

Make the most of three!

Morgan Stanley Multi Asset Fund

(An open-ended Debt Fund)

NFO Period: Jan. 17 to Jan. 31, 2012

Why Asset Allocation?

All markets go through economic cycles. There is a growth phase, followed by stagnation with high inflation, then slowdown, recession and recovery. No unique asset class can consistently deliver returns in all phases of economic cycles. Timing the market to exit an asset class and invest in the next best performing one is often difficult. It is for this reason that diversification across asset classes helps you weather against changing economic cycles and is the key to consistent returns and lower risk over the long term.

The data here shows that no single asset class has performed consistently and delivered over boom-bust cycles.

	FY* 94-00 (Asian crisis)	FY 2000-03 (dotcom bust)	FY 2003-08 (economic boom)	FY 2008-11 (credit crisis)
Returns %				
Equity (S&P CNX Nifty)	2.79	-13.82	37.08	7.21
Debt (ICICI Securities Ibex)	12.78	8.49	6.22	8.42
Gold (S&P GSCI Gold Spot)	0.09	9.23	18.25	20.20

*Data from 01/08/1994. Source: Morningstar

Why a Multi-Asset Fund?

"The essence of effective portfolio construction is the use of a large number of poorly correlated assets." William Bernstein

Asset classes depict varying and often negative correlation in different phases of economic cycles and it is difficult to predict which asset class would outperform during volatile times. The current fall in equity market has dented investor's sentiments towards equity. The fixed income instruments have done well in recent times and the YTD performance of gold and its low correlation with other asset classes make it a preferred investment in crisis. This augments the importance of a Multi-Asset Fund, as the fund will invest across Debt, Equity and Gold, providing diversified investment opportunity thereby minimizing risks.

Why add a touch of Gold?

Gold has a negative correlation with other asset classes and is considered as one of the best hedges against economic crisis. Adding gold to the portfolio gives an advantage to balance the portfolio particularly when equities are not doing well.

	Equity (S&P CNX Nifty)	Debt (ICICI Securities Ibex)	Gold (S&P GSCI Gold Spot)
Equity (S&P CNX Nifty)	1.00	1.14	-0.03
Debt (ICICI Securities Ibex)	0.14	1.00	-0.12
Gold (S&P GSCI Gold Spot)	-0.03	-0.12	1.00

Source: Morningstar, data as of 1/12/1996 to 30/11/2011

Performance of Blended Indices:

On a risk-return basis, the blended indices have delivered superior returns than individual asset classes for the last 5 year (medium term) and 15 year (long term) time periods, as depicted below. For instance, on a 15 year basis, multi asset strategies of varied combinations have yielded risk adjusted return upwards of 1.75x, marked higher than any of the individual asset classes.

Index/Indicators	5 years			15 years		
	Return %	Std. Dev. %	Return/Risk	Return %	Std. Dev. %	Return/Risk
Equity (S&P CNX Nifty)	4.09	30.17	0.14	12.46	26.66	0.47
Debt (ICICI Securities Ibex)	6.91	8.42	0.82	11.01	6.88	1.60
Gold (S&P GSCI Gold Spot)	25.62	20.49	1.25	13.66	16.79	0.81
Isec Ibex 65% Gold 17.5% Nifty 17.5%	10.63	7.96	1.34	12.61	7.22	1.75
Isec Ibex 80% Gold 10% Nifty 10%	9.08	7.32	1.24	11.97	6.45	1.86
Isec Ibex 90% Gold 5% Nifty 5%	8.01	7.61	1.05	11.51	6.45	1.78

Source: Morningstar, Data as on 30/11/2011

Morgan Stanley Multi Asset Fund (an open ended debt scheme)

Morgan Stanley Multi Asset Fund will invest in Debt, Equity and Gold. The fund has two plans, Plan A and Plan B each having separate portfolios. Plan A will invest in Debt and Equity and Equity related instruments whereas Plan B will invest in Debt, Gold (ETFs) and Equity and Equity related instruments.

Investment Objective:

Plan A:

The Scheme seeks to generate regular income through investments in debt and 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 and money market instruments, along with capital appreciation through limited exposure to equity and equity related instruments and provide diversification by investing in Gold ETFs.

Plan A and Plan B will have separate portfolios. There is no assurance that the investment objectives of the scheme will be realized. The Scheme does not assure or guarantee any returns.

Plans and Options:

Plan	Option	Facility	Frequency*
Plan A	Growth	-	-
Plan A	Dividend	Dividend Reinvestment and Pay out	Monthly
Plan A	Dividend	Dividend Reinvestment and Pay out	Quarterly
Plan B	Growth	-	-
Plan B	Dividend	Dividend Reinvestment and Pay out	Monthly
Plan B	Dividend	Dividend Reinvestment and Pay out	Quarterly

*Monthly and Quarterly Dividends will be declared on the last Friday of the respective month/quarter.

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.]

Benchmark:

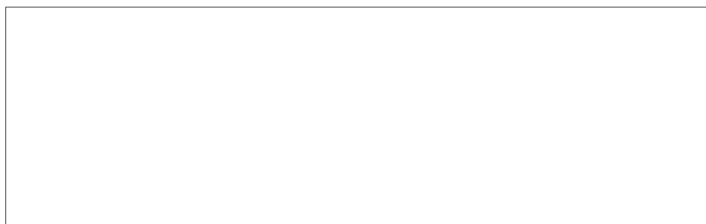
Composite benchmark comprising:

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 the 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.

Distributed by:



Minimum Investment:

Lump sum: Rs. 5,000 and multiples of Re. 1/- thereof
SIP: Rs. 1,000 via minimum 6 instalments (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.

Investor Profile:

- Investors looking for diversification/multi-asset allocation by investing in Debt, Equity and Gold, a combination of assets that works through the economic cycles.
- Generate income with low risk, as majority of the component is invested in debt and debt related instruments.
- Investors who target a regular monthly income through dividend payouts and want to participate in equity or equity plus gold can consider this fund. The fund offers options of monthly and quarterly dividends. Neither the frequency nor the volume of the dividend is guaranteed.

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

Portfolio Managers:

Jayesh Gandhi, Executive Director, currently manages Morgan Stanley A.C.E. Fund.

Ritesh Jain, Executive Director, currently manages Morgan Stanley Liquid, Short Term and Active Bond Funds.

Morgan Stanley

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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. 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.**

29/12/11