

# Fact Sheet

May 2008



## VIEWS ON MONETARY POLICY APRIL 2008:

### Fine Balancing Act

RBI governor Dr. Reddy has chosen to maintain a status quo on policy interest rates while increasing the cash reserve ratio by another 25 bps to 8.25%. RBI is walking a tightrope to balance the twin objective of supporting growth while maintaining price stability.

The case for a rate hike was based on the fact that RBI needed to send a strong signal to suppress inflationary expectations. A combination of elevated commodity prices, expansionary fiscal policy and loose money could lead to build up of long term inflationary expectations and a situation of wage-price spiral. But it seems RBI expects inflation to soften over the next few months as impact of fiscal and supply side measures take effect. While the central bank has mentioned price stability as its key priority, the overall undertone of the policy is not as hawkish as market feared. There seems to be a realisation that higher rates are hurting growth particularly in the interest rate sensitive sectors. Heightened uncertainties in global economy and markets are adding to the complexities the central bank is faced with.

Unexpected hike in CRR indicates that RBI's preferred tool would continue to be liquidity management and they would use CRR and MSS to ensure that systemic liquidity (as measured by outstanding in daily LAF) at best remains balanced.

RBI is unlikely to use exchange rate as a major tool to fight inflation. It can't afford a sizeable appreciation that could have meaningful impact on import prices. Exports, particularly employment intensive industries, are already under tremendous pressure. Current account could deteriorate further while capital flows are already slowing down.

The RBI has mentioned that it has 'headroom' available on interest rates and will now watch incremental economic data and events going forward to decide on further policy action. We don't rule out possibility of an inter-meeting action by RBI in case price situation warrants it. After all, surprise to market is a key element in governor Reddy's monetary policy operations.

### Navneet Munot

Lead Portfolio Manager, Multi-Strategies

## EQUITY OVERVIEW:

The equity markets rebounded in April, gaining over 10% month on month. The gains followed 25-40% decline across major indices witnessed in the quarter ending March'08. The recovery in the equity markets reflects the stabilization in the key macro economic factors, globally as well as domestically. The most significant event influencing the sentiments of the global equity markets has been the state of US economy and the banking/financial sector there. News flow suggest that post the Bear Stearns bail-out/take over and series of related measures announced by Federal Reserve, there is some stability returning to the banking sector in the US and the worst of the credit crisis may be behind us. However, the situation still remains fluid and the housing sector down turn and its implication on the overall economic decline/recessionary conditions continue to remain a key risk factor to watch out for.

Domestically, the key concern has been the sharp and unexpected rise of inflation. This has changed the interest rate expectations for the near term. The RBI has raised the CRR requirements and has suggested continued tightening measures to control inflation. Clearly, 'Inflation Management' has taken over from 'Growth' as being the key policy objective for the authorities for the time being. The key contributors to inflation, globally as well as in India, have been commodity prices such as food, energy and metals. The food prices are believed to be going up globally due to a variety of factors including diversion of resources to make bio-fuel. Commodities price rise globally also reflect weakening US Dollar that has been under pressure on account of the series of interest rates cuts administered by the US Federal Reserve.

We have witnessed some kind of a vicious cycle as US Fed easing lead to decline in US dollar and increase in commodity prices pushing global inflation higher that in turn requires policy tightening by emerging economies leading to growth slowdown. This cycle seems to be coming to an end as recent Fed statement indicates that they are almost done with policy rate easing. Domestically also the RBI has refrained from raising interest rates and has resorted to measures such as CRR increase to suck up liquidity without impacting interest rates.

For Indian equity market perspective, inflation would be one of the key factor determining the near term outlook. We believe that moderation in headline inflation numbers in the near term is critical for the recent uptrend in the equity markets to sustain. Overall Indian Equity valuations continue to remain in the comfortable zone and the recent correction in the equity markets has provided many opportunities for bottom-up stock picking. We used market downtrend to our advantage and gradually built our portfolio. Our sector over weights are Banking & Financial Services, Telecom and Software Services. We also like stocks in capital goods (though there have been some disappointments and negative surprises because of execution delays) and construction space but on a selective basis. We are underweight on metals, commodities, real estate and autos. The corporate earning season for the year ending March 2008 is currently underway and the results declared so far suggest that the services sector continues to deliver strong results and growth outlook. Stocks in sectors such as Infrastructure, Industrial products and Capital Goods, which were the leaders in terms of performance in 2007, may see challenging environment in the near term on account of execution delays, cost escalation, etc. Our strategy is to be selective in this space, and to identify stocks, which can overcome these shorter-term challenges and offer value over the long term. Overall, we believe that the portfolio is well balanced to capture better risk adjusted returns.

### Jayesh Gandhi

Lead Portfolio Manager, Multi/Mid Cap Equities

# Morgan Stanley Growth Fund

(A close-ended Equity Fund)

## Portfolio as on 30th April, 2008

S.No.	Security Description	% of Total Net Assets
1	Reliance Industries	7.40%
2	HDFC Bank*	6.43%
3	Infosys Technologies	4.88%
4	A B B	4.26%
5	Axis Bank	4.13%
6	Bharat Heavy Electricals	3.78%
7	Larsen & Toubro	3.77%
8	HDFC	3.56%
9	Bharti Airtel	3.54%
10	Tata Power	3.07%
<b>Total of top 10 holdings</b>		<b>44.82%</b>
11	Glenmark Pharma	2.99%
12	Welspun Gujarat	2.61%
13	Nestle India	2.44%
14	Aban Offshore	2.36%
15	Pantaloon Retail (India)	2.27%
16	Hindustan Unilever	2.09%
17	Maruti Suzuki India	1.98%
18	Praj Industries	1.76%
19	Cairn India	1.74%
20	Geodesic Information Systems	1.71%
<b>Total of top 20 holdings</b>		<b>66.78%</b>
21	Deccan Chronicle	1.61%
22	Marico Industries	1.61%
23	Jindal Steel & Power	1.61%
24	Jyoti Structures	1.40%
25	Infrastructure Development Finance Co	1.38%
26	Phoenix Mills	1.29%
27	Reliance Communication	1.25%
28	State Bank Of India	1.25%
29	Ess Dee Aluminium	1.24%
30	New Delhi Television	1.23%
31	Housing Development and Infrastructure	1.19%
32	Madhucon Projects	1.14%
33	Zee Entertainment Enterprises	1.12%
34	Mundra Port and Special Economic Zone	1.09%
35	Television Eighteen India	1.00%
36	Jaiprakash Associates	0.99%
37	India Cements	0.98%
38	Biocon	0.85%
39	Steel Authority of India	0.79%
40	GVK Power & Infrastructure	0.79%
41	Balkrishna Industries	0.78%
42	Kotak Mahindra Bank	0.70%
43	Shree Cement	0.66%
44	Tata Consultancy Services	0.66%
45	Gujarat Fluorochemicals	0.60%
46	Jagran Prakashan	0.58%
47	Hindustan Zinc	0.58%
48	Arshiya International	0.58%
49	National Aluminium	0.45%
50	IOL Broadband	0.31%
51	Balrampur Chini Mills	0.28%
52	Bajaj Hindustan	0.26%
Cash and other assets		2.98%
<b>Total Net Assets</b>		<b>100.00%</b>

\*Includes Local Shares and ADR/GDRs.

## Performance as on 30th April, 2008

Period	MSGF Returns*	BSE 100
Returns during the trailing year [ (+) (-) ]	14.34	30.81
Compounded Annualised Growth Rate		
(i) Last 3 years	33.71	40.55
(ii) Last 5 years	41.51	44.30
(iii) Since the launch of the scheme (18th February, 1994)	15.54	11.75

Past performance is no indication of future performance. \*Performance of the fund has been calculated based on the assumption that all dividends during the period have been reinvested in the scheme at the then prevailing NAV.

## Sector Classification

Sector	Total %
Banks	12.50%
Industrial Capital Goods	9.80%
Software	7.55%
Petroleum Products	7.40%
Diversified	5.85%
Media & Entertainment	5.55%
Power	5.26%
Ferrous Metals	5.01%
Finance	4.94%
Telecom - Services	4.79%
Construction	4.61%
Consumer Non Durables	4.59%
Oil	4.11%
Pharmaceuticals	3.84%
Retailing	2.27%
Auto	1.98%
Cement	1.64%
Industrial Products	1.24%
Non - Ferrous Metals	1.03%
Auto Ancillaries	0.78%
Gas	0.60%
Transportation	0.58%
Travel and Transportation	1.09%
Cash and other assets	2.98%
<b>Grand Total</b>	<b>100.00%</b>

### Fund Features:

#### Investment Objective:

To achieve long term capital appreciation by investing primarily in equity and equity-related securities of Indian companies.

#### Listed on:

Bombay Stock Exchange, National Stock Exchange, Calcutta Stock Exchange, Delhi Stock Exchange, Madras Stock Exchange and Ahmedabad Stock Exchange.

#### Asset Allocation:

Under normal circumstances, at least 70% of the Scheme's assets will be invested in Equity and Equity related securities. In addition, the Scheme may purchase debt securities which are considered to present an opportunity for long term capital appreciation.

#### NAV of the Fund:

Rs. 57.89 per unit

### Market Price

#### (Closing Price on BSE):

Rs. 54.13 per unit

#### Benchmark Index:

BSE 100

#### Options:

N/A

#### Minimum Investment Amount:

MSGF lot size on the Exchanges is 100.

#### Brokerage Charges:

Brokerage charges to be paid at the time of purchase/sale of the units.

#### Date of Inception:

18th February, 1994

#### Fund Managers:

Sridhar Sivaram  
Amay Hattangadi

#### Fund AUM:

Rs. 3,474.16 crore

NAV, Market Price and Fund AUM as on 30th April, 2008

## Dividend History:

Record Date	Date of Declaration	Dividend per unit (Rs.)	NAV as of	Ex-Dividend NAV per unit (Rs.)
July 09, 1999	June 23, 1999	0.75	June 25, 1999	12.83
April 29, 2000	April 18, 2000	0.75	April 20, 2000	16.60
June 11, 2001	June 4, 2001	1.00	June 06, 2001	10.72
May 13, 2004	April 28, 2004	1.50	April 29, 2004	21.82
October 27, 2006	October 13, 2006	2.00	October 16, 2006	46.88

Note: Face Value Rs. 10 per unit

# Morgan Stanley A.C.E. Fund

(An open-ended Across Capitalisations Equity Fund)

## Portfolio as on 30th April, 2008

S.No.	Security Description	% of Total Net Assets
1	ICICI Bank	5.72%
2	Infosys Technologies	5.31%
3	Reliance Industries	5.29%
4	Reliance Communications	4.93%
5	Infrastructure Development Finance Co.	4.23%
6	HDFC Ltd.	4.19%
7	Bharti Airtel	3.85%
8	Jaiprakash Associates	3.24%
9	Axis Bank	3.08%
10	Satyam Computer Services	2.96%
<b>Total of top 10 holdings</b>		<b>42.82%</b>
11	Larsen & Toubro	2.81%
12	Bharat Heavy Electricals	2.76%
13	Kotak Mahindra Bank	2.20%
14	Sintex Industries	2.18%
15	LIC Housing Finance	2.13%
16	Reliance Petroleum	2.10%
17	Colgate-Palmolive (India)	2.02%
18	Sun Pharmaceutical Industries	2.02%
19	GlaxoSmithkline Consumer Healthcare	2.00%
20	Punj Lloyd	2.00%
<b>Total of top 20 holdings</b>		<b>65.04%</b>
21	Voltas	1.99%
22	GVK Power & Infrastructures	1.98%
23	Exide Industries	1.95%
24	3i Infotech	1.93%
25	Nicholas Piramal India	1.91%
26	Federal Bank	1.90%
27	GAIL (India)	1.84%
28	ING Vysya Bank	1.83%
29	Consolidated Construction Consortium	1.82%
30	Hindustan Construction Co.	1.82%
31	Oil & Natural Gas Corporation	1.77%
32	Mphasis	1.20%
33	MindTree Consulting	1.17%
34	Titagarh Wagons	1.14%
35	CESC	1.03%
36	Idea Cellular	0.95%
37	Gammon India	0.91%
38	Opto Circuits (I)	0.90%
39	Kalpataru Power Transmission	0.89%
40	Steel Authority of India	0.84%
41	Kirloskar Brothers	0.36%
	Cash and other assets	4.82%
<b>Total Net Assets</b>		<b>100.00%</b>

## Sector Classification

Sector	Total %
Banks	14.74%
Software	12.58%
Finance	10.55%
Construction	9.79%
Telecom - Services	9.74%
Petroleum Products	7.39%
Pharmaceuticals	4.83%
Consumer Non Durables	4.02%
Power	3.90%
Industrial Capital Goods	3.90%
Diversified	2.81%
Industrial Products	2.54%
Consumer Durables	1.99%
Auto Ancillaries	1.95%
Gas	1.84%
Oil	1.77%
Ferrous Metals	0.84%
Cash and other assets	4.82%
<b>Grand Total</b>	<b>100.00%</b>

### Fund Features:

#### Investment Objective:

To generate long-term capital growth from an actively managed portfolio of equity and equity-related securities including equity derivatives.

#### Asset Allocation:

Equity and Equity Related Instruments: 65% – 100%  
Debt and Money Market Instruments (including Securitised Debt): 0 – 35%

#### NAV:

Growth Rs. 10.858 per unit  
Dividend Rs. 10.858 per unit

#### Benchmark Index:

BSE 200

#### Options:

Growth Option and Dividend Option.

#### Minimum Investment Amount:

Lump Sum: Rs. 5,000  
SIP: Rs. 1,000 via 6 installments

### Load Structure:

#### Entry Load:

< Rs. 5 crore: 2.25%  
>=Rs. 5 crore: Nil

#### Exit Load:

(a) 1% for < Rs. 5 crore; If redeemed/switched on or before the expiry of one year from the date of allotment, otherwise: Nil.  
(b) >= Rs. 5 crore: Nil.

#### Date of Inception:

3rd April, 2008

#### Fund Manager:

Jayesh Gandhi

#### Fund AUM:

Rs. 87.49 crore

NAV and Fund AUM as on 30th April, 2008.

## Performance as on 30th April, 2008

Period	Returns*	BSE 200
Since Inception (3rd April, 2008)	8.58%	10.63%

\*Absolute returns of the Growth Option. As per SEBI guidelines for performance reporting, "Since Inception" returns are calculated on Rs. 10/- invested at inception. Past performance may or may not be sustained in future.

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**Statutory Details:** Morgan Stanley Mutual Fund has been set up as a Trust under Indian Trusts Act, 1882. **Sponsor:** Morgan Stanley. **Trustee:** Board of Trustees. **Investment Manager:** Morgan Stanley Investment Management Pvt. Ltd. **Risk Factors:** All mutual funds and securities investments are subject to market risks and there can be no assurance that the objectives of the Scheme will be achieved. As with any securities investment, the NAV of the units issued under the Scheme may go up or down, depending upon the factors and forces affecting the capital markets. Past performance of the Sponsors/Investment Manager/Mutual Fund does not, in any manner, indicate the future performance of the Scheme, and may not necessarily provide a basis of comparison with other investments. There is no assurance or guarantee to the unit holders as to the rate of dividend distribution nor that dividends will be paid regularly. Investors in the Scheme are not being offered any guaranteed/assured returns. The liquidity of investments made in the Scheme may be restricted by trading volumes and settlement periods. Investments in close-ended schemes are subject to market risks of infrequent trading, possibility of market price of units being traded at a discount to NAV etc. The Sponsor is not responsible or liable for any loss resulting from the operations of the Scheme beyond their initial contribution of Rs. 5 lac towards setting up of the Mutual Fund and such other accretions and additions to the corpus. **Load Structure: Entry Load:** For purchases of less than Rs. 5 crore: 2.25%, For purchases of Rs. 5 crore and above: Nil. In case of purchases in SIPs under salary saving schemes for groups of employees through an arrangement with their employer: Nil. **Exit Load:** (a) For purchases of less than Rs. 5 crore: If redeemed/switched on or before the expiry of one year from the date of allotment: 1%, After the expiry of one year from the date of allotment: Nil. b) For purchases of Rs. 5 crore and above: Nil. No entry load will be levied where application for investments in the Scheme is not routed through any distributor/agent/broker. Investors may note that the "Exit Load" will be levied as applicable. Investors should read the Offer Document/Key Information Memorandum (available at Investor Service Centres, Distributors, and on the Mutual Fund website www.morganstanley.com/indiamf), carefully before investing.

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