

# Fact Sheet

May 2009

## Presenting

### Morgan Stanley Short Term Bond Fund

(An open-ended Debt Scheme)

NFO period from May 12 to May 20, 2009

### Morgan Stanley Active Bond Fund

(An open-ended Debt Scheme)

NFO period from May 12 to May 25, 2009

*Credit Risk Rating mfAAA by ICRA\**

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\*ICRA has assigned the "Credit Risk Rating mfAAA" to Morgan Stanley Short Term Bond Fund and Morgan Stanley Active Bond Fund which means that Morgan Stanley Short Term Bond Fund and Morgan Stanley Active Bond Fund 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.

**Risk Factors for NFO campaign: Statutory Details:** Morgan Stanley Mutual Fund has been set up as a Trust under Indian Trusts Act, 1882. **Sponsor:** Morgan Stanley. **Trustee:** The Board of Trustees. **Investment Manager:** Morgan Stanley Investment Management Pvt. Ltd. **Morgan Stanley Short Term Bond Fund: Investment Objective:** The investment objective of the Scheme is to generate income from a diversified portfolio of short to medium term debt and money market securities. **Asset Allocation Pattern:** Money market & debt instruments\* with residual maturity / average maturity / interest rate reset not greater than 1 year: 25 - 100%. Debt instruments\* including Government Securities with residual maturity greater than 1 year 0 - 75% [\* including securitized debt up to 100% of the net assets. No investment shall be made in foreign securitized debt.] **Terms of Issue:** Issue of units at Rs. 10 per unit during the New Fund Offer period, and at applicable NAV on an ongoing basis. **Load Structure for both Regular Plan and Institutional Plus Plan:** For Applications Received During NFO: **Entry Load:** Nil. **Exit Load:** Nil. On an ongoing basis: **Entry Load:** Nil. **Exit Load:** 0.25% if redeemed within 15 days of allotment. **Morgan Stanley Active Bond Fund: Investment Objective:** The investment objective is to generate optimal returns through active management of the portfolio consisting of debt and money market securities. **Asset Allocation Pattern:** Debt & Money market instruments\* 0 - 100% [\* including securitized debt up to 100% of the net assets. No investment shall be made in foreign securitized debt.] **Terms of Issue:** Issue of units at Rs. 10 per unit during the New Fund Offer period, and at applicable NAV on an ongoing basis. **Load Structure during NFO period and on an ongoing basis: Regular Plan:** - **Entry Load:** Nil. **Exit Load:** 0.25% if redeemed within 3 months of allotment. **Institutional Plus Plan: Entry Load:** Nil. **Exit Load:** Nil. **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 unitholders 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. 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. **Scheme Specific Risk Factors:** This being a Debt Scheme, it is to be noted that the NAV of Units of the Scheme will fluctuate with the movement in the broader fixed income, money market and derivatives market in addition to the general market factors. **Morgan Stanley Short Term Bond Fund and Morgan Stanley Active Bond Fund,** an open-ended debt scheme's, are only the name of the Scheme's and does not indicate either the quality of the Scheme, its future prospects and returns. **Investors should read the Statement of Additional Information [SAI] / The Scheme Information Document [SID] and the Key Information Memorandum [KIM], available at Investor Service Centres, Distributors, and on the Mutual Fund website [www.morganstanley.com/indiamf](http://www.morganstanley.com/indiamf), carefully before investing.**

## FIXED INCOME OVERVIEW

The Reserve Bank of India during its quarterly credit policy meeting on April 21, 2009 reduced the benchmark repo and reverse repo rate by 25 bps each to 4.75% and 3.25% respectively. Realizing the downside risk from the contraction in global demand as well as tight global financial condition, the RBI lowered its real GDP growth forecast for the current fiscal year to around 6.0%. RBI showed its concern for slowdown in growth and credit and reiterated its stance to support it through appropriate monetary steps. The rate cut was symbolic in nature and reinforces RBI's stance of maintaining the soft interest rate regime in an effort to support growth.

The month saw unprecedented liquidity situation with financial system parking more than a lakh crore consistently with RBI through Reverse Repo window. The credit growth too showing signs of slowdown with YoY credit growth at 18.8%. Easy liquidity condition and poor credit uptake built the ground for a rally in the bond yields and as a result the fixed income curves settled down significantly during the course of the month.

Global data continued to be bad, albeit showing some sign of stabilizing. Early signs of "green shoots" in world economy were visible and the global equity markets responded enthusiastically to it. In the FOMC meeting the US FED recognized that while economic outlook has improved modestly, the economic activity is expected to remain weak for some time and that it will continue to take necessary fiscal and monetary steps to ensure gradual resumption of sustainable economic growth in a context of price stability.

The domestic trade data weakened further with export in Dollar for the month of February 2009 witnessing a sharp 21.7% YoY decline compared with a fall of 15.87% YoY in January 2009. The import growth in Dollar terms also decelerated by 23.3% YoY in February 2009 compared with a fall of 18.2% in December. The IIP number maintaining its trend line continues to print negative with a read of negative 1.2% for the month of February '09 indicating that the slackness in manufacturing still looms large.

On price front, the central bank projects the WPI rate to increase to 4.0% by end-March 2010, after remaining in negative territory in the early part of the current fiscal year. The commodity cycle and the effect of high base will ensure that the inflation (WPI) remain below sub-zero level for quite some time. The latest read on WPI is at 0.26% for the week ended on April 11, 2009. The CPI index is also mirroring the WPI direction; however, the absolute level on CPI remains quite elevated. The average of major baskets for the month of January '09 was slightly above 10%. The food inflation and their higher weight in the basket led to CPI ruling high. The international crude prices remained in a range of \$ 45- \$53 a barrel during the course of the month.

## EQUITY OVERVIEW

The rally that commenced in the first week of March continued unabated in April. The BSE 100 is now up 39.5% from its early March 2009 low and about 17.4% in the month of April. The leaders of this rally have either been those benefiting from the general easing in liquidity and financing conditions and/or those that had fallen out of favor in the defensives led market of 2008 and early 2009. Business conditions and economic indicators have stabilized after falling off a cliff in 4QCY08. Markets have also taken cues from significant fiscal stimuli not only in India but almost everywhere across the globe.

Domestically, most funds went into this rally with high levels of cash and defensive portfolio positioning. Unlike peers we had significantly lower levels of cash in the portfolio but were largely defensively positioned. Apart from the fundamental factors, the rally seems to be fuelled by fence sitting cash entering the markets and foreign investors reducing their underweight positions in India.

Though we opt not to chase beta, we remain cognizant of the fact that a defensive

The domestic currency remained range bound between INR 49.5-50.5 levels. The weakness in trade front was offset through FII inflow and kept INR range bound. The Foreign Exchange reserve closed at around \$253 Billion as on April 17, 2009.

The corporate bond curve reacted positively in line with the sovereign curve. The corporate spread also compressed, mostly in the shorter end, indicating marginal appetite for risk. The benchmark AAA 10-year corporate closed at 8.4% against the previous month level of around 9.15%. The shorter end of the curve fell significantly due to benign liquidity conditions. Massive inflows in liquid and liquid plus funds pushed short-term rates to record lows.

### Key Financial Data

Benchmark	Current Month	Previous Month	Previous Financial Year	Change	Change
	29/04/09	31/03/09	31/03/09	(Monthly)	(Since March '09)
364 Day T-bill (Primary)	3.76%	5.50%	5.50%	-1.74%	-1.74%
5-year Gilt Benchmark	6.06%	6.76%	6.76%	-0.70%	-0.70%
10-year Gilt Benchmark	6.23%	7.01%	7.01%	-0.78%	-0.78%
30-year Gilt Benchmark	7.25%	7.80%	8.42%	-0.56%	-1.17%
91 Day Manufacturing CP(P1+)	6.50%	9.20%	9.20%	-2.70%	-2.70%
91 day Bank CD	3.90%	6.08%	9.75%	-2.18%	-5.85%
1-yr AAA Spreads	2.20%	2.36%	2.36%	-0.16%	-0.16%
5-yr AAA Spreads	1.45%	1.66%	1.66%	-0.21%	-0.21%
5-yr OIS	5.26%	5.61%	5.61%	-0.35%	-0.35%
CRR	5.00%	5.00%	5.00%	0.00%	0.00%
RBI LAF- Reverse Repo Rate*	3.25%	3.50%	3.50%	-0.25%	-0.25%
Foreign Exchange Reserve (\$ bn)	252.46	252.33	252.33	0.13	0.13
Nymex Crude	50.59	49.66	49.66	0.93	0.93
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	3.00%	2.66%	2.66%	0.34%	0.34%
INR/USD	50.09	50.73	50.73	-1.26%	-1.26%
USD/Euro	1.33	1.33	1.33	-0.07%	-0.07%
USD/Yen	96.79	98.96	98.96	-2.19%	-2.19%

\*RBI Repo Rate at 4.75%

Sources - Internal & Bloomberg

### Ritesh Jain

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

portfolio can be vulnerable in such sharp rallies. We look to mitigate this by adding names where we feel that underlying business fundamentals are improving and that is not yet fully reflected in the valuations. We are also reluctant to abandon our overall defensive bias given that in the near term there could be volatility surrounding the General Election results, news flow from the financials sector in the US and event risks like the spread of swine flu.

We continue to maintain our overweight in financials and consumer related sectors and underweight in energy and materials. We also use the market strength to reduce some of our marginal holdings to consolidate the portfolio into names where our conviction levels are high.

### Sridhar Sivaram and Amay Hattangadi

Lead Portfolio Managers, Large Cap Equities

# Morgan Stanley Growth Fund

(An open-ended Equity Fund)

Details as on 29th April, 2009

## Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
<b>Banks</b>		<b>28.69%</b>
	✓ HDFC Bank Limited	9.46%
	✓ State Bank of India	6.66%
	Bank of Baroda	3.17%
	ICICI Bank Limited	2.96%
	AXIS Bank Limited	2.59%
	Bank of India	2.40%
	Union Bank of India	1.45%
<b>Petroleum Products</b>		<b>9.15%</b>
	✓ Reliance Industries Limited	7.26%
	Hindustan Petroleum Corporation Limited	1.89%
<b>Consumer Non Durables</b>		<b>8.64%</b>
	✓ ITC Limited	3.98%
	Nestle India Limited	3.53%
	Balrampur Chini Mills Limited	1.13%
<b>Software</b>		<b>8.53%</b>
	✓ Infosys Technologies Limited	7.18%
	Geodesic Limited	1.35%
<b>Industrial Capital Goods</b>		<b>7.80%</b>
	✓ Bharat Heavy Electricals Limited	7.80%
<b>Auto</b>		<b>6.44%</b>
	✓ Hero Honda Motors Limited	5.41%
	Maruti Suzuki India Limited	1.03%
<b>Cement</b>		<b>5.86%</b>
	Jaiprakash Associates Limited	3.04%
	Ambuja Cements Limited	1.80%
	The India Cements Limited	1.02%
<b>Construction</b>		<b>5.80%</b>
	✓ Unitech Limited	4.35%
	The Phoenix Mills Limited	1.08%
	Madhucon Projects Limited	0.37%
<b>Diversified</b>		<b>5.09%</b>
	✓ Hindustan Unilever Limited	5.09%
<b>Telecom - Services</b>		<b>4.37%</b>
	✓ Bharti Airtel Limited	4.37%
<b>Pesticides</b>		<b>2.12%</b>
	United Phosphorus Limited	2.12%
<b>Construction Projects</b>		<b>2.07%</b>
	Larsen and Toubro Limited	2.07%
<b>Media &amp; Entertainment</b>		<b>2.02%</b>
	Deccan Chronicle Holdings Limited	1.44%
	Television Eighteen India Limited	0.58%
<b>Power</b>		<b>0.98%</b>
	Jyoti Structures Limited	0.98%
<b>Industrial Products</b>		<b>0.76%</b>
	Ess Dee Aluminium Limited	0.76%
<b>Cash and other assets</b>		<b>1.68%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Performance (in %)

Period	Fund Returns*	BSE 100
Absolute Returns during the trailing year [ (+) (-) ]	-37.73	-36.91
<b>Compounded Annualised Growth Rate</b>		
(i) Last 3 years	-9.06	-1.89
(ii) Last 5 years	11.60	13.92
(iii) Since the launch of the scheme (18th February 1994)	10.93	7.62

Past performance may or may not be sustained in future. \*Performance of the fund (Growth Option) 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:

The investment objective of the scheme is to achieve long-term capital appreciation by investing primarily in equity and equity related securities of companies having large market capitalization<sup>#</sup>.

#### 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 Rs. 36.053 per unit  
Dividend\* Rs. 11.746 per unit  
\*option introduced on Jan 19, 2009

#### Expense Ratio:

1.95% of average daily net assets

#### Portfolio Turnover:

0.75

#### Volatility Measures:

(for trailing 3 year period)  
Standard Deviation 9.60%  
Beta 0.94  
Sharpe Ratio<sup>1</sup> -0.48

#### Benchmark Index:

BSE 100

#### 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:

18th February, 1994

#### Fund Managers:

Sridhar Sivaram  
Amay Hattangadi

#### Fund AUM:

Rs. 1558.27 crore

#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.

<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 29th April, 2009

## Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
<b>Banks</b>		<b>19.24%</b>
	✓ HDFC Bank Limited	5.02%
	✓ AXIS Bank Limited	2.84%
	✓ State Bank of India	2.71%
	✓ YES Bank Limited	2.51%
	ICICI Bank Limited	2.03%
	Bank of Baroda	1.96%
	Kotak Mahindra Bank Limited	1.13%
	Oriental Bank of Commerce	1.04%
<b>Petroleum Products</b>		<b>7.91%</b>
	✓ Reliance Industries Limited	6.80%
	Reliance Petroleum Limited	1.11%
<b>Consumer Non Durables</b>		<b>7.70%</b>
	✓ Marico Limited	2.81%
	Dabur India Limited	1.85%
	Shaw Wallace and Company Limited	1.65%
	Britannia Industries Limited	1.39%
<b>Cement</b>		<b>7.35%</b>
	Shree Cements Limited	1.98%
	Ultra Tech Cement Limited	1.97%
	Jaiprakash Associates Limited	1.50%
	The India Cements Limited	1.00%
	Orient Paper and Industries Limited	0.90%
<b>Telecom - Services</b>		<b>6.89%</b>
	✓ Bharti Airtel Limited	5.74%
	Reliance Communications Limited	1.15%
<b>Power</b>		<b>5.97%</b>
	✓ GVK Power and Infrastructure Limited	2.74%
	Reliance Infrastructure Limited	1.93%
	Power Grid Corporation of India Limited	1.30%
<b>Construction Projects</b>		<b>3.96%</b>
	Voltas Limited	2.16%
	Larsen and Toubro Limited	1.80%
<b>Pharmaceuticals</b>		<b>3.85%</b>
	Sun Pharmaceutical Industries Limited	2.00%
	Cipla Limited	1.85%
<b>Industrial Capital Goods</b>		<b>3.65%</b>
	✓ Bharat Heavy Electricals Limited	3.65%
<b>Software</b>		<b>3.43%</b>
	Infosys Technologies Limited	2.27%
	Wipro Limited	1.16%
<b>Ferrous Metals</b>		<b>2.98%</b>
	✓ Jindal Steel and Power Limited	2.98%
<b>Finance</b>		<b>2.81%</b>
	Housing Development Finance Corporation Limited	1.67%
	Power Finance Corporation Limited	1.14%
<b>Non - Ferrous Metals</b>		<b>1.92%</b>
	Hindustan Zinc Limited	1.92%
<b>Transportation</b>		<b>1.85%</b>
	Container Corporation of India Limited	1.02%
	IRB Infrastructure Developers Limited	0.83%
<b>Industrial Products</b>		<b>1.82%</b>
	Sintex Industries Limited	1.82%
<b>Auto Ancillaries</b>		<b>1.71%</b>
	Exide Industries Limited	1.71%
<b>Oil</b>		<b>1.50%</b>
	Shiv Vani Oil and Gas Exploration Services Limited	1.50%
<b>Diversified</b>		<b>1.20%</b>
	Hindustan Unilever Limited	1.20%
<b>Construction</b>		<b>0.47%</b>
	B L Kashyap and Sons Limited	0.47%
<b>Cash and other assets</b>		<b>13.79%</b>
<b>Grand Total</b>		<b>100.00%</b>

## Performance (in %)

Period	Fund Returns	BSE 200
6 Months*	15.26	16.91
1 year*	-33.9	-37.92
<b>Compounded Annualised Return</b>		
Since Inception (3rd April, 2008)	-26.57	-29.52

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

### 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. 7.177 per unit  
Dividend Rs. 7.177 per unit

#### Expense Ratio:

2.50% of average daily net assets.

#### Portfolio Turnover:

2.29

#### 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. 83.08 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 6500 8349		

**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. 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. **Investors should read the Statement of Additional Information and Scheme Information Document/Key Information Memorandum (available at Investor Service Centres, Distributors, and on the Mutual Fund website www.morganstanley.com/indiamf), carefully before investing.**