 21st October 2008.

The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

The following Share Classes of the Sub-Funds closed on 12th February 2009:

Corporate and Advisory Share Classes of Euro Liquidity Sub-Fund.

Corporate Share Classes of Sterling Liquidity Sub-Fund.

Corporate and Advisory Share Classes of US Dollar Liquidity Sub-Fund.

The Corporate Accumulating Share Class of US Dollar Liquidity Sub-Fund closed on 24th February 2009.

Mr. David McGeough was appointed as a Director of Morgan Stanley Funds p.l.c. on 8th July 2008.

Ms. Ursula Schliessler resigned as a Director of Morgan Stanley Funds p.l.c. on 22nd December 2008.

Mr. James Dilworth resigned as a Director of Morgan Stanley Funds p.l.c. on 9th March 2009.

Mr. Andrew John Mack was appointed as a Director of Morgan Stanley Funds p.l.c. on 15th April 2009.

During the year ended 31st July 2009 the US Dollar Liquidity Fund (the "Fund") sold certain investment positions to Morgan Stanley, an affiliate. These transactions were executed at amortised cost plus accrued interest amounting to USD6.009 billion (Par value being USD6.019 billion and Fair Value being USD5.993 billion), as on the date of the transaction. These sale transactions, which were approved by the Custodian, caused no dilution to the Fund and were executed in the best interest of the shareholders.

Further, there were 3 facilities ("Facility 1", "Facility 2" and "Facility 3") made available to the Fund by MSIM by way of transferring investment holdings as a Gift-in-kind to the Fund at zero cost. These holdings would help support the Fund by being utilised as a tool to offset any losses realised through the sale of securities.

Facility 1 was funded by MSIM on 15th October 2008 by transferring holdings with a face value of USD4,480,920 to the Fund account held with the Custodian. Facility 2 was funded by MSIM on 22nd October 2008 by transferring holdings with a face value of USD249,315 to the Funds account held with the Custodian. Facility 3 was funded by MSIM on 18th November 2008 by transferring holdings with a face value of USD2,470,025 to the Funds account held with the Custodian. As at 31st July 2009, Facility 1, 2 and 3 were drawn down in full.

Excess cash collateral held with the Custodian in respect of the capital support facility may not be considered for the purposes of calculating the Net Asset Value of the Fund.

17. POST BALANCE SHEET EVENTS

New Standards and interpretation not yet adopted

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1st August 2008 and have not been early adopted:

Amendments to FRS 29: Financial Instruments: Disclosures

The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under FRS 29 for non-derivative and derivative financial liabilities.

Adoption of this amendment would not have any material effect on the financial performance or position of the Fund. It would however give rise to additional disclosures as mentioned above.

Entities are required to apply this amendment for annual periods beginning on or after 1st January 2009, with no requirement to provide comparatives on transition.

FRS 25 (Amendment) Financial Instruments: Presentation requires certain instruments that would normally be classified as liabilities (including redeemable shares) to be classified as equity if certain conditions are met. This amendment becomes mandatory for annual periods beginning on or after 1st January 2010.

Notes to the Financial Statements (continued)

For the year ended 31st July 2009

17. POST BALANCE SHEET EVENTS (continued)

It is not expected that these revised standards and amendments to standards will have a material impact on the net assets attributable to holders of Redeemable Participating Shares.

There have been no other significant events since the year end.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements were approved and authorised for issue, by the Board of Directors on 12th November 2009.

US Dollar Liquidity Fund

Schedule of Investments

AS AT 31st JULY 2009

Holding	Investment	Value USD	% of Fund
United States Dollar			
Money Market Instruments			
Certificate of Deposit			
50,000,000	0.270% Bank of America 17/08/2009	50,000,150	3.19
70,000,000	0.280% Bank of Montreal 17/08/2009	69,999,300	4.46
70,000,000	0.340% Barclays Bank PLC 05/11/2009	69,960,800	4.46
50,000,000	0.500% Royal Bank of Scotland PLC 13/10/2009	50,005,000	3.19
Certificates of Deposit – Total		239,965,250	15.30
Commercial Paper			
50,000,000	0.260% Danske Bank 09/09/2009	49,987,000	3.19
50,000,000	0.450% ING (US) Funding LLC 09/09/2009	49,985,500	3.19
20,000,000	0.260% Istituto Bancario San Paola Di Tori 11/09/2009	19,993,800	1.27
25,000,000	0.260% Istituto Bancario San Paola Di Tori 14/09/2009	24,991,500	1.59
20,000,000	0.410% NRW Bank 05/10/2009	19,987,000	1.27
45,000,000	0.460% NRW Bank 13/11/2009	44,932,500	2.86
17,000,000	0.950% Royal Bank of Scotland PLC 17/08/2009	16,998,130	1.08
20,779,000	0.250% Salisbury International Investments Ltd 03/08/2009	20,779,000	1.32
50,000,000	0.700% Societe Generale 06/08/2009	49,998,500	3.19
30,000,000	0.850% UBS Finance (De) LLC 25/08/2009	29,994,600	1.91
55,000,000	0.930% UBS Finance (De) LLC 21/08/2009	54,991,750	3.51
Commercial Paper – Total		382,639,280	24.38
Total Value of Investments in Money Market Instruments		622,604,530	39.68
Transferable Securities			
Floating Rate Note (a)			
50,000,000	0.615% Federal Home Loan Banks 19/11/2010	49,999,550	3.19
85,000,000	0.748% Federal Home Loan Banks 08/11/2010	84,967,870	5.42
30,000,000	0.666% Societe Generale NY 05/05/2011	30,000,000	1.91
40,000,000	0.649% Westpac Banking Corp 08/03/2010	39,970,000	2.55
Floating Rate Note – Total		204,937,420	13.07
Total Investments in Transferable Securities		204,937,420	13.07

US Dollar Liquidity Fund

Schedule of Investments (continued)

AS AT 31st JULY 2009

Holding	Investment	Value USD	% of Fund
Deposits with Credit Institutions			
	Repurchase Agreement*		
271,170,000	0.210% Goldman Sachs Ng Tri Party 08/03/2009	271,170,000	17.29
350,000,000	0.210% Deutsche Bank Sec USA 08/03/2009	350,000,000	22.31
170,000,000	0.220% Credit Suisse Sec USA 08/03/2009	170,000,000	10.84
	Repurchase Agreement – Total	791,170,000	50.44
	Total Value of Investments in Deposits with Credit Institutions	791,170,000	50.44
	Total Value of Investments	1,618,711,950	103.19
	Cash and Cash Equivalents (b)	6,400	0.00
	Other Net Liabilities	(50,098,570)	(3.19)
	Total Value of the Fund	1,568,619,780	100.00

(a) Interest rate changes are based on changes in a designated base rate. The rates shown are those in effect at 31st July 2009.

(b) All cash holdings are held at State Street Bank and Trust Company.

* The Bank of New York Mellon and JP Morgan Chase Bank held collateral for the repurchase agreements to the value of USD639,805,101 and USD175,101,067, respectively.

Analysis of Total Assets	% of Total Assets
Transferable securities and money market instruments admitted to an official stock exchange listing or traded on a regulated market	51.11
Deposits with credit institutions	48.87
Current Assets	0.02
	100.00

Euro Liquidity Fund

Schedule of Investments (continued)

AS AT 31st JULY 2009

Holding	Investment	Value EUR	% of Fund
Euro			
Money Market Instruments			
Certificate of Deposit			
72,000,000	1.100% Barclays Bank PLC 08/09/2009	71,959,411	4.04
18,000,000	0.710% Calyon 01/10/2009	17,982,600	1.01
25,000,000	1.010% Credit Agricole SA 01/09/2009	24,988,642	1.40
22,000,000	0.440% HSBC Bank PLC 03/11/2009	22,000,278	1.23
30,000,000	0.510% Intesa Sanpaolo Bank of Ireland 23/10/2009	29,942,559	1.68
73,000,000	0.640% Lloyds TSB Bank PLC 06/08/2009	73,004,114	4.09
Certificates of Deposit – Total		239,877,604	13.45
Commercial Paper			
70,000,000	0.450% Abbey National Treasury Services 23/10/2009	69,916,690	3.92
30,000,000	0.810% Banco Bilbao Vizcaya Argentina 02/10/2009	29,974,681	1.68
40,000,000	1.120% Banco Bilbao Vizcaya Argentina 05/08/2009	39,998,444	2.24
5,000,000	0.450% Banco Santander SA 07/09/2009	4,997,813	0.28
20,000,000	0.510% Banco Santander SA 26/10/2009	19,975,155	1.12
10,000,000	0.710% Banco Santander SA 02/09/2009	9,996,365	0.56
39,000,000	1.010% Banco Santander SA 11/08/2009	38,996,306	2.19
20,000,000	0.510% Caisse Des Depots Et Consignat 07/08/2009	19,998,872	1.12
70,000,000	0.230% Danske Bank A/S 03/08/2009	70,000,000	3.92
70,000,000	0.540% Deutsche Bank 31/08/2009	69,975,295	3.92
30,000,000	0.350% Intesa Sanpaolo Bank of Ireland 20/08/2009	29,994,223	1.68
13,000,000	0.410% Intesa Sanpaolo Bank of Ireland 08/09/2009	12,994,135	0.73
70,000,000	0.790% National Australia Bank 20/08/2009	69,986,521	3.92
25,000,000	0.350% Nordea Bank PLC 24/08/2009	24,993,946	1.41
40,000,000	0.410% Nordea Bank PLC 28/09/2009	39,968,907	2.24
70,000,000	0.410% NRW Bank 03/08/2009	70,000,000	3.92
20,000,000	0.510% Rabobank Nederland 04/08/2009	19,999,389	1.12
50,000,000	0.660% Rabobank Nederland 05/10/2009	49,955,429	2.80
50,000,000	0.670% Royal Bank of Scotland PLC 29/09/2009	49,952,989	2.81
20,000,000	0.690% Royal Bank of Scotland PLC 23/09/2009	19,984,033	1.12
3,000,000	0.300% Societe Generale 05/08/2009	2,999,883	0.17
50,000,000	0.470% Societe Generale 10/09/2009	49,973,630	2.81
4,000,000	1.010% Societe Generale 11/08/2009	3,999,621	0.22
18,000,000	0.540% Svenska Handelsbanken 30/10/2009	17,976,553	1.01
45,000,000	0.760% Svenska Handelsbanken 18/08/2009	44,992,351	2.52
20,000,000	1.000% Svenska Handelsbanken 06/10/2009	19,981,852	1.12
Commercial Paper – Total		901,583,083	50.55
Total Value of Investments in Money Market Instruments		1,141,460,687	64.00
Transferable Securities			
Floating Rate Note (a)			
40,000,000	1.459% Credit Agricole SA 26/08/2009	40,009,600	2.25
20,000,000	1.460% Royal Bank of Scotland PLC 08/09/2009	19,964,000	1.12
9,000,000	1.285% Westpac Banking Corp 22/12/2009	8,969,013	0.50
Floating Rate Note – Total		68,942,613	3.87
Treasury Bill			
71,000,000	0.420% Belgium (Kingdom of) 17/09/2009	70,968,618	3.98
4,000,000	0.670% France (Republic of) 06/08/2009	3,998,960	0.22
120,000,000	0.670% France (Republic of) 20/08/2009	119,955,600	6.73
60,000,000	0.340% France (Republic of) 10/09/2009	59,978,791	3.36
50,000,000	0.340% Netherland (Republic of) 11/09/2009	49,979,500	2.80
Treasury Bill – Total		304,881,469	17.09
Total Value of Investments in Transferable Securities		373,824,082	20.96

Euro Liquidity Fund

Schedule of Investments (continued)

AS AT 31st JULY 2009

Holding	Investment	Value EUR	% of Fund
Deposits with Credit Institutions			
Time Deposit			
87,616,816	0.200% BNP Paribas 03/08/2009	87,616,816	4.91
87,043,372	0.200% ING Bank 03/08/2009	87,043,372	4.88
20,000,000	0.150% Rabobank Nederland 03/08/2009	20,000,000	1.12
70,000,125	0.150% Royal Bank of Scotland PLC 03/08/2009	70,000,125	3.93
76,916,563	0.150% State Street Bank 03/08/2009	76,916,563	4.31
14,513,220	0.200% Westpac Banking Corp 03/08/2009	14,513,220	0.81
Time Deposit – Total		356,090,096	19.96
Total Value of Investments in Deposits with Credit Institutions		356,090,096	19.96
Total Value of Investments		1,871,374,865	104.92
Other Net Liabilities		(87,741,008)	(4.92)
Total Value of Fund		1,783,633,857	100.00

(a) Interest rate changes are based on changes in a designated base rate. The rates shown are those in effect at 31st July 2009.

Analysis of Total Assets	% of Total Assets
Transferable securities and money market instruments admitted to an official stock exchange listing or traded on a regulated market	80.96
Deposits with credit institutions	19.03
Current Assets	0.01
	100.00

Sterling Liquidity Fund

Schedule of Investments (continued)

AS AT 31st JULY 2009

Holding	Investment	Value GBP	% of Fund
Pound Sterling			
Money Market Instruments			
Certificate of Deposit			
6,000,000	1.800% Abbey National Treasury Services 04/08/2009	6,000,950	1.33
15,000,000	0.400% Banca Intesa 14/08/2009	14,997,879	3.31
10,000,000	0.400% Banco Bilbao Vizcaya Argentinal 24/08/2009	9,999,037	2.21
5,000,000	0.900% Barclays Bank PLC 17/08/2009	5,000,871	1.10
10,000,000	0.900% Calyon 05/08/2009	10,000,569	2.21
10,000,000	0.420% Calyon 10/08/2009	9,999,003	2.21
15,000,000	0.980% Lloyds TSB Bank PLC 10/08/2009	15,001,939	3.32
15,000,000	0.600% Svenska Handelsbanken 18/08/2009	15,000,235	3.32
Certificates of Deposit – Total		86,000,483	19.01
Commercial Paper			
15,000,000	0.560% Banco Santander SA 08/09/2009	14,993,581	3.31
15,000,000	0.400% Bank of America Sec LLC 05/08/2009	14,999,165	3.32
10,000,000	0.410% Bank of Nova Scotia 06/08/2009	9,999,408	2.21
15,000,000	0.750% Barclays Bank PLC 14/09/2009	14,992,446	3.31
17,000,000	0.410% Caisse Des Depots Et Consignat 30/09/2009	16,987,906	3.76
15,000,000	0.390% Credit Suisse Sydney 28/08/2009	14,995,539	3.31
15,000,000	0.360% Danske Bank A/S 10/08/2009	14,998,300	3.32
15,000,000	0.600% National Australia Bank 14/09/2009	14,992,446	3.31
10,000,000	0.310% Nestle Finance International 17/08/2009	9,998,262	2.21
6,000,000	0.360% Nestle Finance International 03/09/2009	5,998,225	1.33
15,000,000	0.500% Nordea Bank PLC 17/08/2009	14,997,392	3.32
15,000,000	0.450% NRW Bank 24/08/2009	14,996,220	3.32
15,000,000	0.970% Royal Bank of Scotland PLC 05/08/2009	14,999,165	3.32
13,000,000	0.450% Toyota Motor Credit Corp 03/08/2009	13,000,000	2.87
9,000,000	0.520% Westpac Banking Corp 11/08/2009	8,999,148	1.99
Commercial Paper – Total		199,947,203	44.21
Total value of Investments in Money Market Instruments		285,947,686	63.22
Transferable Securities			
Floating Rate Note (a)			
5,000,000	1.715% Bank of Nova Scotia 28/01/10	4,998,850	1.11
10,755,000	1.512% GE Capital UK Funding 10/08/2009	10,735,867	2.37
8,000,000	1.568% GE Capital UK Funding 03/09/2009	7,994,000	1.77
20,000,000	1.552% Royal Bank of Scotland PLC 15/09/2009	19,942,000	4.41
5,000,000	1.755% Westpac Securities NZ Ltd 29/01/10	4,976,000	1.10
Floating Rate Note – Total		48,646,717	10.76
Treasury Bill			
80,000	0.550% UK (Govt of) 01/09/2009	79,978	0.02
20,000,000	0.350% UK (Govt of) 07/09/2009	19,993,200	4.42
30,000	0.550% UK (Govt of) 14/09/2009	29,988	0.01
260,000	0.550% UK (Govt of) 05/10/2009	259,841	0.05
25,000	0.550% UK (Govt of) 19/10/2009	24,981	0.01
15,000,000	0.360% UK (Govt of) 24/08/2009	14,997,000	3.31
Treasury Bill – Total		35,384,988	7.82
Total Value of Investments in Transferable Securities		84,031,705	18.58

Sterling Liquidity Fund

Schedule of Investments (continued)

AS AT 31st JULY 2009

Holding	Investment	Value GBP	% of Fund
Deposits with Credit Institutions			
Time Deposit			
20,530,382	0.330% Bank of Montreal 03/08/2009	20,530,382	4.54
22,025,379	0.320% BNP Paribas 03/08/2009	22,025,379	4.87
2,994,402	0.300% Calyon 03/08/2009	2,994,402	0.66
21,887,019	0.300% HSBC Bank PLC 03/08/2009	21,887,019	4.84
20,903,621	0.350% ING Bank 03/08/2009	20,903,621	4.62
Time Deposit – Total		88,340,803	19.53
Total Value of Investments in Deposits with Credit Institutions		88,340,803	19.53
Total Value of Investments		458,320,194	101.33
Other Net Liabilities		(6,002,587)	(1.33)
Total Value of the Fund		452,317,607	100.00

(a) Interest rate changes are based on changes in a designated base rate. The rates shown are those in effect at 31st July 2009.

Analysis of Total Assets	% of Total Assets
Transferable securities and money market instruments admitted to an official stock exchange listing or traded on a regulated market	80.68
Deposits with credit institutions	19.27
Current Assets	0.05
	100.00

US Dollar Treasury Liquidity Fund

Schedule of Investments (continued)

AS AT 31st JULY 2009

Holding	Investment	Value USD	% of Fund
United States Dollar			
Transferable Securities			
Treasury Bill			
1,500,000	0.190% United States Treasury Bill 08/10/2009	1,499,532	5.27
1,000,000	0.300% United States Treasury Bill 12/11/2009	999,475	3.51
1,000,000	0.310% United States Treasury Bill 27/11/2009	999,356	3.51
2,500,000	0.320% United States Treasury Bill 19/11/2009	2,498,538	8.78
1,000,000	0.160% United States Treasury Bill 06/08/2009	999,991	3.52
1,000,000	0.200% United States Treasury Bill 01/10/2009	999,730	3.51
Treasury Bill – Total		7,996,622	28.10
Treasury Note			
1,000,000	3.375% United States Treasury Notes 15/10/2009	1,006,172	3.54
1,000,000	6.000% United States Treasury Notes 15/08/2009	1,001,797	3.52
Treasury Note – Total		2,007,969	7.06
Total Investments in Transferable Securities		10,004,591	35.16
Deposits with Credit Institutions			
Repurchase Agreement*			
5,437,000	0.180% Bank of America LLC 03/08/2009	5,437,000	19.11
6,000,000	0.180% Deutsche Bank 03/08/2009	6,000,000	21.09
6,000,000	0.190% Credit Suisse 03/08/2009	5,999,820	21.10
1,000,000	0.190% Credit Suisse 12/08/2009	999,970	3.51
Repurchase Agreement – Total		18,436,790	64.81
Total Value of Investments in Deposits with Credit Institutions		18,436,790	64.81
Total Value of Investments		28,441,381	99.97
Cash and Cash Equivalents (a)		4,220	0.02
Other Net Assets		2,168	0.01
Total Value of the Fund		28,447,769	100.00

(a) All cash holdings are held at State Street Bank and Trust Company.

* The Bank of New York Mellon and JP Morgan Chase Bank held collateral for the repurchase agreements to the value of USD11,665,883 and USD7,147,927, respectively.

Analysis of Total Assets	% of Total Assets
Transferable securities and money market instruments admitted to an official stock exchange listing or traded on a regulated market	35.11
Deposits with credit institutions	64.70
Current Assets	0.19
	100.00

US Dollar Liquidity Fund

Schedule of Portfolio Changes (Unaudited)

FOR THE YEAR ENDED 31st JULY 2009

Largest Purchases

2,472,640,000	2.110% Deutsche Bank GC 12/09/2008
2,162,855,000	2.060% Deutsche Bank GC 11/09/2008
2,147,763,000	2.190% Deutsche Bank GC 04/08/2008
2,039,300,000	2.350% Deutsche Bank GC 15/09/2008
1,965,145,000	2.040% Deutsche Bank GC 13/08/2008
1,881,520,000	2.070% Deutsche Bank GC 09/09/2008
1,870,000,000	2.130% Deutsche Bank GC 15/08/2008
1,841,640,000	2.120% Deutsche Bank GC 04/09/2008
1,763,870,000	2.030% Deutsche Bank GC 08/08/2008
1,754,170,000	2.060% Deutsche Bank GC 10/09/2008
1,715,895,000	2.110% Deutsche Bank GC 05/09/2008
1,621,200,000	1.980% Deutsche Bank GC 21/08/2008
1,611,710,000	2.060% Deutsche Bank GC 08/09/2008
1,600,000,000	2.350% Deutsche Bank GC 16/09/2008
1,559,110,000	2.060% Deutsche Bank GC 14/08/2008
1,557,820,000	2.060% Deutsche Bank GC 27/08/2008
1,554,310,000	2.060% Deutsche Bank GC 16/08/2008
1,503,565,000	2.030% Deutsche Bank GC 11/08/2008
1,485,610,000	2.170% Deutsche Bank GC 18/08/2008
1,479,875,000	2.130% Deutsche Bank GC 19/08/2008

Largest Sales/Maturities

300,000,000	2.680% MSILF Prime Portfolio Fund 25/09/2008
249,822,813	0.000% UBS Finance (De) LLC 17/10/2008
222,450,000	0.000% Royal Bank of Scotland PLC 29/12/2008
209,885,667	1.000% Swedbank Mortgage AB 26/09/2008
200,000,000	2.720% MSILF Money Market Portfolio Fund 25/09/2008
198,658,354	3.100% Calyon 13/03/2009
169,907,444	1.000% Scaldis Capital Ltd 29/09/2008
165,000,000	2.980% Natixis 18/11/2008
150,000,000	3.010% Banco Santander 18/12/2008
150,000,000	3.549% Barclays Bank PLC 03/03/2009
150,000,000	2.827% KBC Bank 16/12/2008
149,922,708	1.000% Royal Bank of Scotland PLC 29/09/2008
149,848,500	1.000% Societe Generale 30/09/2008
149,772,462	2.915% Istituto Bancario San Paolo Di Tori 09/12/2008
149,538,153	3.000% Royal Bank of Scotland PLC 15/12/2008
149,367,500	0.000% Bank of Scotland PLC 12/11/2008
149,092,604	0.000% Barclays U.S. Funding LLC 08/12/2008
148,964,737	0.000% Citibank Omni Master Trust 22/09/2008
134,286,000	0.000% Intesa Funding LLC 25/11/2008
129,872,600	1.000% Swedbank Mortgage AB 30/09/2008

Euro Liquidity Fund

Schedule of Portfolio Changes (Unaudited)

FOR THE YEAR ENDED 31st JULY 2009

Largest Purchases

410,127,541	3.250% State Street Bank 23/09/2008
339,425,294	0.550% State Street Bank 20/03/2009
298,021,589	1.520% HSBC Bank PLC 29/05/2009
266,951,760	2.900% State Street Bank 01/10/2008
227,275,041	0.500% BNP Paribas 20/03/2009
227,137,145	0.600% ING Bank 20/03/2009
226,466,815	0.750% State Street Bank 14/04/2009
226,003,767	0.500% Societe Generale 20/03/2009
209,250,989	0.000% Belgium (Kingdom of) 18/12/2009
208,859,108	0.000% France (Republic of) 31/12/2008
202,400,389	0.900% State Street Bank 26/02/2009
199,994,722	0.000% Danske Bank A/S 28/01/2009
199,990,834	0.000% Danske Bank A/S 27/04/2009
199,966,672	0.000% Intesa Sanpaolo Bank of Ireland 12/01/2009
198,026,468	0.950% BNP Paribas 30/01/2009
189,983,377	0.000% Danske Bank A/S 02/02/2009
183,189,058	0.600% BNP Paribas 24/06/2009
181,259,148	1.000% State Street Bank 25/06/2009
180,507,436	3.750% Belgium (Kingdom of) 28/03/2009
179,835,151	0.000% Intesa Sanpaolo Bank of Ireland 20/04/2009

Largest Sales/Maturities

39,929,779	0.000% Matchpoint Finance PLC 06/10/2008
39,926,469	0.000% BNP Paribas 02/09/2008
39,863,136	0.000% Amstel Funding Corp 17/10/2008
37,946,664	0.000% Rabobank Nederland 30/09/2008
37,900,366	0.000% Rheingold Securitisation Ltd 20/10/2008
29,973,656	0.000% Mont Blanc Capital Corp 16/09/2008
29,970,695	0.000% Sg Australia Ltd 26/08/2008
29,950,573	0.000% BNP Paribas 02/10/2008
21,823,725	0.000% Svenska Handelsbanken 13/11/2008
19,919,790	0.000% ING BANK NV 17/10/2008
19,909,214	0.000% ING Bank 21/10/2008
19,900,850	0.000% ING Bank 27/10/2008
19,859,439	0.000% UBS AG 10/11/2008
18,946,623	0.000% Scaldis Capital 15/10/2008
18,441,479	0.000% Quasar Securitisation Co NV 17/10/2008
15,000,000	4.178% Allied Irish Banks PLC 11/10/2008
14,977,284	0.000% Societe Generale 01/10/2008
14,858,146	0.000% ING Bank 28/11/2008
14,850,338	0.000% Royal Bank of Scotland PLC 08/12/2008
11,954,642	0.000% Erasmus Capital Corp 22/10/2008

Sterling Liquidity Fund

Schedule of Portfolio Changes (Unaudited)

FOR THE YEAR ENDED 31st JULY 2009

Largest Purchases

140,721,524	4.000% State Street Bank London 23/09/2008
57,288,941	1.250% State Street Bank London 09/12/2008
51,413,774	2.250% State Street Bank London 10/11/2008
50,004,429	1.400% Rabobank 05/12/2008
48,504,799	5.010% Dexia 04/09/2008
48,210,483	5.000% ING Bank 04/09/2008
48,132,764	5.020% Banque National De Paris 04/09/2008
48,006,549	5.000% Rabobank 05/09/2008
48,000,000	4.980% Rabobank 04/09/2008
46,000,383	1.250% State Street Bank London 12/12/2008
45,691,986	1.000% State Street Bank London 22/12/2008
43,933,543	5.010% Dexia 09/11/2008
43,927,513	5.010% Dexia 09/10/2008
43,921,473	5.020% Dexia 09/09/2008
43,104,183	4.980% Banque National De Paris 29/08/2008
43,098,291	4.990% Banque National De Paris 28/08/2008
43,092,399	4.990% Banque National De Paris 27/08/2008
42,490,313	5.000% ING Bank 12/09/2008
42,484,494	5.000% ING Bank 11/09/2008
42,478,675	5.000% ING Bank 10/09/2008

Largest Sales/Maturities

39,756,924	0.000% Nordea Bank PLC 06/10/2008
14,999,774	0.000% Banco Bilbao Vizcaya Argentaria 20/03/2009
11,996,194	5.670% BNP Paribas 24/10/2008
11,428,610	0.000% ING Bank 27/10/2008
10,002,902	5.800% Royal Bank of Scotland PLC 08/10/2008
9,998,360	5.750% Lloyds TSB Bank PLC 30/10/2008
9,994,064	0.000% Sheffield Receivables Corp 26/09/2008
9,989,923	0.000% UBS AG 27/09/2008
9,915,568	0.000% Barclays Bank PLC 07/11/2008
7,986,305	0.000% Rheingold Securitisation Ltd 30/09/2008
6,936,677	0.000% Natixis 14/11/2008
5,000,000	5.543% Allied Irish Banks 11/10/2008
4,997,221	0.000% Intesa Sanpaolo Bank of Ireland 14/04/2009
4,936,702	0.000% Barclays Bank PLC 09/12/2008
4,934,700	0.000% Royal Bank of Scotland PLC 08/12/2008
2,499,322	0.000% Belgium (Kingdom of) 06/04/2009
2,499,199	0.000% Credit Suisse First Boston 14/04/2009
1,991,339	0.000% Cancara Asset Securitisation LLC 21/10/2008
999,970	6.033% ANZ National & International Bank Ltd 06/10/2008
994,596	0.000% Grampian Funding Ltd 27/10/2008

US Dollar Treasury Liquidity Fund*

Schedule of Portfolio Changes (Unaudited)

FOR THE YEAR ENDED 31st JULY 2009

Largest Purchases

24,000,000	0.100% Bank of America Sec LLC 12/05/2008
24,000,000	0.010% Deutsche Bank GC 12/09/2008
24,000,000	0.010% JP Morgan 12/09/2008
24,000,000	0.100% JP Morgan 12/05/2008
23,470,000	0.250% Deutsche Bank GC 14/11/2008
23,200,000	0.250% Bank of America Sec LLC 21/11/2008
23,200,000	0.500% Deutsche Bank GC 21/11/2008
23,010,000	0.250% JP Morgan 14/11/2008
23,000,000	0.010% Bank of America Sec LLC 08/12/2008
23,000,000	0.120% Bank of America Sec LLC 17/11/2008
23,000,000	0.150% Bank of America Sec LLC 18/11/2008
23,000,000	0.150% Bank of America Sec LLC 04/12/2008
23,000,000	0.200% Bank of America Sec LLC 02/12/2008
23,000,000	0.220% Bank of America Sec LLC 19/11/2008
23,000,000	0.240% Bank of America Sec LLC 14/11/2008
23,000,000	0.250% Bank of America Sec LLC 13/11/2008
23,000,000	0.250% Bank of America Sec LLC 20/11/2008
23,000,000	0.250% Bank of America Sec LLC 28/11/2008
23,000,000	0.250% Bank of America Sec LLC 01/12/2008
23,000,000	0.500% Bank of America Sec LLC 25/11/2008

Largest Sales/Maturities

1,999,402	0.980% United States Treasury Bills 15/05/2009
1,996,133	0.000% United States Treasury Bills 30/07/2009
1,199,519	0.010% United States Treasury Bills 18/06/2009
999,943	0.010% United States Treasury Bills 05/03/2009
999,897	0.081% United States Treasury Bills 19/03/2009
999,894	0.010% United States Treasury Bills 13/08/2009
999,578	0.010% United States Treasury Bills 15/10/2009
998,959	0.010% United States Treasury Bills 17/12/2009
998,889	0.010% United States Treasury Bills 24/12/2009
998,357	0.740% United States Treasury Bills 02/07/2009
997,635	0.010% United States Treasury Bills 01/04/2010
996,182	0.000% United States Treasury Bills 22/10/2009
996,182	0.000% United States Treasury Bills 22/10/2009

* The US Dollar Treasury Liquidity Fund commenced operations on 29th October 2008.

www.morganstanleyinvestmentfunds.com

Morgan Stanley