

Fact Sheet

December 2011



FIXED INCOME OVERVIEW

The global financial markets remain hostage to events in Europe, with the lack of agreement by the US Super-committee adding to negative investor sentiment. The middle-through scenario in Europe, the downgrade of various Sovereigns/banks and the belief that the contagion is extending to core Europe (the falling of Germany's bond auction and hardening in France bond yields) lead to a risk-off sentiment across the globe. This prompted a sharp withdrawal of cash even from EM as investors seek liquidity by taking profits and selling anything they can. China cut its banks' reserve requirement ratio by 50 basis points to arrest negative sentiment. The ECB cut refinance rate by 25bps to 1.25% and is likely to do more in the next meet. Other Asian central banks too reduced their administered rate to support growth. The six top global central banks took coordinated action to ease Dollar funding to banks by cutting swap rates. Towards the fag end of the month, the move aided global risk appetite at the margin.

The effect of extreme risk-aversion is prevalent even in India leading to a sharp depreciation in INR and worsening investor sentiment. The domestic data flow did not help the cause either. For the first time since June quarter of '09, domestic growth dipped sub 7% to support the argument that the economy is feeling the lagged effects of the monetary tightening. The GDP growth for 2Q fell to 6.9% y-o-y confirming the sharp industrial slowdown and subdued 2Q corporate performance. With this, the GDP growth during first half of FY12 stands at 7.3% as compared to 8.6% in the same period last year. Although much has been made of the strength of private consumption in India, the numbers suggest that this element of demand is also softening. Consumer spending rose 5.9%, down from a recent high of 9.5% in 1Q2010, and the weakest since the first quarter of calendar 2005. The output breakdown of GDP showed agriculture, mining, industry and service sector growth all softening on a year-on-year basis. Fixed capital formation has shrunk 0.6% year-on-year, the first decline since the July-September quarter of 2009 when the impact of the Global Financial Crisis was being felt.

The IIP growth for September 2011 continues to trend downwards to record 1.9% y-o-y, from 3.6% y-o-y in August 2011, the third consecutive month when the industrial output growth has remained sluggish and the weakest figure since September 2009. On a cumulative basis, IIP growth during Apr.-Sep. moderated to 5% y-o-y vs. 8.2% y-o-y last year. After an effective monetary tightening of 525bps, the recent weekly data print on inflation numbers has started showings some sign of moderation. Albeit, the headline inflation has remained elevated at 9%+ levels for nearly 2 years with the latest reading for October 2011 coming at 9.73%. Going forward, the base effect would likely result in further softening, but given structural issues on the food front, INR weakness and deteriorating fiscal, the trends are unlikely to head significantly lower. With RBI's guidance that the likelihood of rate action in December policy is relatively low, coupled with the recent soft GDP and IIP data, it is likely that RBI would stay on hold at its December meeting.

On the fiscal front, the macro indicators paint even a more dismal picture. Due to lower tax collection and higher expenditure, India's fiscal deficit for the first seven months has crossed 74% of its full-year target, confirming fears that the government's budget arithmetic could go awry as economic slowdown crimps tax collections. Incidentally, the government has also tabled the second supplementary demand for grants. These refer to requests for additional spending over and above the budget estimates. The trade and current account deficit too is showing definite signs of stress as export growth (m-o-m) falls sharply and import growth accelerates. With widening trade gap and significant cut in flows, along with extension of dollar liquidity squeeze in the system, INR depreciated sharply to an all time intra-day low of INR 52.73 to a Dollar, adding to RBI's woes in their inflation containment measures. It got some support after RBI intervention and its announcement of a series of measures to augment the supply of dollars in the onshore market. India raised the ceiling on foreign institutional investment in Government and corporate bonds by \$5billion each to \$15billion and \$45billion respectively. In its effort to start the reform process, the GOI approved the proposal of FDI in multi-brand retail. However, implementation faces stiff political opposition and may run into roadblocks.

EQUITY OVERVIEW

November 2011 turned out to be dreadful month for Indian equities which saw its worst monthly (November) performance in 15 years. The underperformance in equities was magnified by the currency depreciation. The market touched its lowest level since Nov. '09 and INR hit its lowest level in history. The broader market continues to fare worse than the narrow market. YTD India now is amongst the worst performing equity as well as currency markets in the world.

The fast deteriorating domestic fundamentals could be the reasons attributed to this sharp reversal in equities post the October recovery. Macro data continues to show significant economic slowdown with Q2 GDP growth reported at sub 7% levels and inflation is still sticky at over 9% levels. Poor GDP growth was primarily attributed to significant slowdown in investments, industrial and capital goods. Policy paralysis and government in-action has taken the economic situation to crisis levels. More importantly there appears to be lack of policy direction and cohesiveness within various departments of the government, which is exaggerating the economic slowdown. To top-it-all, there continues to be a political grid lock at the parliament. For instance, after a long wait, union cabinet did approve up to 51% FDI in multi brand retail but the issue has forced government into a political deadlock with retail being a state subject to implement. To everyone's dismay, key winter session of Parliament (Nov. 22 – Dec. 21) is adjourned to date.

Globally, economic worries in Europe continue to mount and concerns on stability in the Euro zone aggravated with increasing stress on the credit markets of the so-called "core" regions. Yields on Italy government debt nearly doubled

The inter-bank liquidity continues to remain extremely tight. The net liquidity in the banking system consistently remained above negative INR 1 trillion for most part of the month. RBI announced to conduct a couple of OMO purchases of government securities with an aim to prevent unintended tightening in domestic liquidity and a further rise in short-term rates. It is likely that RBI would announce more purchases of government securities ahead to alleviate the stress in inter-bank liquidity. Accordingly, the new out of money 10-year bond (auctioned during the month) has reversed sharply from around 9%, touched intra-month to below 8.71%, on the back of OMO and strong FII demand for the new debt limit auction.

Portfolio review for November '11

The systemic liquidity continues to remain negative. The yield curve consolidated to settle slightly lower due to RBI-OMO and FII debt limit auction. We maintained marginal duration in the Short Term Bond Fund to capture the move. In Liquid Fund, we continue to run short-term assets with an accrual view.

Expectations for December '11

As per guidance, RBI is likely to hold on to its rate hike move. The yield curve may shift further down as sentiment remains positive due to further RBI-OMO. The demand from FIIs is also likely to stay strong, as utilization of limits will start happening. The systemic liquidity is likely to remain tight, as money will flow out because of advance tax. We would look to maintain marginal duration in Short Term Bond Fund and deploy the maturing asset in the liquid portfolio in short/medium term assets with an accrual view.

Key Financial Data

Benchmark	30/11/11	31/10/11	31/03/11	Monthly Change	Change since March
364 Day T-bill (Primary)	8.45%	8.68%	7.64%	-0.24%	0.81%
5-year Gilt Benchmark	8.71%	8.84%	7.95%	-0.13%	0.76%
10-year Gilt Benchmark	8.74%	8.88%	7.99%	-0.13%	0.75%
30-year Gilt Benchmark	9.13%	9.00%	8.36%	0.13%	0.77%
91 Day Manufacturing CP(P1+)	9.85%	9.65%	10.36%	0.20%	-0.51%
91 day Bank CD	9.43%	9.25%	9.70%	0.18%	-0.27%
1-yr AAA Spreads	0.85%	1.00%	2.02%	-0.15%	-1.17%
5-yr AAA Spreads	0.92%	0.82%	1.28%	0.10%	-0.36%
5-yr OIS	7.29%	7.50%	7.97%	-0.22%	-0.68%
CRR	6.00%	6.00%	6.00%	0.00%	0.00%
RBI LAF- Reverse Repo Rate*	7.50%	7.50%	5.75%	0.00%	1.75%
Foreign Exchange Reserve (\$ bn)	308.62	320.39	303.48	(11.77)	5.14
Nymex Crude	100.36	93.19	106.72	7.17	(6.36)
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	2.07%	2.11%	3.47%	-0.05%	-1.40%
INR/USD	52.21	48.70	44.59	7.22%	17.10%
USD/Euro	1.34	1.39	1.42	2.97%	5.03%
USD/Yen	77.62	78.17	83.13	-0.70%	-6.63%

*RBI Repo Rate at 8.50%

Sources – Internal & Bloomberg

Ritesh Jain

Head of Fixed Income & Lead Portfolio Manager, Fixed Income Boutique

since late October and Belgium was downgraded by S&P. Interestingly, ECB and FED along with other four central banks announced that they would lower the pricing on existing US dollar liquidity swap arrangements by 50 bps. These coordinated action would certainly prevent a much dreaded liquidity crisis in the European banks as short term funding markets had dried up but would be short of addressing the core problem of dysfunctional system due to high sovereign debt levels.

While the near term news flow on equities may continue to remain negative, however, the sharp correction in equity prices, down 30% YTD, brings valuation to very attractive levels. Investors with medium to long term perspective would be advised to use these times of extreme pessimism and capitulation to increase their allocation into equities.

From the ACE Fund portfolio perspective, we continue to maintain our conservative stance in the event driven macro-economic environment, being overweight in pharmaceuticals and consumer products and underweight in commodities and energy. Mid-cap allocation in the portfolio continues to be moderate. We continue to track macro-economic issues in the Euro zone as well as eagerly wait for policy logjam in the India to resolve to propel growth in the domestic economy to a higher level.

Jayesh Gandhi

Lead Portfolio Manager, Multi/Mid Cap Equities

Morgan Stanley A.C.E. Fund

(An open-ended Across Capitalisations Equity Fund)



Details as on Nov. 30, 2011

Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
Banks		20.01%
	✓ HDFC Bank Limited	7.65%
	✓ ICICI Bank Limited	4.12%
	✓ ING Vysya Bank Limited	2.49%
	State Bank of India Limited	1.96%
	Axis Bank Limited	1.44%
	Bank Of Baroda	1.25%
	Yes Bank Limited	1.10%
Software		10.84%
	✓ Infosys Limited	5.53%
	✓ Tata Consultancy Services Limited	3.45%
	HCL Technologies Limited	1.86%
Auto		10.76%
	✓ Mahindra and Mahindra Limited	4.95%
	✓ TVS Motor Company Limited	3.43%
	Bajaj Auto Limited	2.38%
Pharmaceuticals		10.54%
	✓ Dr. Reddy's Laboratories Limited	2.89%
	Sun Pharmaceutical Industries Limited	2.46%
	Divi's Laboratories Limited	2.17%
	Cadila Healthcare Limited	1.35%
	Jubilant Life Sciences Limited	1.08%
	Aurobindo Pharma Limited	0.59%
Consumer Non Durables		8.05%
	✓ ITC Limited	8.05%
Oil		4.13%
	Oil and Natural Gas Corporation Limited	2.22%
	Oil India Limited	1.91%
Petroleum Products		3.92%
	✓ Reliance Industries Limited	3.92%
Consumer Durables		3.03%
	Tube Investments of India Limited	1.62%
	Bajaj Electricals Limited	1.41%
Textile Products		2.41%
	Raymond Limited	2.41%
Ferrous Metals		2.20%
	Jindal Steel and Power Limited	2.20%
Power		2.09%
	Power Grid Corporation of India Limited	2.09%
Gas		2.08%
	GAIL India Limited	2.08%
Construction		1.78%
	IRB Infrastructure Developers Limited	1.78%
Construction Project		1.65%
	Larsen and Toubro Limited	1.65%
Telecom - Services		1.60%
	Bharti Airtel Limited	1.60%
Industrial Products		1.35%
	Sintex Industries Limited	1.35%
Minerals/Mining		1.01%
	Coal India Limited	1.01%

Industry Classification	Security Description	% of Total Net Assets
Retailing		0.97%
	Shoppers Stop Limited	0.97%
Cement		0.94%
	Shree Cement Limited	0.94%
Transportation		0.92%
	Spice Jet Limited	0.92%
Auto Ancillaries		0.41%
	Exide Industries Limited	0.41%
Cash and other assets		9.31%
Grand Total		100.00%

Fund Features:

Asset Allocation:

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

NAV (₹):

Growth 12.642 per unit
Dividend 11.901 per unit

Expense Ratio:

2.32% of average daily net assets

Portfolio Turnover:

1.18

Volatility Measures:

(for trailing 3 year period)
Standard Deviation 26.69%
Beta 0.93
Sharpe Ratio¹ 0.88

Average Fund AUM:

₹ 352.11 crore
(Quarter ended Sep. 2011)

¹Risk Free rate is based on 3 month T-Bill rate (5.61%)

Performance as on quarter ended Sep. 30, 2011

Period	MSACE		BSE 200#		S&P NIFTY ^	
	Returns %	Value (₹)*	Returns %	Value (₹)*	Returns %	Value (₹)*
30/09/10 to 30/09/11	-19.36	8,064.32	-19.85	8,015.39	-18.02	8,197.83
30/09/09 to 30/09/10	37.42	13,742.27	20.79	12,078.96	18.61	11,860.76
30/09/08 to 30/09/09	43.51	14,351.22	34.66	13,466.22	29.65	12,965.29
Since inception (CAGR)	7.99	13,076.84	1.13	10,400.09	1.02	10,359.41

#Scheme Benchmark. ^Alternate Benchmark. *Based on standard investment of Rs. 10,000 made at the beginning of the relevant period. Past performance is not a guarantee of future returns. All returns are of Growth Option. Since inception returns are calculated on Rs. 10/- invested at inception of the fund (April 03, 2008).

SIP Performance - Growth option (as on Nov. 30, 2011)

₹ 2000 invested every month	MSACE		Benchmark - BSE 200		
	Amount Invested (₹)	Present Value (₹)	Returns XIRR %	Present Value (₹)	Returns XIRR %
2 years	48000	42460.59	-11.35%	41499.54	-13.37%
Since inception*	86000	101571.89	9.27%	90821.95	3.00%

Past performance is not a guarantee of future returns. For SIP returns, monthly investment of equal amounts invested on the first business day of every month have been considered. *The 1st SIP date is considered as May 02, 2008.

Dividend History

Record Date	Dividend Per Unit (₹)	Ex Dividend NAV (₹)
Nov. 04, 2010	1.00	16.076

Note: Face Value ₹ 10/- per unit.

*The Morningstar fund rating methodology is based on a fund's risk-adjusted return within a given Morningstar category. Morningstar ratings are calculated every month for the 3 year, 5 year and 10 year period. Within each rating period, the top 10% funds receive a five star rating, the next 22.5% earn a four star rating, the next 35% get three stars, the next 22.5% receive two stars, and the bottom 10% get one star. Loads are not considered for the rating purpose. The rating is based on NAV provided by respective funds. The current fund rating is for the 3 year period as of October 31, 2011. Morgan Stanley A.C.E. Fund has been rated 5 Star by Morningstar in the Morningstar India Large Cap. 328 funds which completed 3 years of performance were considered for rating. Rating Source & Publisher: Morningstar.

Morgan Stanley Growth Fund

(An open-ended Equity Fund)

Details as on Nov. 30, 2011

Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
Banks		18.11%
	✓ HDFC Bank Limited	8.71%
	✓ IndusInd Bank Limited	3.38%
	✓ ICICI Bank Limited	3.25%
	State Bank of India Limited	1.44%
	Bank Of Baroda	1.33%
Consumer Non Durables		15.18%
	✓ ITC Limited	8.13%
	Hindustan Unilever Limited	2.35%
	Asian Paints Limited	2.07%
	Nestle India Limited	1.43%
	McLeod Russel India Limited	1.20%
Software		9.37%
	✓ Tata Consultancy Services Limited	6.30%
	Infosys Limited	2.02%
	Wipro Limited	1.05%
Pharmaceuticals		8.78%
	✓ Dr. Reddy's Laboratories Limited	4.62%
	✓ Glenmark Pharmaceutical Limited	4.16%
Auto		6.52%
	✓ Mahindra and Mahindra Limited	4.21%
	Bajaj Auto Limited	1.75%
	Tata Motors Limited	0.56%
Ferrous Metals		4.70%
	Tata Steel Limited	2.24%
	Jindal Steel and Power Limited	2.08%
	Usha Martin Limited	0.38%
Petroleum Products		3.88%
	✓ Reliance Industries Limited	3.88%
Construction Project		3.55%
	✓ Larsen and Toubro Limited	3.01%
	Gammon India Limited	0.54%
Gas		3.13%
	GAIL India Limited	1.76%
	Indraprastha Gas Limited	1.37%
Telecom - Services		2.90%
	Bharti Airtel Limited	2.90%
Industrial Capital Goods		2.36%
	AIA Engineering Limited	1.30%
	Thermax Limited	1.06%
Fertilisers		1.75%
	Coromandel International Limited	1.75%
Cement		1.62%
	ACC Limited	1.62%
Industrial Products		1.48%
	Cummins (India) Limited	1.48%
Engineering Services		1.37%
	Engineers India Limited	1.37%
Trading		1.31%
	Redington India Limited	1.31%
Construction		1.20%
	Oberoi Realty Limited	1.20%
Media and Entertainment		1.11%
	DB Corp Limited	1.11%
Transportation		1.08%
	Gujarat Pipavav Port Limited	1.08%
Non - Ferrous Metals		1.04%
	Hindustan Zinc Limited	1.04%
Finance		0.94%
	Manappuram Finance Limited	0.94%
Minerals/Mining		0.87%
	Coal India Limited	0.87%
Auto Ancillaries		0.83%
	Motherson Sumi Systems Limited	0.83%
Oil		0.52%
	Oil and Natural Gas Corporation Limited	0.52%
Power		0.32%
	KSK Energy Ventures Limited	0.32%
Cash and other assets		6.08%
Grand Total		100.00%

Fund Features:

Asset Allocation:

Equity and Equity related instruments of companies having large market capitalization[‡]: 65 – 100%
Equity and Equity related instruments other than mentioned in above: 0 – 35%
Debt and Money Market Instruments (including Securitised Debt): 0 – 35%

NAV (₹):

Growth 51.440 per unit
Dividend* 15.704 per unit
*option introduced on Jan. 19, 2009

Expense Ratio:

1.96% of average daily net assets

Portfolio Turnover:

0.49

Volatility Measures:

(for trailing 3 year period)
Standard Deviation 25.97%
Beta 0.92
Sharpe Ratio¹ 0.56

Average Fund AUM:

₹ 1396.05 crore
(Quarter ended Sep. 2011)

¹Risk Free rate is based on 3 month T-Bill rate (5.61%)

Performance as on quarter ended Sep. 30, 2011

Period	MSGF		BSE 100#		BSE Sensex ^	
	Returns %	Value (₹)*	Returns %	Value (₹)*	Returns %	Value (₹)*
30/09/10 to 30/09/11	-22.33	7,766.79	-18.95	8,104.73	-18.01	8,198.55
30/09/09 to 30/09/10	26.18	12,617.87	19.00	11,900.37	17.18	11,717.92
30/09/08 to 30/09/09	29.54	12,953.90	33.46	13,345.61	33.18	13,317.50
Since inception (CAGR)	11.83	71,749.13	8.96	45,321.27	8.49	42,030.71

#Scheme Benchmark. ^ Alternate Benchmark. *Based on standard investment of Rs. 10,000 made at the beginning of the relevant period. Past performance is not a guarantee of future returns. All returns are of Growth Option. Since inception returns are calculated on Rs. 10/- invested at inception of the fund (Feb. 18, 1994).

SIP Performance - Growth option (as on Nov. 30, 2011)

₹ 2000 invested every month	MSGF			Benchmark - BSE 100	
	Amount Invested (₹)	Present Value (₹)	Returns XIRR %	Present Value (₹)	Returns XIRR %
2 years	48000	40911.76	-14.61%	41963.58	-12.39%
Since inception*	68000	66405.39	-1.62%	67702.54	-0.30%

Past performance is not a guarantee of future returns. For SIP returns, monthly investment of equal amounts invested on the 1st business day of every month have been considered. *MSGF became open ended on January 19, 2009, and the first SIP date is considered as February 02, 2009.

Dividend History

Record Date	Dividend Per Unit (₹)	Ex Dividend NAV (₹)
Nov. 04, 2010	1.50	22.258

Note: Face Value ₹ 10/- per unit. For details of dividends declared since inception of MSGF, please refer our website.

Morgan Stanley Short Term Bond Fund

(An open-ended Debt Fund)



Details as on Nov. 30, 2011

Portfolio

Security Description	Rating	% of Total Net Assets
Money Market Instruments		60.00%
Bank of Maharashtra	CRISIL A1+	10.93%
Axis Bank Limited	CRISIL A1+	10.90%
Andhra Bank	CARE A1+	10.69%
Federal Bank Limited	CRISIL A1+	10.69%
Jammu & Kashmir Bank Limited	CRISIL A1+	10.24%
National Bank for Agriculture & Rural Development	CRISIL A1+	6.55%
Corporate Debt		31.19%
Bajaj Finance Limited	CRISIL AA+	10.92%
Housing Development Finance Corporation Limited	CRISIL AAA	10.92%
Tata Capital Limited	CRISIL AA+	9.35%
Treasury Bills		0.55%
91 Days T-Bill 23 Dec 11	Sovereign	0.55%
Cash & Current Assets		8.26%
Grand Total		100.00%

Rating Profile

Rating Category	
Sovereign	0.55%
AAA	70.92%
AA	20.27%
Cash & Current Assets	8.26%
Grand Total	100.00%

Asset Allocation

Asset Class	
Money Market Instruments	60.00%
Corporate Debt	31.19%
Treasury Bills	0.55%
Cash & Current Assets	8.26%
Grand Total	100.00%

CRISIL Mutual Fund Rank* Open End Debt Short Schemes, Sep. 30, 2011. **Ranking Methodology:** *CRISIL Mutual Fund Rank "2" – The composite performance of "Morgan Stanley Short Term Bond Fund - Regular - Growth" is "Good performance" in the Open End Debt Short Schemes Category, and ranks within the 11th to 30th percentile of the 31 schemes ranked in this category. The criteria used in computing the CRISIL Mutual Fund Rank are Mean Return, Volatility, based on NAVs over the 1 year period ended September 30, 2011, Modified Duration, Sectoral Concentration, Company Concentration, Liquidity & Asset Quality of the scheme. The methodology does not take into account the entry and exit loads levied by the scheme. The CRISIL Mutual Fund Rank is no indication of the performance that can be expected from the scheme in future. Ranking Source: CRISIL FundServices, CRISIL Limited

Fund Features:

Plans/Options and NAV (₹):

Institutional Plus Plan	
Weekly Dividend	10.0847
Reinvestment:	
Monthly Dividend (Payout and Reinvestment):	10.0640
Growth:	11.7744
Regular Plan	
Weekly Dividend	10.0814
Reinvestment:	
Monthly Dividend (Payout and Reinvestment):	10.0746
Growth:	11.6797

Expense Ratio:

Institutional Plus Plan	0.60%
Regular Plan	0.90%

Average Maturity: 7.66 months

Modified Duration: 0.56 years

Yield to Maturity: 9.61%

Rating:

Credit risk rating mfAAA by ICRA#

Average Fund AUM:

₹ 74.37 crore
(Quarter ended Sep. 2011)

Performance as on quarter ended Sep. 30, 2011

Period	MSSTBF		CRISIL Bond Fund Index#	
	Returns %	Value (₹)*	Returns %	Value (₹)*
30/09/10 to 30/09/11	8.06	10,806.00	6.81	10,680.83
30/09/09 to 30/09/10	4.99	10,498.86	4.93	10,492.53
Since inception (CAGR)	6.25	11,531.44	5.48	11,334.65

#Scheme Benchmark. Alternate Benchmark not available. *Based on standard investment of Rs. 10,000 made at the beginning of the relevant period. Past performance is not a guarantee of future returns. All returns are of Regular Growth Option. Since inception returns are calculated on Rs. 10/- invested at inception of the fund (May 26, 2009).

Dividend History

Plan/Frequency	Record Date	Non-Individuals Per Unit (₹)	Individuals Per Unit (₹)	Ex Dividend NAV (₹)
Regular Plan-Monthly Dividend	Nov. 25, 2011	0.0463	0.0541	10.0628
Regular Plan-Monthly Dividend	Oct. 28, 2011	0.0510	0.0595	10.0625
Regular Plan-Monthly Dividend	Sep. 29, 2011	0.0598	0.0697	10.0705

Note: Face Value ₹ 10 per unit.

Morgan Stanley Active Bond Fund

(An open-ended Debt Fund)

Details as on Nov. 30, 2011

Portfolio

Security Description	Rating	% of Total Net Assets
Treasury Bills		12.01%
91 Days T Bills 23 Dec 11	Sovereign	12.01%
Cash & Current Assets		87.99%
Total Net Asset		100.00%

Performance as on quarter ended Sep. 30, 2011

Period	MSABF		CRISIL Composite Bond Fund Index#	
	Returns %	Value (₹)*	Returns %	Value (₹)*
30/09/10 to 30/09/11	4.62	10,461.69	5.58	10,558.34
30/09/09 to 30/09/10	3.41	10,341.49	5.46	10,546.20
Since inception (CAGR)	2.72	10,649.30	4.99	11,205.99

#Scheme Benchmark. Alternate Benchmark not available. *Based on standard investment of Rs. 10,000 made at the beginning of the relevant period. Past performance is not a guarantee of future returns. All returns are of Regular Growth Option. Since inception returns are calculated on Rs. 10/- invested at inception of the fund (May 28, 2009).

Fund Features:

Plans/Options and NAV (₹):

Institutional Plus Plan	
Quarterly Dividend (Payout and Reinvestment):	10.0000
Growth:	10.0000
Regular Plan	
Quarterly Dividend (Payout and Reinvestment):	10.7568
Growth:	10.7568
Expense Ratio:	
Institutional Plus Plan	1.20%
Regular Plan	1.75%

Average Maturity: 0.12 months

Modified Duration: 0.01 years

Yield to Maturity: 8.19%

Rating:

Credit risk rating mfAAA by ICRA#

Average Fund AUM:

₹ 0.41 crore
(Quarter ended Sep. 2011)

Rating Profile

Rating Category	
Sovereign	12.01%
Cash & Current Assets	87.99%
Grand Total	100.00%

Asset Allocation

Asset Class	
Treasury Bills	12.01%
Cash & Current Assets	87.99%
Grand Total	100.00%

*ICRA has assigned the "Credit Risk Rating mfAAA" to Morgan Stanley Short Term Bond Fund and Morgan Stanley Active Bond Fund which means that both funds carry the lowest credit risk, similar to that associated with long-term debt obligations rated in the highest-credit-quality category. This rating should however, not be construed as an indication of the performance of the aforesaid Funds or of volatility in their returns. Further, the above rating should not be treated as ICRA's recommendation to buy, sell or hold the units issued under the said Funds.

Morgan Stanley Liquid Fund

(An open ended Liquid Fund)

Details as on Nov. 30, 2011

Portfolio

Security Description	Rating	% of Total Net Assets
Money Market Instruments		93.67%
Kotak Mahindra Bank Limited	CARE A1+	5.80%
Bank of Maharashtra	CRISIL A1+	5.77%
Allahabad Bank	[ICRA] A1+	4.84%
Federal Bank Limited	CRISIL A1+	4.84%
Central Bank Of India	CARE A1+	4.84%
Vijaya Bank	CARE A1+	4.83%
HDFC Bank Limited	CRISIL A1+	4.83%
Canara Bank	CRISIL A1+	4.83%
Aditya Birla Finance Limited	[ICRA] A1+	4.83%
Oriental Bank of Commerce	[ICRA] A1+	4.83%
United Bank of India	[ICRA] A1+	4.81%
Bajaj Finance Limited	[ICRA] A1+	4.81%
National Housing Bank	[ICRA] A1+	4.81%
Housing Development Finance Corporation Limited	[ICRA] A1+	4.79%
Punjab National Bank	CARE A1+	4.78%
ING Vyasa Bank Limited	CRISIL A1+	4.77%
Tata Capital Limited	[ICRA] A1+	4.76%
L&T Finance Limited	CARE A1+	4.76%
Andhra Bank	CRISIL A1+	4.75%
National Bank for Agriculture & Rural Development	CRISIL A1+	0.39%
Treasury Bills		0.52%
91 Days T-Bill 23 Dec 11	Sovereign	0.52%
Cash & Current Assets		5.81%
Grand Total		100.00%

Fund Features:

Options and NAV (₹):

Daily Dividend	1000.4971
Reinvestment:	
Weekly Dividend	1001.9604
Reinvestment:	
Monthly Dividend	1002.2416
(Payout and Reinvestment):	
Growth:	1020.6205

Average Maturity: 0.92 months

Modified Duration: 0.07 years

Yield to Maturity: 9.11%

Rating:
[ICRA]A1+mfs*

Expense Ratio:

0.10%

Dividend History

Plan/Frequency	Record Date	Non-Individuals Per Unit (₹)	Individuals Per Unit (₹)	Ex Dividend NAV (₹)
Monthly Dividend	Nov. 25, 2011	5.2216	5.4438	1001.0000
Monthly Dividend	Oct. 28, 2011	4.9782	5.1901	1001.0000
Monthly Dividend	Sep. 29, 2011	3.5758	3.7280	1000.5444

Note: Face Value ₹ 1000 per unit.

Rating Profile

Rating Category	
Sovereign	0.52%
AAA	93.67%
Cash & Current Assets	5.81%
Grand Total	100.00%

Asset Allocation

Asset Class	
Money Market Instruments	93.67%
Treasury Bills	0.52%
Cash & Current Assets	5.81%
Grand Total	100.00%

*ICRA has assigned the rating of "[ICRA]A1+mfs" to Morgan Stanley Liquid Fund. Schemes with [ICRA]A1mfs rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that have been made. Within this category, Modifier {"+" (plus)} can be used with the rating symbols to reflect the comparative standing. This rating should however, not be construed as an indication of the performance of the aforesaid Fund or of volatility in its returns. Further, the above rating should not be treated as ICRA's recommendation to buy, sell or hold the units issued under the said Fund.

Morgan Stanley Mutual Fund Branch Offices

• Ahmedabad 079 2644 9132	• Bangalore 080 4180 0702	• Chandigarh 0172 4665 295	• Chennai 044 2830 2091
• Delhi 011 6624 9133	• Hyderabad 040 4002 4168	• Kolkata 033 3984 5315	• Mumbai 022 6118 2929
• Pune 020 6500 8349			

Registered Office: Morgan Stanley Investment Management Pvt. Ltd., 18F/19F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai 400 013. Toll free 1800 425 1313, Non-toll-free 040 2342 8757

Note: SIP does not guarantee protection against loss in a declining market. Applicable taxes, exit load, if any have not been considered in calculations and the same, if taken into consideration, may reduce the returns on your actual investments. Please consult your legal/tax/investment advisor before investing.

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 names of the schemes do not in any manner indicate either the quality of the schemes, its future prospects or returns.** The liquidity of investments made in the Scheme may be restricted by trading volumes and settlement periods. The Sponsor is not responsible or liable for any loss resulting from the operations of the Scheme beyond their initial contribution of ₹ 5 lac towards setting up of the Mutual Fund and such other accretions and additions to the corpus. **Investors should read the Statement of Additional Information and Scheme Information Documents/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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Funds at a glance

Particulars	Morgan Stanley A.C.E. Fund	Morgan Stanley Growth Fund	Morgan Stanley Short Term Bond Fund	Morgan Stanley Active Bond Fund	Morgan Stanley Liquid Fund
Nature of the Fund	An open-ended Across Capitalisations Equity Fund	An open-ended Equity Fund (open-ended from Jan. 19, 2009)	An open-ended Debt Fund	An open-ended Debt Fund	An open-ended Liquid Fund
Date of Allotment	April 03, 2008	February 18, 1994	May 26, 2009	May 28, 2009	Sep. 8, 2011
Fund Manager	Jayesh Gandhi	Sridhar Sivaram and Amay Hattangadi	Ritesh Jain	Ritesh Jain	Ritesh Jain
Investment Objective*	To generate long-term capital growth from an actively managed portfolio of equity and equity-related securities including equity derivatives.	To achieve long-term capital appreciation by investing primarily in equity and equity related securities of companies having large market capitalization#.	To generate income from a diversified portfolio of short to medium term debt and money market securities.	To generate optimal returns through active management of the portfolio consisting of debt and money market securities.	To provide returns commensurate with low risk and high liquidity, through a portfolio of money market and short-term debt securities with residual maturity of up to 91 days.
Scheme Benchmark	BSE 200	BSE 100	CRISIL Short-Term Bond Fund Index	CRISIL Composite Bond Fund Index	CRISIL Liquid Fund Index
Alternate Benchmark	S&P Nifty	BSE Sensex	NA	NA	NA
Investment Plan/ Options	<ul style="list-style-type: none"> Growth Option Dividend Option - Reinvestment and Payout 	<ul style="list-style-type: none"> Growth Option Dividend Option - Reinvestment and Payout 	Institutional Plus Plan <ul style="list-style-type: none"> Growth Option Dividend Option - Weekly Reinvestment - Monthly Reinvestment and Payout Regular Plan <ul style="list-style-type: none"> Growth Option Dividend Option - Weekly Reinvestment - Monthly Reinvestment and Payout 	Institutional Plus Plan <ul style="list-style-type: none"> Growth Option Dividend Option - Quarterly Reinvestment and Payout Regular Plan <ul style="list-style-type: none"> Growth Option Dividend Option - Quarterly Reinvestment and Payout 	<ul style="list-style-type: none"> Growth Option Dividend Option - Daily Reinvestment - Weekly Reinvestment - Monthly Reinvestment and Payout
Minimum Investment Amount	Lumpsum: ₹ 5,000 and in multiples of ₹ 1/- thereafter SIP: ₹ 1,000/- via minimum 6 installments Group SIP: ₹ 250/- via minimum 6 installments	Lumpsum: ₹ 5,000 and in multiples of ₹ 1/- thereafter SIP: ₹ 1,000/- via minimum 6 installments Group SIP: ₹ 250/- via minimum 6 installments	Lumpsum: Regular Plan - ₹ 5,000/- and multiples of ₹ 1/- thereafter Institutional Plus Plan - ₹ 50 lacs and in multiples of ₹ 1/- thereafter SIP: (Regular Plan Only) ₹ 1,000/- via minimum 6 installments Group SIP: ₹ 250/- via minimum 6 installments	Lumpsum: Regular Plan - ₹ 5,000/- plus in multiples of ₹ 1/- thereafter Institutional Plus Plan - ₹ 50 lacs plus in multiples of ₹ 1/- thereafter SIP: (Regular Plan Only) ₹ 1,000/- via minimum 6 installments Group SIP: ₹ 250/- via minimum 6 installments	Lumpsum: ₹ 5,000/- plus in multiples of ₹ 1/- thereafter SIP: ₹ 1,000/- via minimum 6 installments Group SIP: ₹ 250/- via minimum 6 installments
Additional Investment	₹ 1,000 and in multiples of ₹ 1/- thereafter	₹ 1,000 and in multiples of ₹ 1/- thereafter	Regular Plan - ₹ 1,000/- and in multiples of ₹ 1/- thereafter Institutional Plus Plan- ₹ 1 lac and in multiples of ₹ 1/- thereafter	Regular Plan - ₹ 1,000/- and in multiples of ₹ 1/- thereafter Institutional Plus Plan- ₹ 1 lac and in multiples of ₹ 1/- thereafter	₹ 1,000/- and in multiples of ₹ 1/- thereafter
Minimum Repurchase amount	₹ 1,000/- and in multiples of ₹ 1/- thereafter	₹ 1,000/- and in multiples of ₹ 1/- thereafter	₹ 1,000/- and in multiples of ₹ 1/- thereafter	₹ 1,000/- and in multiples of ₹ 1/- thereafter	₹ 1,000/- and in multiples of ₹ 1/- thereafter
SIP/STP Dates	1st, 5th, 10th, 15th, 20th, 25th of every Month/Quarter	1st, 5th, 10th, 15th, 20th, 25th of every Month/Quarter	1st, 5th, 10th, 15th, 20th, 25th of every Month/Quarter	1st, 5th, 10th, 15th, 20th, 25th of every Month/Quarter	1st, 5th, 10th, 15th, 20th, 25th of every Month/Quarter
Entry Load	NA	NA	NA	NA	NA
Exit Load	1% if redeemed/switched on or before the expiry of one year from the date of allotment; otherwise: Nil.	1% if redeemed/switched on or before the expiry of one year from the date of allotment; otherwise: Nil.	Nil.	Nil.	Nil.

*There can be no assurance that the investment objective of the Schemes will be realised.

#For the purpose of this Scheme, any company having a minimum threshold limit of market capitalization which is equal to or more than the market capitalization of the 100th stock in BSE 100, as on the date of investment shall qualify as Large Cap Company.