A dynamic index from a household name

About the Morgan Stanley Dynamic Contribution (MSDC) index

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The Morgan Stanley Dynamic Contribution (MSDC) index strives to create stable returns by managing volatility.

This index provides global exposure by allocating among several major asset classes as you'll see in the section on diversification inside this brochure.

Available crediting methods for MSDC on PrimePath® Pro fixed index annuity

You may allocate your premium to the following crediting methods using the MSDC index. Additional indices and crediting methods are also available. Potential interest credits are based in part on the performance of the index without risk of loss of premium due to market downturns or fluctuations.

Annual Point-to-Point with Participation Rate

(referred to in the contract as Term Point-to-Point – Participation Rate)

The Annual Point-to-Point crediting method measures the change in index value using two points in time — the beginning index value and the ending index value of each contract year. Index-linked gains are calculated based on the difference between these two values. The index change, if any, is then subject to a participation rate.

Two-year Point-to-Point with Participation Rate

(referred to in the contract as Term Point-to-Point – Participation Rate)

Similarly, the Two-year Point-to-Point with Participation Rate crediting method measures the change in index value using two points in time – but in this case, those points are the beginning index value and the ending index value for that two-year term. Index-linked gains are calculated based on the difference between these two values. The index change, if any, is then subject to a participation rate.

Two-year Point-to-Point with Margin and Participation Rate

(referred to in the contract as Term Point-to-Point – Margin and Participation Rate)

The Two-year Point-to-Point with Margin and Participation Rate features a combination of an index margin and a participation rate. This crediting method works by measuring the difference between the beginning index value and the ending index value for each two-year term after applying an index margin.

The index margin is declared as an annual margin but is multiplied by the length of the term to determine the margin that applies to the full term. For example, a 2% annual margin for a two-year term results in a 4% two-year margin.

As with all premium in a fixed index annuity, premium allocated to the MSDC index is not a direct investment in the stock market or in the index itself.

How the two-year margin and participation rate index credit calculation works step-by-step

1. At the end of the two-year term, the change in the index value is determined.
2. If the increase in the value of the index is less than the two-year index margin, no interest is credited for that two-year term.
3. If the increase in value of the index exceeds the two-year index margin, then the excess is applied to the participation rate and the result is credited to the index account for that two-year term.

For example, if the index value over the two-year term increased by 6.0% that amount would be reduced by the two-year index margin which would be 4.0% (two times the annual index margin). This results in 2.0% being multiplied by the two-year index participation rate of 180% which equals 3.60% total interest credited at the end of the two-year term.

It is important to understand that the two-year index margin must be exceeded **before any interest gets credited** under this crediting method.

The table below shows how the Two-year Point-to-Point with Margin and Participation Rate works under different scenarios, assuming a two-year margin of 4% (2% annual margin) and a 180% participation rate.

Assumed two-year index return[1]	**Step 1:** Subtract two-year index margin[2] from two-year index return	**Step 2:** Multiply by participation rate of 180%	**Interest credit after two years**
-1%	N/A	N/A	0%
4%	4% - 4% = 0%	0% x 180% = 0%	0%
6.5%	6.5% - 4% = 2.5%	2.5% x 180% = 4.5%	4.5%
9%	9% - 4% = 5%	5% x 180% = 9%	9%

1. The MSDC index is intended to control volatility, significant increases or decreases in the index value are less likely than in an index that does not manage volatility. See the "Important Points About the MSDC Index" section for more information."

2. The index margin that applies at the end of the term is calculated by multiplying the declared annual index margin by the length of the term.

Important points about the MSDC index

The MSDC index uses a rules-based strategy to attempt to maximize returns for a given level of risk. In calculating the performance of the index, Morgan Stanley deducts, on a daily basis, a servicing cost of 0.50% per annum. This reduces the positive change or increases the negative change in the Index level and thus decreases the return of any product linked to the index. The volatility control calculation applied by Morgan Stanley as part of the index's methodology may decrease the Index's performance and thus the return of any product linked to the index. In addition, because the volatility control calculation is expected to reduce the overall volatility of the index, it will also reduce the cost of hedging certain products linked to the index.

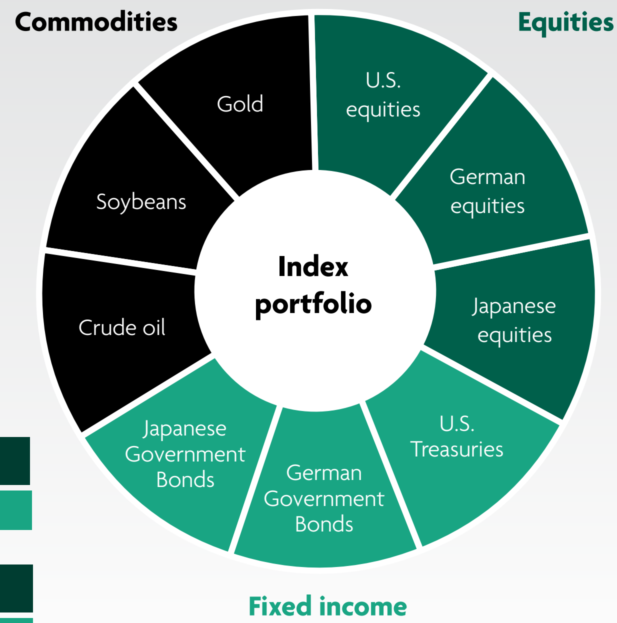
1 Diversified portfolio
- Multi-asset universe
- Global allocation

2 Dynamic contribution
- Modern portfolio theory
- Multiple horizons

3 Risk control
- Daily rebalancings
- Volatility control overlay

Diversification within the index

The MSDC index includes the following major asset classes and may also allocate to cash as part of managing volatility.



The Morgan Stanley Dynamic Contribution index value is available at **morganstanley.com/indices/msdc**

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