

Fact Sheet

*February 2012*



## FIXED INCOME OVERVIEW

In line with expectations towards addressing the prevailing extreme tight liquidity situation, the RBI commences easing cycle with 50bps cut in CRR—from 6% to 5.5%. The CRR cut will inject primary liquidity to the tune of INR 320bln into the banking system. Taking into consideration the elevated levels of non-food product and 'suppressed' fuel inflation, the RBI preferred to leave its key policy rates unchanged. (Repo at 8.5%; Reverse Repo at 7.5%). It has lowered its FY12 GDP estimate from 7.6% to 7%, while maintaining its 7% inflation estimate for Mar. '12.

Over the last two months, the liquidity in the money market has been under extreme stress because of seasonal currency leakage and ongoing intervention by the RBI in the currency market, with the latter providing a structural dimension to the recent increase in liquidity deficit (banks borrowing from RBI at the repo window averaged around 3% of NDTL, much higher than its comfort level of 1%). Although, the RBI has injected liquidity around INR 700bln through OMOs in FY12 so far, it felt that the structural dimension of the deficit necessitated the use of a permanent and uniform measure to address the deficit. Hence the CRR cut, which is likely to help in ensuring that the liquidity deficit remains at a level that is moderate and most conducive for effective transmission of monetary policy.

On the macro side, the WPI inflation for December declined to a 2-year low of 7.47% y-o-y, clocking significantly lower than 9.11% y-o-y in November. The October WPI revised up to 9.87% y-o-y vs. 9.73% previously reported. The decline was due to a sharp correction in food inflation, which eased to 0.74% y-o-y, the lowest level on record, from 8.54% y-o-y in November. However, the Core Inflation, as measured by non-food manufactured WPI inflation, eased only slightly to 7.7% y-o-y in December from 7.9% in November. The Primary articles inflation rose by 3.07% y-o-y in December, the lowest level in close to 6-1/2 years, compared to 8.53% y-o-y gain in November. While the adverse impact of a weaker Rupee to manifest on manufacturing inflation, a decline in primary articles inflation coupled with a favorable base effect will ensure that the pace of deceleration in headline inflation picks up henceforth. The inflation is likely to fall more sharply in the next few months to reach sub 7% in March 2012 barring some unforeseen shocks.

Following a 4.7% (revised) contraction in October; IIP continued its roller-coaster ride in November – rising an unexpected 5.9% y-o-y. The buoyancy in manufacturing, basic and consumer goods led to this rebound. Cumulatively, growth during April-November stands at 3.8% y-o-y, from 8.4% last year.

Globally, Standard & Poor's carried out a mass rating downgrade of euro zone countries during the month, stripping France and Austria of their top-grade AAA ratings. Nine of the 17 members of the euro area had their credit ratings cut by S&P. France and four other countries suffered a one-notch downgrade, while for Portugal, Italy, Spain and Cyprus, the rating were cut by two notches. S&P reaffirmed the ratings on seven other euro zone countries. The agency said that of the 16 countries reviewed, all save Germany and Slovakia have negative outlooks, meaning more downgrades are possible in the next couple of years.

## EQUITY OVERVIEW

Year 2012 started on a positive note with equities posting best gains of January in the last 18 years and currency also appreciating on the back on global inflows. Globally too, equities have opened the new year on a strong note. Optimism comes not only from the stronger economic data but also on the back of ECB making increasing efforts to ease the liquidity situation of European banks, which was the central concern for markets over the last couple of months. While the near term liquidity crisis seems to have averted, it is crucial that there is an amicable solution to the negotiation of Greek government and private bond holders over the impending debt restructuring which would otherwise haunt the markets in the coming March. Data from US continues to be strong with 4Q GDP growth in-line with expectations and upbeat consumer sentiment in the year of presidential elections.

Back home, the stability of the currency and decline in headline inflation has brought in much needed relief to an otherwise fast deteriorating economic environment. Latest release of industrial production and PMI point to buoyancy in the economy and more importantly inflation trajectory has started to reserve its course. The central bank also responded positively to the data points by cutting CRR by 50 bps and announced further OMO operations to ensure adequate liquidity. Notably, RBI's message clearly highlighted that the rate cycle has peaked and further easing would depend upon the government's efforts on fiscal consolidation and the softening of core inflation in the coming months. Quarterly corporate results reported until date suggest that the worst may be over and expectations as well as the commentary is encouraging. Thus, the role of the government and policy action becomes crucial to stop the growth slowdown and kick-start the economic growth process. The ongoing state elections in 5 states would have a potential bearing on the structure of the central government and therefore on the policy reforms going forward. Besides, markets would be eager to see how government is projecting its finances in Budget 2012 in terms of its ability to curtail deficit by cutting subsidies and expenditure and in turn lowering the borrowing program.

### Portfolio review for January '12

The systemic liquidity continues to remain negative. The near end of the curve reflecting tight liquidity condition remains elevated before settling lower on the back of CRR cut. We maintained marginal duration in the Short Term Bond Fund to capture the expected downward move in the yield curve. In Liquid Fund, we continue to run short-term asset enhancing carry yield of the portfolio.

### Expectations for February '12

The domestic liquidity scenario is likely to improve with CRR cut aided by RBI's OMO purchase. The momentum in G-sec market remains positive due to expectation of further RBI-OMO purchase. 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	31/01/12	30/12/11	31/03/11	Monthly Change	Change since March
364 Day T-bill (Primary)	8.47%	8.35%	7.64%	0.12%	0.83%
5-year Gilt Benchmark	8.29%	8.44%	7.95%	-0.15%	0.34%
10-year Gilt Benchmark	8.28%	8.57%	7.99%	-0.29%	0.29%
30-year Gilt Benchmark	8.67%	8.82%	8.36%	-0.15%	0.31%
91 Day Manufacturing CP(P1+)	10.25%	9.83%	10.36%	0.43%	-0.11%
91 day Bank CD	10.00%	9.35%	9.70%	0.65%	0.30%
1-yr AAA Spreads	1.10%	1.07%	2.02%	0.03%	-0.92%
5-yr AAA Spreads	1.07%	1.08%	1.28%	-0.01%	-0.21%
5-yr OIS	7.30%	7.10%	7.97%	0.20%	-0.67%
CRR	5.50%	6.00%	6.00%	-0.50%	-0.50%
RBI LAF- Reverse Repo Rate*	7.50%	7.50%	5.75%	0.00%	1.75%
Foreign Exchange Reserve (\$ bn)	293.26	296.69	303.48	(3.43)	(10.23)
Nymex Crude	98.48	98.83	106.72	(0.35)	(8.24)
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	1.80%	1.88%	3.47%	-0.08%	-1.67%
INR/USD	49.46	53.07	44.59	-6.80%	10.92%
USD/Euro	1.31	1.30	1.42	-0.95%	7.59%
USD/ Yen	76.27	76.91	83.13	-0.83%	-8.25%

\*RBI Repo Rate at 8.50%

Sources – Internal & Bloomberg

### Ritesh Jain

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

Opinion is divided whether we are at the start of a new bull run or the current rally is a proverbial 'dead cat bounce' that one often experiences in the bear market rallies. Equities have historically been lead indicators of change in economic growth momentum; we would hope that the current momentum is also indicative of such a trend. Empirically, Equities have been fairly accurate in predicting economic revival and that is what we would be keenly examining. We continue to monitor global macro events and domestic government policy action to understand how quickly Indian economy can rebound from a declining growth environment to a more sustainable high growth trajectory.

On the portfolio, we continue to adopt a straddle approach with being overweight in pharmaceuticals and consumer products and discretionary. We have cut our underweight in global cyclicals like commodities and software services. Mid-cap allocation in the portfolio continues to be moderate. Our portfolio stock allocation is more towards relatively low beta, businesses with high visibility of earnings and strong balance sheets. Unfortunately, the current risk rally in equities has seen a disproportionate large increase in high beta names, which had been beaten down substantially over the last 12 months. The stocks, which had corrected the most last year, seem to be rebounding the most. This lopsided rally has the consequence of our portfolios lagging a bit. However, we continue to believe that over the medium term it is good businesses with strong balance sheets and earnings visibility that will prevail and hence our focus continues to remain with them. We continue to monitor policy related action on the domestic landscape as well as the global macro economic issues closely and will implement changes in our portfolio as and when appropriate.

### 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 Jan. 31, 2012

## Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
<b>Banks</b>		<b>19.96%</b>
	✓ HDFC Bank Limited	5.46%
	✓ ICICI Bank Limited	4.68%
	✓ ING Vysya Bank Limited	2.65%
	Yes Bank Limited	2.59%
	State Bank of India	2.34%
	Axis Bank Limited	1.71%
	Bank of Baroda	0.53%
<b>Pharmaceuticals</b>		<b>11.65%</b>
	✓ Dr. Reddys Laboratories Limited	3.18%
	Sun Pharmaceuticals Industries Limited	2.64%
	Divi's Laboratories Limited	2.34%
	Jubilant Life Sciences Limited	1.61%
	Lupin Limited	1.12%
	Aurobindo Pharma Limited	0.76%
<b>Software</b>		<b>11.13%</b>
	✓ Infosys Limited	6.46%
	✓ Tata Consultancy Services Limited	3.01%
	HCL Technologies Limited	1.66%
<b>Auto</b>		<b>8.80%</b>
	✓ Mahindra & Mahindra Limited	4.24%
	✓ Bajaj Auto Limited	2.89%
	Tata Motors Limited - DVR Shares	1.23%
	TVS Motor Company Limited	0.44%
<b>Consumer Non Durables</b>		<b>4.85%</b>
	✓ ITC Limited	4.85%
<b>Oil</b>		<b>4.45%</b>
	Oil and Natural Gas Corporation Limited	2.36%
	Oil India Limited	2.09%
<b>Petroleum Products</b>		<b>4.23%</b>
	✓ Reliance Industries Limited	4.23%
<b>Telecom - Services</b>		<b>4.20%</b>
	Bharti Airtel Limited	2.60%
	Idea Cellular Limited	1.60%
<b>Consumer Durables</b>		<b>2.86%</b>
	Tube Investments of India Limited	1.47%
	Bajaj Electricals Limited	1.39%
<b>Ferrous Metals</b>		<b>2.45%</b>
	Jindal Steel & Power Limited	2.45%
<b>Non - Ferrous Metals</b>		<b>2.28%</b>
	Hindustan Zinc Limited	2.28%
<b>Power</b>		<b>2.25%</b>
	Power Grid Corporation of India Limited	2.25%
<b>Cement</b>		<b>2.02%</b>
	Shree Cement Limited	2.02%
<b>Construction</b>		<b>1.83%</b>
	IRB Infrastructure Developers Limited	1.83%
<b>Construction Project</b>		<b>1.74%</b>
	Larsen & Toubro Limited	1.74%
<b>Finance</b>		<b>1.72%</b>
	Manappuram Finance Limited	1.20%
	Dewan Housing Finance Corporation Limited	0.52%
<b>Textile Products</b>		<b>1.19%</b>
	Raymond Limited	1.19%
<b>Industrial Products</b>		<b>1.19%</b>
	Sintex Industries Limited	1.19%

Industry Classification	Security Description	% of Total Net Assets
<b>Minerals/Mining</b>		<b>1.06%</b>
	Coal India Limited	1.06%
<b>Gas</b>		<b>1.02%</b>
	GAIL (India) Limited	1.02%
<b>Auto Ancillaries</b>		<b>0.48%</b>
	Exide Industries Limited	0.48%
<b>Retailing</b>		<b>0.42%</b>
	Shopper's Stop Limited	0.42%
<b>Transportation</b>		<b>0.30%</b>
	SpiceJet Limited	0.30%
<b>Cash and other assets</b>		<b>7.92%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Fund Features:

### Asset Allocation:

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

### NAV (₹):

Growth 13.133 per unit  
Dividend 12.364 per unit

### Expense Ratio:

2.32% of average daily net assets

### Portfolio Turnover:

1.25

### Volatility Measures:

(for trailing 3 year period)  
Standard Deviation 26.63%  
Beta 0.91  
Sharpe Ratio<sup>1</sup> 0.89

### Average Fund AUM:

₹ 319.39 crore  
(Quarter ended Dec. 2011)

<sup>1</sup>Risk Free rate is based on 3 month T-Bill rate (5.82%)

## Performance as on quarter ended Dec. 31, 2011

Period	MSACE		BSE 200#		S&P NIFTY ^	
	Returns %	Value (₹)*	Returns %	Value (₹)*	Returns %	Value (₹)*
31/12/10 to 31/12/11	-26.20	7380.00	-26.95	7305.00	-24.62	7538.00
31/12/09 to 31/12/10	23.25	12325.00	16.22	11622.00	17.95	11795.00
31/12/08 to 31/12/09	104.90	20490.00	88.51	18851.00	75.76	17576.00
3 Years	23.06	18636.73	16.97	16002.99	16.04	15627.12
Since inception (CAGR)	4.92	11970.67	-1.39	9489.27	-0.83	9692.67

#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 Jan. 31, 2012)

₹ 2000 invested every month	Amount Invested (₹)	MSACE		Benchmark - BSE 200	
		Present Value (₹)	Returns XIRR %	Present Value (₹)	Returns XIRR %
2 years	48000	44328.00	-7.45%	45085.57	-5.89%
Since inception*	90000	109767.84	10.58%	101933.66	6.58%

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 December 31, 2011. 314 funds that have been rated (1 to 5) Star by Morningstar in the Morningstar India Large Cap Category. 327 Funds which completed 3 years of performance are considered for rating.

# Morgan Stanley Growth Fund

(An open-ended Equity Fund)

Details as on Jan. 31, 2012

## Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
<b>Banks</b>		<b>21.53%</b>
	✓ HDFC Bank Limited	8.51%
	✓ ICICI Bank Limited	4.69%
	✓ IndusInd Bank Limited	3.89%
	Yes Bank Limited	2.47%
	State Bank of India	1.07%
	Bank of Baroda	0.90%
<b>Consumer Non Durables</b>		<b>15.01%</b>
	✓ ITC Limited	6.79%
	✓ Hindustan Unilever Limited	3.10%
	Asian Paints Limited	2.12%
	Nestle India Limited	1.90%
	McLeod Russel India Limited	1.10%
<b>Pharmaceuticals</b>		<b>9.78%</b>
	✓ Dr. Reddys Laboratories Limited	4.86%
	✓ Glenmark Pharmaceuticals Limited	3.83%
	Cipla Limited	1.09%
<b>Software</b>		<b>9.38%</b>
	✓ Tata Consultancy Services Limited	4.26%
	Infosys Limited	3.01%
	Wipro Limited	2.11%
<b>Auto</b>		<b>8.45%</b>
	✓ Mahindra & Mahindra Limited	3.84%
	Bajaj Auto Limited	2.18%
	Tata Motors Limited - DVR Shares	1.31%
	Tata Motors Limited	1.12%
<b>Construction Project</b>		<b>4.30%</b>
	Larsen & Toubro Limited	3.05%
	Engineers India Limited	1.25%
<b>Petroleum Products</b>		<b>4.00%</b>
	✓ Reliance Industries Limited	4.00%
<b>Telecom - Services</b>		<b>2.70%</b>
	Bharti Airtel Limited	2.70%
<b>Ferrous Metals</b>		<b>2.58%</b>
	Tata Steel Limited	2.58%
<b>Cement</b>		<b>2.31%</b>
	ACC Limited	2.31%
<b>Industrial Capital Goods</b>		<b>2.28%</b>
	AIA Engineering Limited	1.16%
	Thermax Limited	1.12%
<b>Fertilisers</b>		<b>1.70%</b>
	Coromandel International Limited	1.70%
<b>Gas</b>		<b>1.40%</b>
	Indraprastha Gas Limited	1.40%
<b>Construction</b>		<b>1.35%</b>
	Oberoi Realty Limited	1.35%
<b>Trading</b>		<b>1.29%</b>
	Redington (India) Limited	1.29%
<b>Media &amp; Entertainment</b>		<b>1.17%</b>
	D.B. Corp Limited	1.00%
	Zee Entertainment Enterprises Limited	0.17%
<b>Non - Ferrous Metals</b>		<b>1.17%</b>
	Hindustan Zinc Limited	1.17%
<b>Industrial Products</b>		<b>1.15%</b>
	Cummins India Limited	1.15%
<b>Transportation</b>		<b>1.09%</b>
	Gujarat Pipavav Port Limited	1.09%
<b>Finance</b>		<b>1.01%</b>
	Manappuram Finance Limited	1.01%
<b>Minerals/Mining</b>		<b>0.95%</b>
	Coal India Limited	0.95%
<b>Auto Ancillaries</b>		<b>0.87%</b>
	Motherson Sumi Systems Limited	0.87%
<b>Cash and other assets</b>		<b>4.53%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Fund Features:

### Asset Allocation:

Equity and Equity related instruments of companies having large market capitalization<sup>‡</sup>: 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 53.532 per unit  
Dividend\* 16.342 per unit  
\*option introduced on Jan. 19, 2009

### Expense Ratio:

1.97% of average daily net assets

### Portfolio Turnover:

0.52

### Volatility Measures:

(for trailing 3 year period)  
Standard Deviation 26.26%  
Beta 0.91  
Sharpe Ratio<sup>1</sup> 0.58

### Average Fund AUM:

₹ 1247.89 crore  
(Quarter ended Dec. 2011)

<sup>1</sup>Risk Free rate is based on 3 month T-Bill rate (5.82%)

## Performance as on quarter ended Dec. 31, 2011

Period	MSGF		BSE 100#		BSE Sensex ^	
	Returns %	Value (₹)*	Returns %	Value (₹)*	Returns %	Value (₹)*
31/12/10 to 31/12/11	-29.16	7084.00	-25.73	7427.00	-24.64	7536.00
31/12/09 to 31/12/10	20.63	12063.00	15.66	11566.00	17.43	11743.00
31/12/08 to 31/12/09	81.77	18177.50	85.04	18503.68	81.03	18103.00
3 Years	15.81	15534.07	16.70	15893.90	17.01	16019.94
5 Years	-0.33	9837.41	2.57	11353.92	2.31	11209.85
Since inception (CAGR)	11.12	65858.83	8.32	41732.67	7.99	39517.33

#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 Jan. 31, 2012)

₹ 2000 invested every month	MSGF			Benchmark - BSE 100	
	Amount Invested (₹)	Present Value (₹)	Returns XIRR %	Present Value (₹)	Returns XIRR %
2 years	48000	43065.00	-10.08%	45649.63	-4.75%
Since inception*	72000	73343.11	1.21%	77270.06	4.65%

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 Jan. 31, 2012

## Portfolio

Security Description	Rating	% of Total Net Assets
<b>Money Market Instruments</b>		<b>54.90%</b>
Federal Bank Limited	CRISIL A1+	10.52%
The Jammu and Kashmir Bank Limited	CRISIL A1+	10.07%
Oriental Bank of Commerce	CRISIL A1+	9.80%
ICICI Bank Limited	CRISIL A1+	9.76%
Andhra Bank	CARE A1+	8.42%
Vijaya Bank	CARE A1+	6.33%
<b>Corporate Debt</b>		<b>30.48%</b>
Bajaj Finance Limited	CRISIL AA+	10.64%
Housing Development Finance Corporation Limited	CRISIL AAA	10.58%
Tata Capital Limited	CARE AA+	9.26%
<b>Treasury Bills</b>		<b>0.53%</b>
91 Days T-Bill 16 Mar 12	Sovereign	0.53%
<b>Cash &amp; Current Assets</b>		<b>14.09%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Fund Features:

### Plans/Options and NAV (₹):

<b>Institutional Plus Plan</b>	
Weekly Dividend	10.0927
Reinvestment:	
Monthly Dividend	10.0722
(Payout and Reinvestment):	
Growth:	11.9563
<b>Regular Plan</b>	
Weekly Dividend	10.0929
Reinvestment:	
Monthly Dividend	10.0864
(Payout and Reinvestment):	
Growth:	11.8542

### Expense Ratio:

Institutional Plus Plan	0.60%
Regular Plan	0.90%

**Average Maturity:** 8.14 months

**Modified Duration:** 0.60

**Yield to Maturity:** 9.44%

### Rating:

Credit risk rating mfAAA by ICRA<sup>#</sup>

### Average Fund AUM:

₹ 49.94 crore  
(Quarter ended Dec. 2011)

## Performance as on quarter ended Dec. 31, 2011

Period	MSSTBF		CRISIL Bond Fund Index#	
	Returns %	Value (₹)*	Returns %	Value (₹)*
31/12/10 to 31/12/11	8.68	10868.00	7.87	10787.00
31/12/09 to 31/12/10	5.04	10504.00	4.70	10470.00
Since inception (CAGR)	6.47	11770.39	5.77	11570.24

#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).

## Rating Profile

Rating Category	
Sovereign	0.53%
AAA	65.48%
AA	19.90%
Cash & Current Assets	14.09%
<b>Grand Total</b>	<b>100.00%</b>

## Asset Allocation

Asset Class	
Money Market Instruments	54.90%
Corporate Debt	30.48%
Treasury Bills	0.53%
Cash & Current Assets	14.09%
<b>Grand Total</b>	<b>100.00%</b>

## Dividend History

Plan/Frequency	Record Date	Non-Individuals Per Unit (₹)	Individuals Per Unit (₹)	Ex Dividend NAV (₹)
Regular Plan-Monthly Dividend	Jan. 27, 2012	0.0463	0.0541	10.0764
Regular Plan-Monthly Dividend	Dec. 30, 2011	0.0579	0.0676	10.0769
Regular Plan-Monthly Dividend	Nov. 25, 2011	0.0463	0.0541	10.0628

Note: Face Value ₹ 10 per unit.

CRISIL Mutual Fund Rank\* Open End Debt Short Schemes, Dec. 31, 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 35 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 December 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

# Morgan Stanley Active Bond Fund

(An open-ended Debt Fund)

Details as on Jan. 31, 2012

## Portfolio

Security Description	Rating	% of Total Net Assets
<b>Treasury Bills</b>		<b>11.07%</b>
91 Days T-Bill 16 Mar 12	Sovereign	11.07%
<b>Cash &amp; Current Assets</b>		<b>88.93%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Fund Features:

### Plans/Options and NAV (₹):

<b>Institutional Plus Plan</b>	
Quarterly Dividend	
(Payout and Reinvestment):	10.0000
Growth:	10.0000
<b>Regular Plan</b>	
Quarterly Dividend	
(Payout and Reinvestment):	10.8733
Growth:	10.8733
<b>Expense Ratio:</b>	
Institutional Plus Plan	1.20%
Regular Plan	1.75%

**Average Maturity:** 0.19 months

**Modified Duration:** 0.016

**Yield to Maturity:** 8.18%

### Rating:

Credit risk rating mfAAA by ICRA<sup>#</sup>

### Average Fund AUM:

₹ 0.40 crore  
(Quarter ended Dec. 2011)

## Performance as on quarter ended Dec. 31, 2011

Period	MSABF		CRISIL Composite Bond Fund Index#	
	Returns %	Value (₹)*	Returns %	Value (₹)*
31/12/10 to 31/12/11	5.16	10516.00	6.92	10692.00
31/12/09 to 31/12/10	2.80	10280.00	4.96	10496.00
Since inception (CAGR)	3.05	10810.68	5.40	11461.99

#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).

## Rating Profile

Rating Category	
Sovereign	11.07%
Cash & Current Assets	88.93%
<b>Grand Total</b>	<b>100.00%</b>

## Asset Allocation

Asset Class	
Treasury Bills	11.07%
Cash & Current Assets	88.93%
<b>Grand Total</b>	<b>100.00%</b>

\*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 Jan. 31, 2012

## Portfolio

Security Description	Rating	% of Total Net Assets
<b>Money Market Instruments</b>		<b>98.62%</b>
Tata Capital Limited	[ICRA] A1+	6.88%
Andhra Bank	CRISIL A1+	6.87%
Oriental Bank of Commerce	CRISIL A1+	6.86%
Punjab National Bank	CARE A1+	6.86%
Indian Overseas Bank	[ICRA] A1+	6.86%
Axis Bank Limited	[ICRA] A1+	6.85%
Kotak Mahindra Bank	CRISIL A1+	6.85%
Canara Bank	CRISIL A1+	6.84%
Corporation Bank	CRISIL A1+	6.84%
The Jammu and Kashmir Bank Limited	CRISIL A1+	6.84%
Aditya Birla Finance Limited	[ICRA] A1+	6.83%
Aditya Birla Nuvo Limited	[ICRA] A1+	6.81%
L&T Infrastructure Finance Company Limited	CARE A1+	6.80%
L&T Finance Limited	CARE A1+	6.06%
ICICI Bank Limited	CRISIL A1+	2.75%
Vijaya Bank	CARE A1+	0.55%
Andhra Bank	CARE A1+	0.27%
<b>Treasury Bills</b>		<b>0.74%</b>
91 Days T-Bill 16 Mar 12	Sovereign	0.74%
<b>Cash &amp; Current Assets</b>		<b>0.64%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Fund Features:

### Options and NAV (₹):

Daily Dividend	1000.4971
Reinvestment:	
Weekly Dividend	1001.7432
Reinvestment:	
Monthly Dividend (Payout and Reinvestment):	1002.0239
Growth:	1036.9617

**Average Maturity:** 0.87 months

**Modified Duration:** 0.07

**Yield to Maturity:** 9.62%

**Rating:**  
[ICRA]A1+mfs\*

### Expense Ratio:

0.15%

### Average Fund AUM:

₹ 468.45 crore  
(Quarter ended Dec. 2011)

## Dividend History

Plan/Frequency	Record Date	Non-Individuals Per Unit (₹)	Individuals Per Unit (₹)	Ex Dividend NAV (₹)
Monthly Dividend	Jan. 27, 2012	5.5062	5.7406	1001.0000
Monthly Dividend	Dec. 30, 2011	6.7127	6.9985	1001.0000
Monthly Dividend	Nov. 25, 2011	5.2216	5.4438	1001.0000

Note: Face Value ₹ 1000 per unit.

## Rating Profile

Rating Category	
Sovereign	0.74%
AAA	98.62%
Cash & Current Assets	0.64%
<b>Grand Total</b>	<b>100.00%</b>

## Asset Allocation

Asset Class	
Money Market Instruments	98.62%
Treasury Bills	0.74%
Cash & Current Assets	0.64%
<b>Grand Total</b>	<b>100.00%</b>

\*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

• <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 6118 2929
• <b>Pune</b> 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.**

mf distributorcare@morganstanley.com

www.morganstanley.com/indiamf

mf investorcare@morganstanley.com

## 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
<b>Nature of the Fund</b>	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
<b>Date of Allotment</b>	April 03, 2008	February 18, 1994	May 26, 2009	May 28, 2009	Sep. 8, 2011
<b>Fund Manager</b>	Jayesh Gandhi	Sridhar Sivaram and Amay Hattangadi	Ritesh Jain	Ritesh Jain	Ritesh Jain
<b>Investment Objective*</b>	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.
<b>Scheme Benchmark</b>	BSE 200	BSE 100	CRISIL Short-Term Bond Fund Index	CRISIL Composite Bond Fund Index	CRISIL Liquid Fund Index
<b>Alternate Benchmark</b>	S&P Nifty	BSE Sensex	NA	NA	NA
<b>Investment Plan/ Options</b>	<ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Reinvestment and Payout</li> </ul>	<ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Reinvestment and Payout</li> </ul>	Institutional Plus Plan <ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Weekly Reinvestment</li> <li>- Monthly Reinvestment and Payout</li> </ul> Regular Plan <ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Weekly Reinvestment</li> <li>- Monthly Reinvestment and Payout</li> </ul>	Institutional Plus Plan <ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Quarterly Reinvestment and Payout</li> </ul> Regular Plan <ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Quarterly Reinvestment and Payout</li> </ul>	<ul style="list-style-type: none"> <li>Growth Option</li> <li>Dividend Option</li> <li>- Daily Reinvestment</li> <li>- Weekly Reinvestment</li> <li>- Monthly Reinvestment and Payout</li> </ul>
<b>Minimum Investment Amount</b>	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
<b>Additional Investment</b>	₹ 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
<b>Minimum Repurchase amount</b>	₹ 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
<b>SIP/STP Dates</b>	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
<b>Entry Load</b>	NA	NA	NA	NA	NA
<b>Exit Load</b>	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.