

# Fact Sheet

December 2008



## WINNERS SO FAR: CASH, TREASURIES, GOLD AND VOLATILITY

Policymakers around the globe continue to resort to unconventional measures to restore confidence in the credit markets and save economies from recession. Most of the developed world is heading towards 'Zero Interest Rate Policy' (ZIRP) which has been followed by Japan for almost a decade now. Increasingly, economic data and anecdotal evidence indicate towards possibility of a deeper and prolonged downturn in developed economies. In a globalized and more integrated world, no economy will remain completely immune to the downturn.

Policy actions have had a desired impact of bringing some amount of stability into money markets; however, credit markets continue to suffer from severe dislocations. Stimulating engines of real economy through credit creation is challenging when faced with a powerful force of deleveraging of financial sector balance sheets. We expect massive dose of fiscal stimulation over the next few quarters by almost every government to kick-start economic growth.

Asset prices continue to decline amidst high volatility. As expected, treasury bonds are doing well on safe haven appeal. US treasury yields are at multi-decade low despite fears of larger issuance. Gold is another asset that is doing relatively well as investors seek insurance against debasement of fiat currencies.

Reserve bank of India that chose to maintain a status quo on policy rates while presenting monetary policy on October 24,

## EQUITY OVERVIEW

"Stimulus" seems to have been the headline grabbing buzzword through November 2008, but it failed to bring any significant cheer to the markets. In India, the RBI continued to ease rates and constituted various measures aimed at shoring up the liquidity in the system. Globally however, the deleveraging process continues with balance sheets shrinking and capital flows for most emerging markets including India continuing their reversal. Foreign Institutional Investors (FIIs) have been net sellers of Indian equities to the extent of USD 833 mn in November. The end of the era of easy liquidity has broader implications for emerging markets than just the performance of stock market indices. The above trend growth rates enjoyed by emerging markets in the years from 2003 to 2007 clearly seem difficult to sustain as global liquidity and risk appetite shrinks. Large projects modeled on the basis of these capital flows continuing unabated seem to be the obvious casualties.

In terms of sectoral performances, the safe havens of consumer staples and healthcare continued to outperform the benchmark BSE indices while property and metals indices continued to bear the brunt of selling.

announced series of measures in November including 100 bps cut in CRR and 50 bps cut in repo rate. We expect them to cut interest rates further (both repo and reverse repo) as growth momentum is weakening and inflation outlook is turning benign. RBI will continue to add liquidity in banking system by cutting CRR and unwinding MSS. Monetary policy will have to play a bigger role to revive the economy as flexibility on the fiscal side is constrained.

Both G-sec and Corporate Bond curves saw yields softening with more pronounced fall at the front end. Short term Bank CDs have witnessed major decline in yields as liquidity improved. Long-end of the corporate curve has underperformed the G-sec curve and credit spread have widened due to fears of larger issuance and illiquidity. We believe that large spreads in AAA segment is not due to heightened credit risk but actually reflect higher liquidity premium. As real economy weakens further and monetary policy turns more accommodative, interest rates will maintain a downward trend. Corporate spreads are also attractive from a historical perspective and leave scope for capital gains for a long term investor.

### Navneet Munot

Lead Portfolio Manager, Multi-Strategies

Overall, we continue to scout for value opportunities and remain extremely wary of elevated growth promises. From a portfolio standpoint, we continue to remain overweight in Consumer related sectors and now Financials. We have increased our weightage in the Financials sector primarily by adding to our exposure in the State owned Banks that we think still offer a favorable risk reward trade-off. We have also been reducing our exposure in the mid-cap names as large cap valuations have again become attractive. We feel that as capital becomes relatively scarce, it can affect capex programs and infrastructure funding especially in the private sector. We remain cautious on private infrastructure developers, real estate and construction companies and lay emphasis on companies with limited external funding requirements.

### Sridhar Sivaram and Amay Hattangadi

Lead Portfolio Managers, Large Cap Equities

# Morgan Stanley Growth Fund

(A close-ended Equity Fund)

Details as on 28th November, 2008

## Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
<b>Banks</b>		<b>21.02%</b>
	✓ HDFC Bank Limited	7.88%
	✓ State Bank of India Limited	5.05%
	ICICI Bank Limited	2.79%
	Bank of India	1.98%
	Bank of Baroda	1.87%
	AXIS Bank Limited	1.45%
<b>Software</b>		<b>11.39%</b>
	✓ Infosys Technologies Limited	10.24%
	Geodesic Limited	1.06%
	IOL Netcom Limited	0.09%
<b>Diversified</b>		<b>10.30%</b>
	✓ Hindustan Unilever Limited	6.51%
	✓ Larsen and Toubro Limited	3.79%
<b>Industrial Capital Goods</b>		<b>7.90%</b>
	✓ Bharat Heavy Electricals Limited	6.66%
	ABB Limited	0.80%
	Praj Industries Limited	0.44%
<b>Telecom - Services</b>		<b>7.60%</b>
	✓ Bharti Airtel Limited	7.60%
<b>Petroleum Products</b>		<b>6.70%</b>
	✓ Reliance Industries Limited	6.70%
<b>Finance</b>		<b>4.79%</b>
	✓ Housing Development Finance Corporation Limited	4.79%
<b>Consumer Non Durables</b>		<b>4.68%</b>
	✓ Nestle India Limited	3.21%
	Balrampur Chini Mills Limited	0.61%
	ITC Limited	0.46%
	Bajaj Hindusthan Limited	0.40%
<b>Auto</b>		<b>4.56%</b>
	Maruti Suzuki India Limited	2.56%
	Hero Honda Motors Limited	2.00%
<b>Ferrous Metals</b>		<b>2.00%</b>
	Welspun Gujarat Stahl Rohren Limited	1.06%
	Jindal Steel and Power Limited	0.94%
<b>Pharmaceuticals</b>		<b>1.89%</b>
	Glenmark Pharmaceutical Limited	1.89%
<b>Pesticides</b>		<b>1.80%</b>
	United Phosphorus Limited	1.80%
<b>Media &amp; Entertainment</b>		<b>1.24%</b>
	Deccan Chronicle Holdings Limited	0.88%
	Television Eighteen India Limited	0.36%
<b>Construction</b>		<b>1.15%</b>
	The Phoenix Mills Limited	0.55%
	Jaiprakash Associates Limited	0.40%
	Madhucon Projects Limited	0.20%
<b>Cement</b>		<b>0.96%</b>
	The India Cements Limited	0.96%
<b>Power</b>		<b>0.75%</b>
	Jyoti Structures Limited	0.75%
<b>Oil</b>		<b>0.72%</b>
	Aban Offshore Limited	0.72%
<b>Industrial Products</b>		<b>0.66%</b>
	Ess Dee Aluminium Limited	0.66%
<b>Gas</b>		<b>0.24%</b>
	Gujarat Fluorochemicals Limited	0.24%
<b>Cash and other assets</b>		<b>9.65%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Performance (in %)

Period	Fund Returns*	BSE 100
Returns during the trailing year [ (+) (-) ]	-56.45	-55.7
<b>Compounded Annualised Growth Rate</b>		
(i) Last 3 years	-5.2	-0.36
(ii) Last 5 years	10.85	12.14
(iii) Since the launch of the scheme (18th February 1994)	9.8	6.16

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.

### 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. 29.69 per unit

#### Market Price

#### (Closing Price on BSE):

Rs. 27.56 per unit

#### Expense Ratio:

1.83% of average daily net assets

#### Portfolio Turnover:

0.76

#### Volatility Measures:

(for trailing 3 year period)

Standard Deviation 9.45%

Beta 0.96

Sharpe Ratio<sup>1</sup> -0.38

#### Benchmark Index:

BSE 100

#### Options:

N/A

#### Minimum Investment Amount:

MSGF lot size on the Exchanges is 100 units.

#### Date of Inception:

18th February, 1994

#### Fund Managers:

Sridhar Sivaram

Amay Hattangadi

#### Fund AUM:

Rs.1782.23 crore

<sup>1</sup> Risk Free rate is based on 3 month T-Bill rate

## Dividend History

Record Date	Date of Declaration	Dividend per unit (Rs.)	Ex-Dividend NAV Date	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)

Details as on 28th November, 2008

## Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
<b>Banks</b>		<b>17.69%</b>
	✓ HDFC Bank Limited	4.61%
	✓ ICICI Bank Limited	2.94%
	Bank of India	2.48%
	AXIS Bank Limited	2.30%
	Union Bank of India	2.15%
	Punjab National Bank	1.96%
	Kotak Mahindra Bank Limited	1.25%
<b>Consumer Non Durables</b>		<b>11.82%</b>
	Marico Limited	2.60%
	Colgate Palmolive (I) Limited	2.54%
	Shaw Wallace and Company Limited	2.35%
	ITC Limited	2.02%
	Britannia Industries Limited	1.22%
	United Spirits Limited	1.09%
<b>Power</b>		<b>8.64%</b>
	✓ Reliance Infrastructure Limited	3.36%
	GVK Power and Infrastructure Limited	2.71%
	CESC Limited	2.57%
<b>Software</b>		<b>6.95%</b>
	✓ Infosys Technologies Limited	4.23%
	Satyam Computer Services Limited	1.80%
	Mphasis Limited	0.92%
<b>Petroleum Products</b>		<b>6.84%</b>
	✓ Reliance Industries Limited	6.84%
<b>Telecom - Services</b>		<b>6.51%</b>
	✓ Bharti Airtel Limited	5.18%
	Reliance Communications Limited	1.33%
<b>Industrial Capital Goods</b>		<b>5.92%</b>
	✓ Bharat Heavy Electricals Limited	4.31%
	Crompton Greaves Limited	1.61%
<b>Finance</b>		<b>4.97%</b>
	✓ Housing Development Finance Corporation Limited	4.97%
<b>Diversified</b>		<b>4.80%</b>
	✓ Larsen and Toubro Limited	3.27%
	Hindustan Unilever Limited	1.53%
<b>Oil</b>		<b>3.03%</b>
	✓ Oil and Natural Gas Corporation Limited	3.03%
<b>Construction</b>		<b>2.87%</b>
	Punj Lloyd Limited	1.29%
	Jaiprakash Associates Limited	1.28%
	B L Kashyap and Sons Limited	0.30%
<b>Industrial Products</b>		<b>2.76%</b>
	Sintex Industries Limited	2.76%
<b>Pharmaceuticals</b>		<b>2.08%</b>
	Piramal Healthcare Limited	2.08%
<b>Transportation</b>		<b>1.72%</b>
	The Great Eastern Shipping Company Limited	1.04%
	IRB Infrastructure Developers Limited	0.68%
<b>Ferrous Metals</b>		<b>1.70%</b>
	Jindal Steel and Power Limited	1.00%
	Tata Steel Limited	0.70%
<b>Auto Ancillaries</b>		<b>1.65%</b>
	Exide Industries Limited	1.65%
<b>Consumer Durables</b>		<b>1.45%</b>
	Voltas Limited	1.45%
<b>Non - Ferrous Metals</b>		<b>1.04%</b>
	Sterlite Industries (India) Limited	1.04%
<b>Cash and other assets</b>		<b>7.56%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Performance (in %)

Period	Fund Returns*	BSE 200
Since Inception (3rd April, 2008)	-41.31	-45.53

\*Absolute returns of the growth option are computed. "Since Inception" returns are calculated on Rs. 10/- invested at inception. Past performance may or may not be sustained in future.

### 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. 5.869 per unit  
Dividend Rs. 5.869 per unit

#### Expense Ratio:

2.61% of average daily net assets

#### 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. 65.31 crore

## Morgan Stanley Mutual Fund Branch Offices

• <b>Ahmedabad</b>	079 2644 9132	• <b>Bangalore</b>	080 4180 0702
• <b>Chandigarh</b>	0172 4665 295	• <b>Chennai</b>	044 2830 2091
• <b>Delhi</b>	011 6624 9133	• <b>Hyderabad</b>	040 4002 4168
• <b>Kolkata</b>	033 3984 5315	• <b>Mumbai</b>	022 4077 9227
• <b>Pune</b>	020 4014 7570		

**Registered Office:** Morgan Stanley Investment Management Pvt. Ltd., Forbes Building, Charanjit Rai Marg, Fort, Mumbai 400 001; Tel 91 22 2209 6600. Toll free 1800 425 1313, Non-toll-free 040 2342 8757

**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.**