



We've spotted the right opportunities.

Morgan Stanley A.C.E. Fund

(An open-ended Across Capitalisations Equity Fund)

The Need to be Flexible

The Indian equity markets have been volatile in recent times. This has led to shift in market capitalisations as well as sectoral preferences. In times like these, the best way of managing wealth is to remain flexible and build a portfolio of stocks and market cap bias on merit, as opposed to recent trends or past preferences. An ideal fund category to capture this approach would be a flexi cap equity fund.

Presenting Morgan Stanley A.C.E. Fund (An Across Capitalisations Equity Fund)

The following table shows what Rs. 1,00,000 invested in various indices would have become over various time periods.

	Initial Investment (Rs.)	1 year	3 years	5 years
BSE SMALL CAP	1,00,000	1,36,084	1,23,134	3,06,651
BSE MID CAP	1,00,000	1,31,800	1,22,792	2,67,726
BSE Sensex	1,00,000	1,33,175	1,37,436	3,06,545
BSE200	1,00,000	1,34,662	1,39,999	2,85,553

Source: www.mutualfundsindia.com

as on Sep. 30, 2009

Note the difference between the returns over a long period of time. However, the increased returns come with commensurate increase in risk. Hence, the best way to build a portfolio at any point in time is to be flexible across capitalisations and choose stocks/sectors/themes on individual merit.

The Morgan Stanley A.C.E. Fund portfolio achieves this by:

- going across market caps, to capture returns across segments
- taking an early position in emerging/sunrise sectors and/or stocks
- providing stability through attractively valued large-caps
- taking investment decisions based on valuation and growth parameters and not being constrained by market-cap or sector restrictions

Systematic Investment Plan (SIP) in Morgan Stanley A.C.E. Fund

Systematic Investing applies to the process of investing fixed amounts at fixed intervals which can be monthly or quarterly. There are numerous benefits of SIP, the key ones being:

- **It is easy on wallet:** Morgan Stanley A.C.E. Fund allows you to invest a minimum of Rs. 1000, monthly or quarterly. This small amount grows into a large sum over a long period of time.
- **Makes market timing redundant:** Historic data shows that it's 'time in the market' that is important and not 'timing' the market. SIP instills discipline to your investing habits.
- **Rupee cost averaging:** Periodic investing averages out your investments. You are allotted more units when prices are low and fewer units when prices are high. As a result the average cost per unit comes down.
- **Benefit from the power of compounding:** The longer you stay invested the greater the returns. The table below shows compounded returns (assumed @10% per annum) over various time periods and monthly investment amounts. Notice the exponential growth over longer durations.

Monthly Investment (Rs.)	Number of years			
	5	15	25	30
1,000	77,437	4,14,470	13,26,833	22,60,488
2,000	1,54,874	8,28,941	26,53,667	45,20,976
3,000	2,32,311	12,43,411	39,80,500	67,81,464
5,000	3,87,185	20,72,352	66,34,167	1,13,02,440
10,000	7,74,371	41,44,703	1,32,68,334	2,26,04,879

- **Best way to take care of your future needs:** SIP helps you plan for your financial goals. The example below shows various objectives and the amounts needed to meet them. The current age has been assumed to be 30 years.

(Amount in Rs.)

Objective	Age	Amount needed today	Required amount at the time of expense	Amount to be saved each month
Down payment for home	35	1,000,000	12,83,539	16,573
Kid's education	45	1,500,000	31,70,556	7,650
Retirement	55	5,000,000	1,74,06,452	13,119

Assumed rate of inflation: 5% p.a. and assumed rate of return: 10% p.a.

Fund Facts

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

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

BENCHMARK INDEX: BSE 200

SIP/STP DATES: 1st 5th 10th 15th 20th 25th

OPTIONS: Growth Option and Dividend Option. Dividend Option offers re-investment and payout facility

MINIMUM INVESTMENT

LUMP SUM: Rs. 5,000 and multiples of Re. 1/- thereof

SIP/STP: Rs. 1,000 via minimum 6 installments/transactions

LOAD STRUCTURE:

Entry Load : Nil

Exit Load : If redeemed/switched on or before the expiry of one year from the date of allotment 1%. After the expiry of one year from date of allotment Nil

Performance (%)

(as on Sep. 30, 2009)

Period	Fund Returns	BSE 200
Absolute returns during the half year	91.66	83.70
Absolute returns during the trailing year	43.51	34.66
Compounded Annualised Growth Rate		
Since the launch of the scheme (3rd April 2008)	11.74	4.91

Past performance may or may not be sustained in future. Since inception returns are calculated on Rs. 10/- invested at inception.

(as on Sep. 30, 2009)

SIP Performance	Total Amount Invested (Rs.)	Present Value (Rs.)	Profit SIP (Rs.)	Annualised Return % (XIRR)
If Rs. 2000/- were invested every month in MSACE from Oct. 25, 2008 to Sep. 25, 2009	24,000	39,201	15,201	161.55

Past performance may or may not be sustained in future.

What Makes Us Different?

- Morgan Stanley Mutual Fund follows a 'Community of Boutiques' approach to investing
- 'Community of Boutiques' enables focus on select investment strategies which means that our fund managers stick to their core competence be it large-cap, multi-cap or fixed income/hybrid investment strategies
- Investment teams are solely responsible for all investment and product-capacity decisions
- Allowing the 'Boutique' to focus on its core competence is done with the aim of ensuring consistency in long term performance

About Morgan Stanley

- The second largest securities firm in the world
- One of the largest global Asset Management organisations with US \$ 355 billion under management (June 30, 2009)
- More than 1200 offices in 37 countries
- The first foreign Investment Management firm to start investing in India
- Local presence and stock picking track record since 1989

DISTRIBUTED BY:



Morgan Stanley Mutual Fund Investor Service Centres

- Ahmedabad 079 2644 9132
- Bangalore 080 4180 0702
- Chandigarh 0172 4665 295
- Chennai 044 2830 2091
- Delhi 011 6624 9133
- Hyderabad 040 4002 4168
- Kolkatta 033 3984 5315
- Mumbai 022 4077 9227
- Pune 020 6500 8349

Call 1800 425 1313 (toll free) or 040 2342 8757 (STD Charges)

visit www.morganstanley.com/indiamf

sms: [indiamf](tel:indiamf) to 56767

mfinvestorcare@morganstanley.com

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. **Asset Allocation Pattern:** \$Equity and equity related instruments: 65%-100%, Debt and Money Market Instruments (including securitized debt) 0%-35% (\$including investment in derivatives instruments up to 50%, and foreign securities up to 30% of the net assets of the Scheme). **Scheme Specific Risk Factors:** The scheme proposes to invest in equity and equity related securities, which are volatile and prone to price fluctuations on a daily basis. Morgan Stanley A.C.E. Fund, an open-ended equity scheme, is only the name of the Scheme and does not indicate the quality of the Scheme, its future prospects and returns. **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 Scheme Information Document, Statement of Additional Information and Key Information Memorandum (available at Investor Service Centres, Distributors, and on the Mutual Fund website www.morganstanley.com/indiamf), carefully before investing.**