Morgan Stanley

Morgan Stanley Multi-Asset Fund

(An open-ended Debt Scheme)

Invest in Debt, Equity and Gold

NFO Opens: Jan. 17, 2012

NFO Closes: Jan. 31, 2012

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Section 1

Why A Multi Asset Fund?

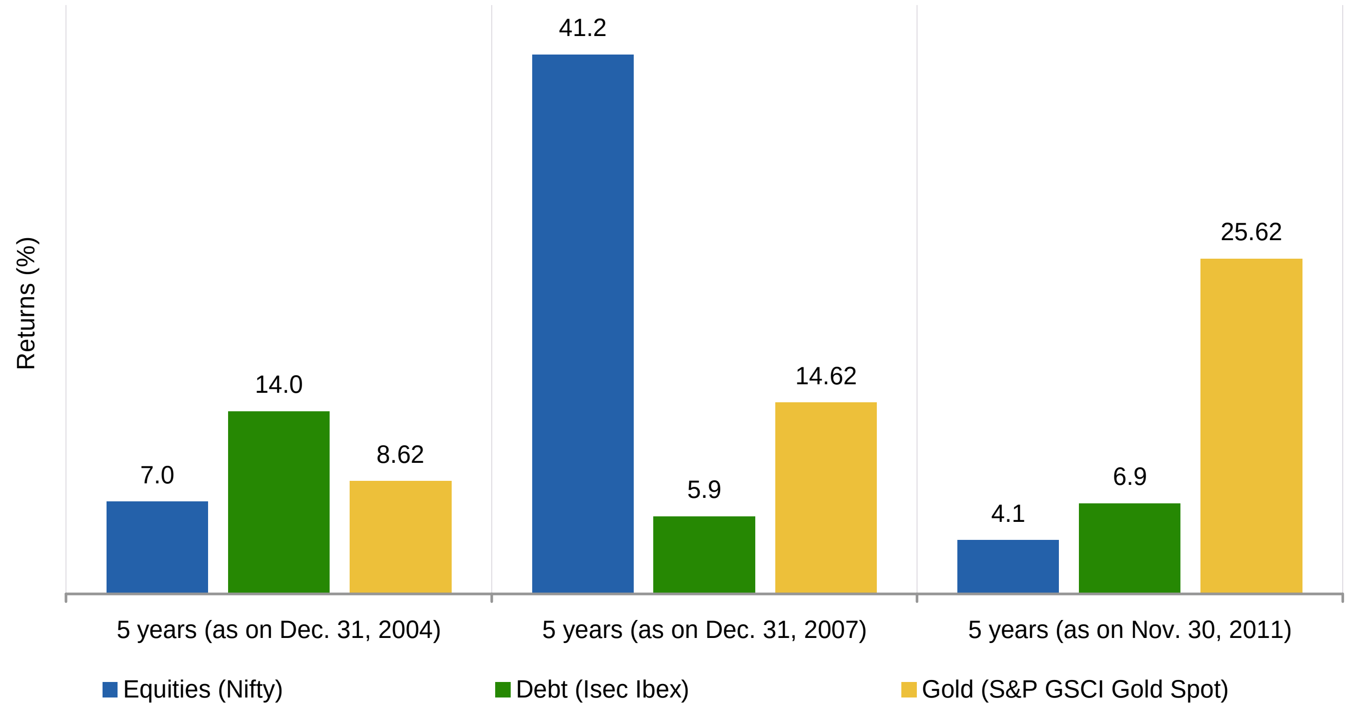
Historic returns tend to bias investors towards the asset class which has the best near-term returns.

Returns from various asset classes vary with economic cycles and many times investors end up picking an asset class at the end of the cycle.

Presently, Gold is turning out to be the best investment asset-class in terms of returns akin to Equities in 2007 or to Debt in 2004.

Past performance does not guarantee future performance

Pre tax returns



Source: Morningstar

Asset class returns vary across economic cycles; sticking to one asset class across cycles erodes value

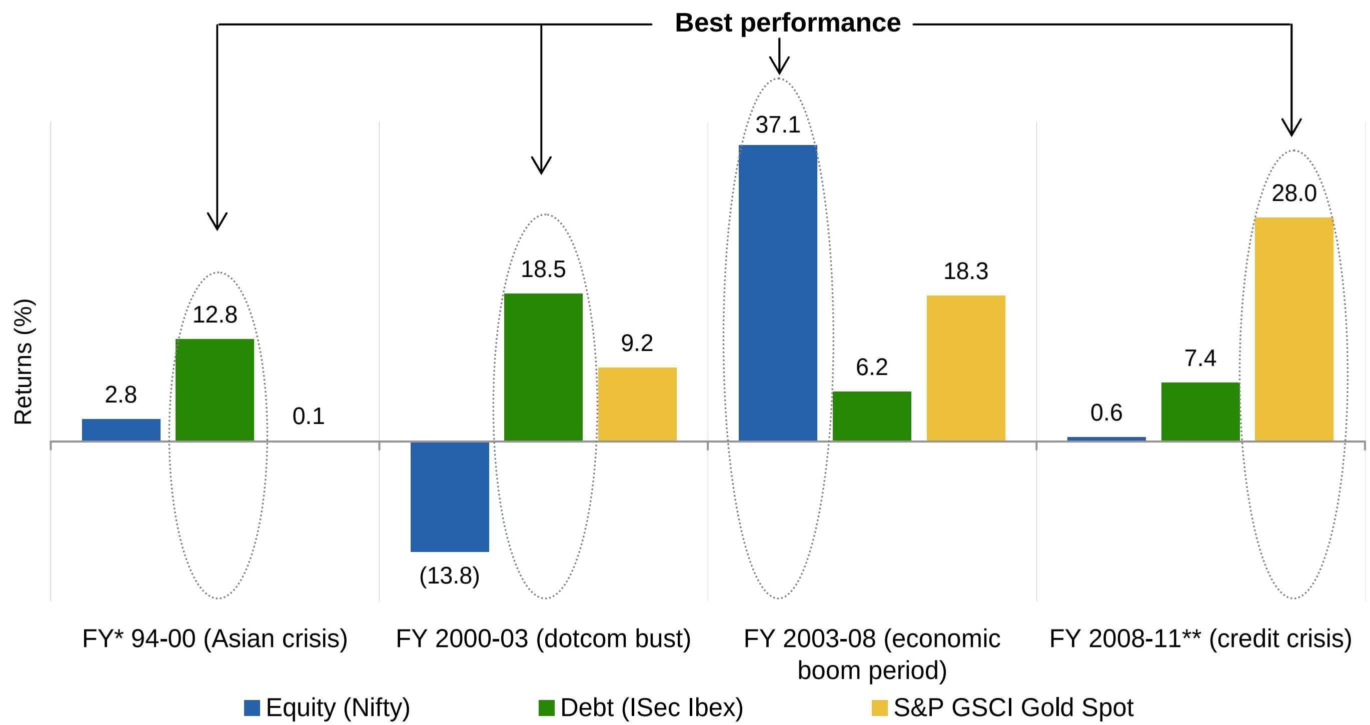
During the last 17 years of liberalization, capital markets in India have seen several economic phases which have affected asset-class returns.

Fixed Income was the best performing asset class during the 10 years 1994-2003.

Equities gave very high returns during the economic boom period of 2003-08.

In the last 4-years of global crisis and uncertainty, Gold is exhibiting strong performance.

Returns during boom-bust economic cycles over the last 17 years.



*Data available from Aug. 1994. **2011 data up to Nov. 30, 2011. Source: Morningstar

Why does diversification across asset classes make sense?

Gold has added a new third dimension to the otherwise two asset hybrid fund investment environment in India.

Gold has negative correlation with Debt and Equities and it is this attribute which adds considerable value.

By combining low/negative correlated assets investors can reduce risk significantly, without sacrificing returns.

Correlation between various assets over 15 year period.
Low/negative correlation between equity and debt with gold helps reduce risk.

	Nifty	ISec Ibex	S&P GSCI Gold Spot
Nifty	1.00	0.14 (low)	-0.03 (low)
ISec Ibex	0.14 (low)	1.00	-0.12 (low)
S&P GSCI Gold Spot	-0.03 (low)	-0.12 (low)	1.00

Time Period: 1/12/1996 to 30/11/2011. Source: Morningstar

Our take…

- Over the last 15 years, various asset-class returns have varied significantly during different phases of economic cycle.
- Investors often end up timing the market, investing in the asset class which has given the best near-term returns.
- Failing to diversify leads to greater volatility due to reliance of portfolio on returns/losses of a single asset class.
- Timing the market for various asset classes is often difficult.
- Diversification across asset classes and strategic shifts between asset classes depending on the macro outlook help generate consistent returns, at lower risk.

Presenting Morgan Stanley Multi Asset Fund

The Fund will endeavor to give consistent returns over market cycles and with lower volatility

- The Fund has two plans
  - Plan A to invest in Debt, Equity
  - Plan B to invest in Debt, Equity and Gold
- The Fund will look to provide stable returns through Debt and enhance these returns by strategic investments in Equity or Equity and Gold
- Asset allocation decisions will primarily be guided by local inputs of the investment team along with insights from Morgan Stanley Global Research, and MSIM Global Asset Allocation Strategies
- Asset allocation would be reviewed weekly and the rebalancing would be done accordingly
- The Fund aims to provide consistent and reasonable returns at lower levels of risk

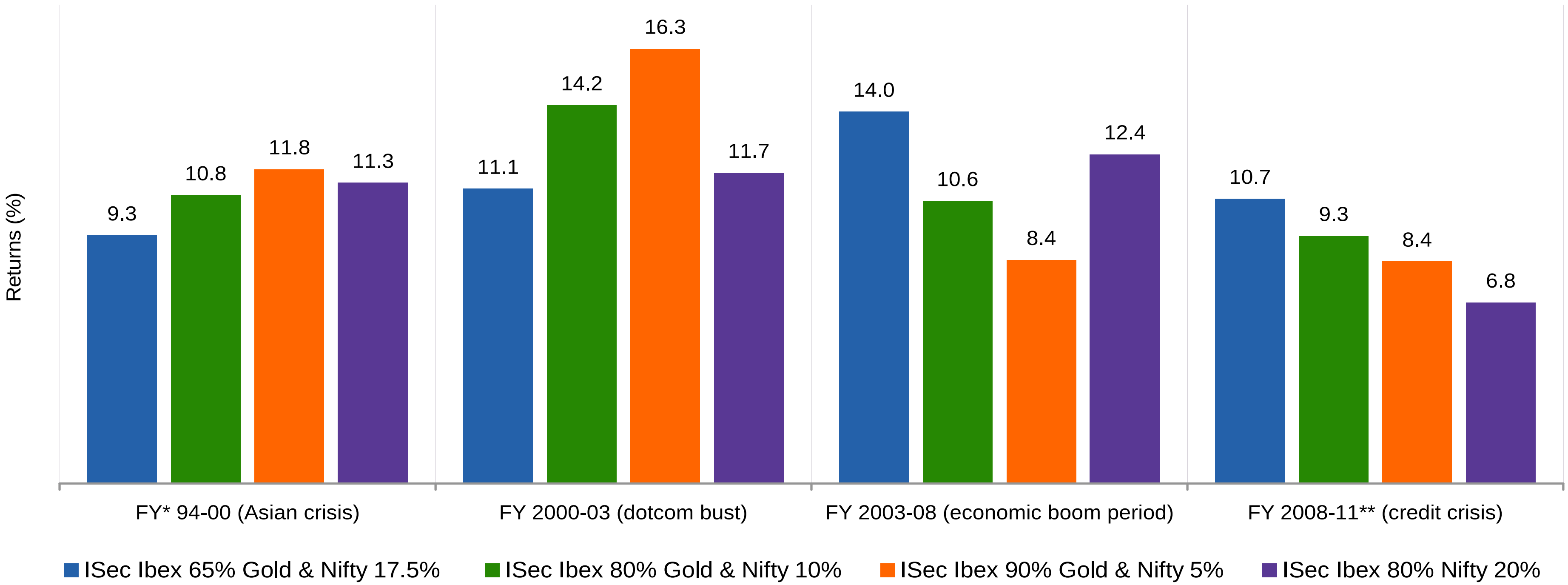
Asset class diversification leads to much better risk adjusted returns

	5 years (Medium Term)			10 years			15 years (Long Term)		
	Return %	**Std. Dev.%**	**Return/Risk**	**Return %**	**Std. Dev. %**	**Return/Risk**	**Return %**	**Std. Dev. %**	**Return/Risk**
Nifty	4.09	30.17	0.14	16.30	26.93	0.61	12.46	26.66	0.47
ISec Ibex	6.91	8.42	0.82	7.85	7.18	1.09	11.01	6.88	1.60
S&P GSCI Gold Spot	25.62	20.49	1.25	21.37	18.10	1.18	13.66	16.79	0.81
Ibex 80% Nifty 20%	7.18	8.68	0.83	10.14	8.03	1.26	11.99	8.17	1.47
Ibex 65% Gold & Nifty 17.5%	10.63	7.96	1.34	12.49	7.41	1.68	12.61	7.22	1.75
Ibex 80% Gold & Nifty 10%	9.08	7.32	1.24	10.52	6.63	1.59	11.97	6.45	1.86
Ibex 90% Gold & Nifty 5%	8.01	7.61	1.05	9.19	6.67	1.38	11.51	6.45	1.78

As on Nov. 30, 2011. Source: Morningstar

Multi Asset strategies have been ***consistent*** during all boom-bust cycles

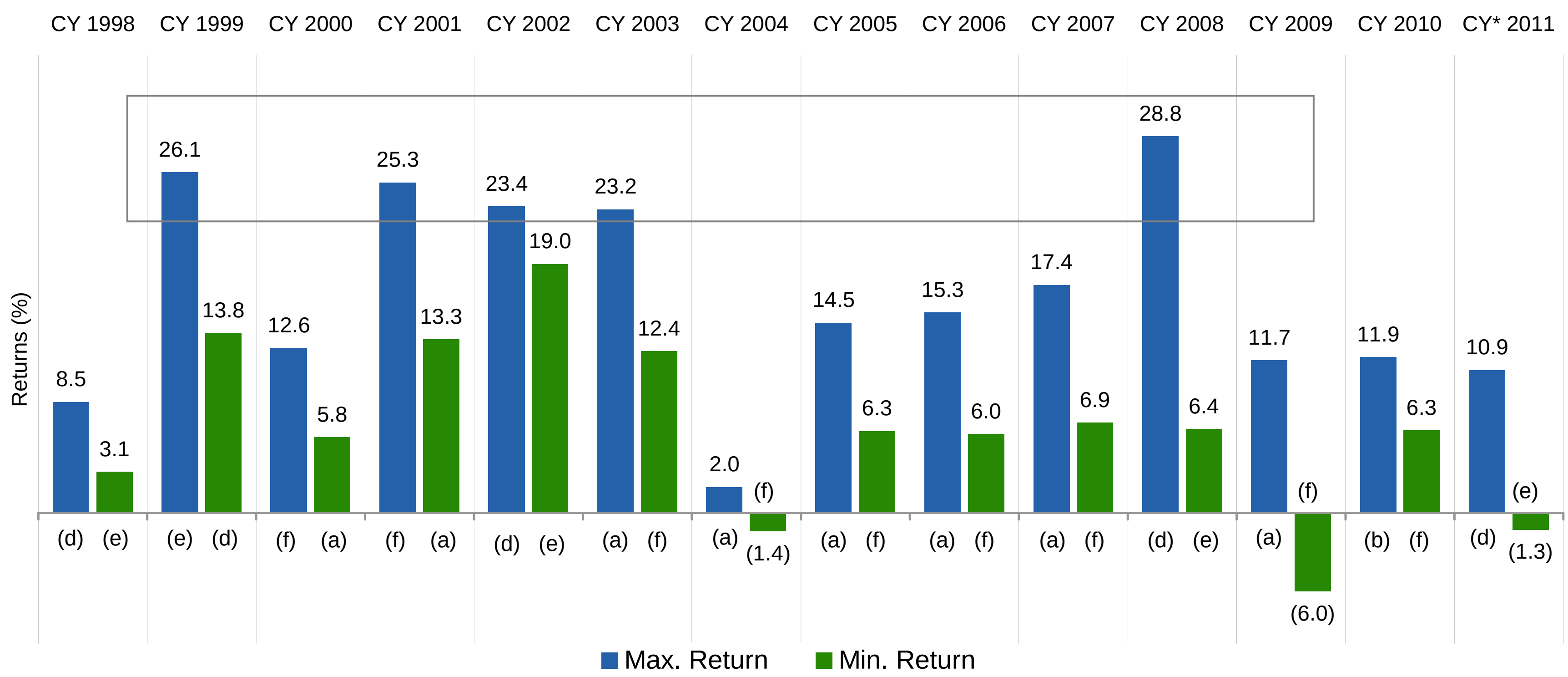
ICICI Sec. Ibex combined with Nifty and Gold in different allocations



*Data available from Aug. 1994. **Data up to Nov. 30, 2011. Source: Morningstar

Not a low return strategy – History suggests reasonable returns possible

The Multi Asset strategy aims at providing high returns with low probability of downside risk



Best and worst case possibilities in Calendar Year returns considering following indices: (a) ISec Ibex 65% Gold 15% Nifty 20% (b) ISec Ibex 65% Gold 20% Nifty 15% (c) ISec Ibex 65% Gold & Nifty 17.5% (d) ISec Ibex 80% Gold 20% (e) ISec Ibex 80% Nifty 20% (f) ISec Ibex 100%.

*2011 returns only till Nov. 30, 2011; Source: Morningstar

Although attractive on the upside, multi asset indices have an added advantage of limited downside

Best and worst case possibilities in boom bust cycles returns considering following individual assets:

(a) S&P GSCI Gold Spot

(b) Nifty

(c) ISec Ibex

And multi asset indices comprising:

(d) ISec Ibex 65% Gold 15% Nifty 20%

(e) ISec Ibex 65% Gold 20% Nifty 15%

(f) ISec Ibex 65% Gold & Nifty 17.5%

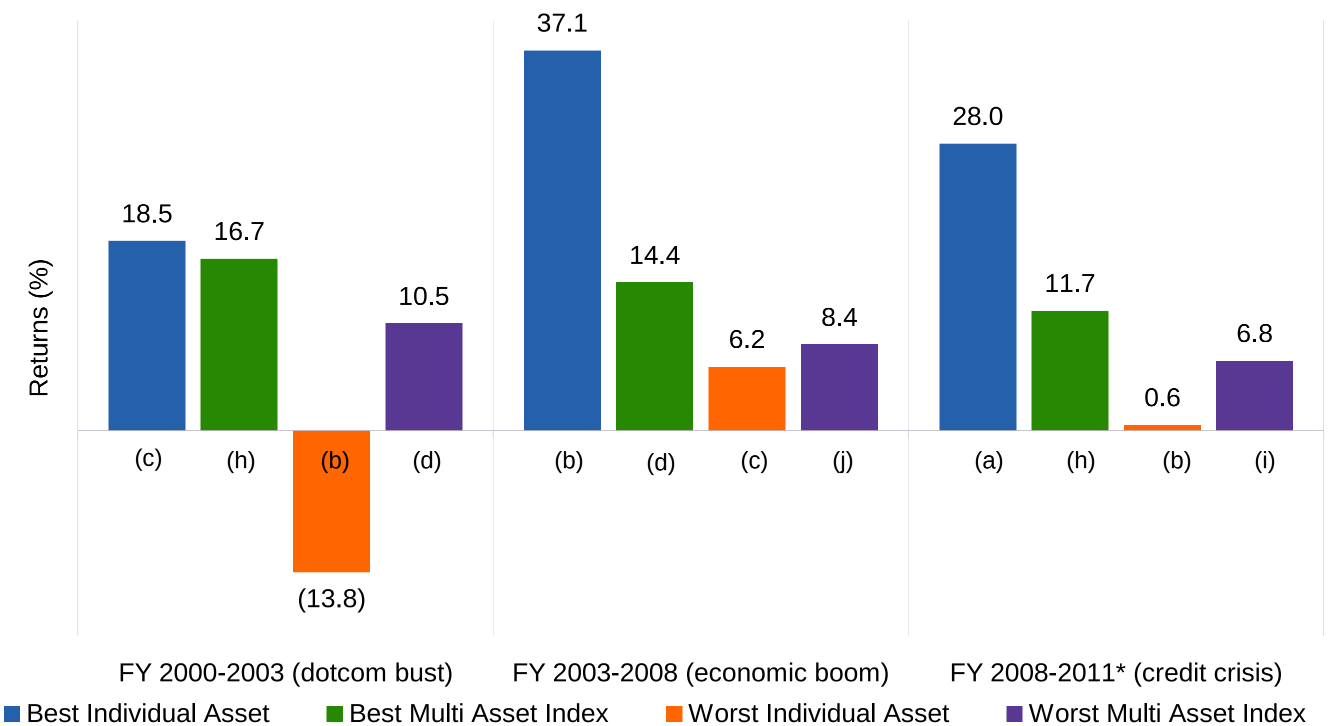
(g) ISec Ibex 80% Gold & Nifty 10%

(h) ISec Ibex 80% Gold 20%

(i) ISec Ibex 80% Nifty 20%

(j) ISec Ibex 90% Gold & Nifty 5%

Best and worst returns of individual asset classes and blended indices during boom-bust periods



*2011 data up to Nov. 30, 2011. Source: Morningstar.

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Section 2

Investment Strategy, Process And Fund Facts

Investment Strategy and Process

- Underlying assets
  - Debt exposure: Will be run dynamically
  - Gold exposure: Gold ETFs
  - Equity exposure: high quality names without the restriction of market capitalisations
- Individual Gold/Equity asset allocations not to exceed 20% and total not to exceed 35%
- Asset allocation decisions will primarily be guided by local inputs of the investment team along with insights from Morgan Stanley Global Research, and MSIM Global Asset Allocation Strategies
- Decision will be made in the overall interest of the fund, and not guided by a specific asset class
- Asset allocation would be reviewed weekly and rebalancing would be done accordingly

Fund Facts

Plans	Plan A: to invest in Debt, Equity Plan B: to invest in Debt, Equity and Gold
Asset Allocation Pattern	Plan A: Debt and Money market instruments*: 80-100%; Equity and Equity Related Instruments: 0-20%. Plan B: Debt and Money market instruments*: 65-100%; [i] Equity and Equity Related Instruments and [ii] Gold Exchange Traded Funds: 0-35% where each of [i] and [ii] will not exceed 20% of net assets. [*including securitized debt up to 50% of the net assets. No investment shall be made in foreign securitized debt]
Options	Growth and Dividend Options. Dividend Option available with Monthly and Quarterly Reinvestment and Pay out
Benchmark	**Plan A:** 80% of CRISIL Composite Bond Fund Index + 20% S&P CNX Nifty **Plan B:** 70% of CRISIL Composite Bond Fund Index + 15% S&P CNX Nifty + 15% Domestic Price of Gold*

*Domestic price of gold: [London Bullion Market Association AM fixing in US$/ounce X Conversion factor for converting ounce into kg for 0.995 fineness X Rate for US$ into INR] + Custom duty for import of gold + Sales tax/octroi and other levies applicable.

Fund Facts

Minimum Investment	Lump sum: Rs. 5,000 and multiples of Re. 1/- thereof SIP: Rs. 1,000 via minimum 6 installments (SIP only through Auto Debit facility during the NFO period).
Load Structure	Entry Load: NA; Exit Load: 1% if redeemed/switched on or before the expiry of one year from the date of allotment; otherwise: Nil.
Portfolio Managers	**Jayesh Gandhi** (for Equity and Gold ETF portion). Jayesh currently manages Morgan Stanley A.C.E. Fund. **Ritesh Jain,** (for Debt portion). Ritesh currently manages Morgan Stanley Liquid, Short Term and Active Bond Funds.

Why Morgan Stanley Mutual Fund?

- Long history in Indian markets
- Global investment perspective
- Focus and dedication of a boutique firm
- Experienced and dedicated team
- Strong ethical framework
- Strong risk management and operational capabilities
- Focused fundamental and disciplined investment process
- Depth of firm-wide resources

Summary

- Multi Asset strategy ideal for investors with a medium to long term investment horizon
- In uncertain times, investors should look at investing in multi asset funds, rather than specific asset classes
- Current environment suggests positive cues for fixed income, which will help the fund generate returns.
- Measured investments in equity and gold in the current environment
- Fund is suitable for investors looking for reasonable returns and lower levels of risk

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Section 3

Biographies

India Multi/Mid Cap Boutique

Jayesh Gandhi, CFA

Executive Director

Jayesh.gandhi@morganstanley.com

Jayesh Gandhi is the Lead Portfolio Manager for multi-cap/mid-cap equity strategies. He joined Morgan Stanley in 2007 and has over 15 years of investment experience. Prior to joining the Firm, he worked with Birla Sunlife Asset Management, where he managed/co-managed equity assets in excess of US $ 600 million. Jayesh received a Bachelor of Commerce from the University of Mumbai. He is also an Associate Member of the Institute of Chartered Accountants of India. He has also obtained Master of International Management degree from Thunderbird, USA and holds the Chartered Financial Analyst designation.

Dhaval Shah, CFA

Sr. Associate

dhaval.a.shah@morganstanley.com

Dhaval is an analyst covering Indian equities for multi-cap/mid cap equity strategies. He joined Morgan Stanley in 2011 and has over 6 years of investment experience. Prior to joining the firm, he has worked with Reliance Capital Asset Management Ltd. Dhaval received a Bachelor of Commerce from the University of Mumbai and an M.B.A. from Somaiya Institute of Management Studies and Research, University of Mumbai. He also holds the Chartered Financial Analyst designation.

India Fixed Income Boutique

Ritesh Jain

Executive Director

ritesh.r.jain@morganstanley.com

Ritesh Jain is the Head of Fixed Income and is the Lead Portfolio Manager for the India Fixed Income boutique. He has overall responsibility for the management of all liquid and fixed income products for the Investment Management business in India. Ritesh joined Morgan Stanley in March 2009 and has over 13 years of experience in investment management. Prior to joining Morgan Stanley, Ritesh Jain was Head of Fixed Income at Principal PNB Asset Management Company Pvt. Ltd. Ritesh holds a PGDBA from K.J. Somaiya Institute of Management Studies & Research, Mumbai and B.Com (Hons.) from University of Calcutta.

Piyush Baranwal

Sr. Associate

piyush.baranwal@morganstanley.com

Piyush joined Morgan Stanley Investment Management in Jan. ’11 as Senior Associate in the India Fixed Income boutique. His current role includes assisting in fund management and monitoring credits. Prior to this, he was working with Principal Pnb Asset Management Company, assisting in management of asset around a billion Dollars and monitoring credits. Piyush is a B.E. from Manipal Institute of Technology and holds a PGDBM from S. P. Jain Institute of Management & Research, Mumbai. He has also cleared CFA Level-3 examination conducted by the CFA Institute.

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Section 4

Risk Factors

Risk Factors

Statutory Details: Morgan Stanley Mutual Fund has been set up as a Trust under Indian Trusts Act, 1882. **Sponsor:** Morgan Stanley. **Investment Manager:** Morgan Stanley Investment Management Private Limited. **Morgan Stanley Multi Asset Fund, is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme, its future prospects or returns. Investment Objective: Plan A**-The Scheme seeks to generate regular income through investments in debt & money market instruments, along with capital appreciation through limited exposure to equity and equity related instruments. **Plan B**-The Scheme seeks to generate regular income through investments in debt & money market instruments, along with capital appreciation through limited exposure to equity and equity related instruments and provide diversification by investing in Gold Exchange Traded Funds. **Plan A and Plan B will have separate portfolios. There is no assurance that the investment objectives of the scheme will be realized. Asset Allocation Pattern: Plan A**-Debt and Money market instruments*: 80-100%; Equity and Equity Related Instruments: 0-20%. **Plan B**-Debt and Money market instruments*: 65-100%; [i] Equity and Equity Related Instruments and [ii] Gold Exchange Traded Funds: 0-35% where each of [i] and [ii] will not exceed 20% of net assets. [*including securitized debt up to 50% of the net assets. No investment shall be made in foreign securitized debt] **Load Structure:** Entry Load: NA; Exit Load: 1% if redeemed/switched on or before the expiry of one year from the date of allotment; otherwise: Nil. Terms of issue: Units of Rs. 10 per unit during the new fund offer and at applicable NAV thereafter. The Scheme will be available for on-going transactions at applicable NAV which will be disclosed on all business days once the Scheme re-opens [not later than 5 business days from the date of allotment]. **Risk Factors: All mutual funds and securities investments are subject to market and other risks.** The scheme proposes to invest in equity and equity related securities, which are volatile and prone to price fluctuations on a daily basis. **As with any securities investment, the NAV of units issued under the Scheme/s may go up or down depending on 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/s 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 lacs towards setting up of the Mutual Fund and such other accretions and additions to the corpus. **Investors should read the Statement of Additional Information, Scheme Information Document, and Key Information Memorandum [available at Investor Service Centres, Distributors, and on the Mutual Fund website www.morganstanley.com/indiamf], carefully before investing.**