

Fact Sheet

January 2012



FIXED INCOME OVERVIEW

In line with its October policy guidance, the RBI kept key policy rates unchanged in its December policy review. While re-iterating concerns on elevated 'core' inflation, the RBI has stated that 'the downside risks to its growth projections have increased significantly'. Interestingly, it stated that 'from this point on, monetary policy actions are likely to reverse the cycle, responding to the risks to growth'. Consequently, in addition to higher-than-expected rate cuts in 2012, odds for an earlier easing cycle have risen significantly, the key data points to watch for before the January policy meetings would be the IIP & WPI numbers due before the policy.

From here onwards, the ongoing moderation in domestic activity along with sequential easing in global commodity prices should help to contain risks to inflation outlook, though at the margin the pressure of imported inflation due to depreciating currency remains. The WPI moderated to 9.11% y-o-y in November from 9.73% in October and an upwardly revised 10% in September (marking the first inflation print in double digits since Jun-10, though core inflation, as measured by non-food manufactured WPI inflation, increased to 7.9% y-o-y in November from 7.6% in October. The decline in WPI is attributable to a favorable base effect. 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 pace of deceleration in headline inflation picks up Dec. '11 onwards. Inflation is likely to fall more sharply in the next few months to reach sub 7% in March 2012 barring some unforeseen shocks.

While undoubtedly the headline November inflation offers some respite, a combination of high and persistent inflation, slow pace of policy reforms, graft-related investigations, weak global capital markets and a weak global economy have begun to weigh on the domestic economic activity. The IIP growth declined sharply in October to record a contraction of 5.1% y-o-y, marking the first month of de-growth since June '09 and the slowest pace of expansion in 32 months. On a FYTD basis, IIP growth now stands at 3.5% y-o-y compared to an 8.7% growth over the corresponding period last year. All the major sub-groups by sector and usage based classification, except electricity, posted negative growth. Capital goods contracted by record level at -25% y-o-y contributing 82% of the decline in IIP and pointing to further deceleration in investment cycle. Apart from addressing issues related to persistent data volatility, poor data points once again to an urgent need for policy action to support growth.

On the fiscal front, the macro indicators paint even a more dismal picture. India Apr.-Nov. revenue receipts at 49.7% of the budgeted are much lower than 69.9% of the previous corresponding year. The revenue deficit at 91.3% against 50.7% for same period last year and the fiscal deficit at 85.6% against 48.9% for same period last year are definitely a cause of concern for the Government. Cumulative fiscal deficit (annualized) is at 5.8% of GDP against the budget estimate of 4.6% of GDP for full year. Now even the finance ministry expects the Centre's fiscal deficit to reach around 5.5%-5.8% of the GDP this financial year.

The INR weakened significantly against the greenback, nearly -17% since August 2011 on the back of deteriorating flows and risk aversion. Liquidity conditions have generally remained in deficit mode so far in 2011-12 with an average daily net injection of liquidity through the LAF window increasing to around INR 89,000 crore during November-December. On a number of days, the net injection even exceeded INR 1 trillion mark. In view of this high borrowing from LAF, RBI has conducted a series of open market operations (purchase of government securities) for Rs. 331bn in aggregate to inject liquidity in the banking system. It is likely that the RBI would

EQUITY OVERVIEW

Hopes of a December equity market rally did not materialize with the BSE 100 Index losing 4.83% during the month. The EU summit in the early part of the month did not live up to the elevated market expectations as it did not come up with concrete measures that would address the European crisis, however, economic data from the United States has started surprising positively. Back home, RBI kept the policy rates unchanged in the mid quarter credit policy review. WPI inflation for November 2011 eased slightly from the October 2011 levels and deceleration seen in some of the components of WPI that get reported weekly augur well for the December 2011 print. Foreign Institutional Investors (FIIs) turned marginal net buyers of equity during the month while Domestic institutions continued their buying trend.

continue with the OMOs and it will be the preferred route for them to alleviate the liquidity stress in the economy rather than a cut in CRR, as CRR essentially is a monetary policy tool and not a liquidity tool.

The RBI also announced the revised issuance calendar for Jan.-Mar. 2012 for Government deficit financing. It announced the increase in the gross market borrowing through dated securities by INR 40,000 crore and T-Bills by INR 65,000 crore, taking the total debt-raising plan to INR 5.1 trillion in the 12 months to 31 March 2012. The Union budget had projected borrowing this fiscal at INR 4.1 trillion. The extra borrowing marks an increase of a full INR 1 trillion, about 21% extra for the year.

Portfolio review for December '11

The systemic liquidity continues to remain negative with corporate spread shifting higher during the month. The near end of the curve reflecting tight liquidity condition remains elevated. 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 January '12

The domestic liquidity scenario is likely to improve with Government spending and RBI's OMO purchase. Though the increase in the borrowing is likely to hit sentiment adversely, the yield curve may actually shift further down, as momentum remains positive due to expectation of further RBI-OMO and RBI's dovish stance. We would look to maintain marginal duration in Short Term Bond Fund and deploy the maturing asset in the Liquid Fund in short/medium term asset with an accrual view.

Key Financial Data

Benchmark	30/12/11	30/11/11	31/03/11	Monthly Change	Change since March
364 Day T-bill (Primary)	8.35%	8.45%	7.64%	-0.09%	0.71%
5-year Gilt Benchmark	8.44%	8.71%	7.95%	-0.27%	0.49%
10-year Gilt Benchmark	8.57%	8.74%	7.99%	-0.17%	0.58%
30-year Gilt Benchmark	8.82%	9.13%	8.36%	-0.31%	0.46%
91 Day Manufacturing CP(P1+)	9.83%	9.85%	10.36%	-0.03%	-0.54%
91 day Bank CD	9.30%	9.43%	9.70%	-0.13%	-0.40%
1-yr AAA Spreads	1.07%	0.85%	2.02%	0.22%	-0.95%
5-yr AAA Spreads	1.08%	0.92%	1.28%	0.16%	-0.20%
5-yr OIS	7.10%	7.29%	7.97%	-0.19%	-0.87%
CRR	6.00%	6.00%	6.00%	0.00%	0.00%
RBI LAF- Reverse Repo Rate*	7.50%	7.50%	5.75%	0.00%	1.75%
Foreign Exchange Reserve (\$ bn)	300.86	304.37	303.48	(3.50)	(2.62)
Nymex Crude	98.83	100.36	106.72	(1.53)	(7.89)
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	1.88%	2.07%	3.47%	-0.19%	-1.59%
INR/USD	53.07	52.21	44.59	1.64%	19.02%
USD/Euro	1.30	1.34	1.42	3.61%	8.45%
USD/Yen	76.91	77.62	83.13	-0.91%	-7.48%

*RBI Repo Rate at 8.50%

Sources – Internal & Bloomberg

Ritesh Jain

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

Currency depreciation beneficiaries was the key theme in sectoral performance with Information Technology and Healthcare sectors outperforming the market. Industrials and commodity names underperformed the index.

In MSGF, as on December end, sectorally we remain overweight on healthcare and consumer staples stocks while remaining underweight on cyclical sectors like energy and financials. We have reduced our underweight in information technology during the month and reduced our exposure to the Industrials sector.

Amay Hattangadi and Sridhar Sivaram

Lead Portfolio Managers, Large Cap Equities

Morgan Stanley A.C.E. Fund

(An open-ended Across Capitalisations Equity Fund)



Details as on Dec. 30, 2011

Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
Banks		18.46%
	✓ HDFC Bank Limited	5.85%
	✓ ICICI Bank Limited	3.69%
	ING Vysya Bank Limited	2.40%
	Axis Bank Limited	1.80%
	Bank Of Baroda	1.78%
	Yes Bank Limited	1.52%
	State Bank of India	1.42%
Software		13.17%
	✓ Infosys Limited	6.80%
	✓ Tata Consultancy Services Limited	4.35%
	HCL Technologies Limited	2.02%
Pharmaceuticals		10.94%
	✓ Dr. Reddy's Laboratories Limited	3.10%
	✓ Sun Pharmaceutical Industries Limited	2.50%
	Divi's Laboratories Limited	2.42%
	Jubilant Life Sciences Limited	1.22%
	Lupin Limited	1.11%
	Aurobindo Pharma Limited	0.59%
Auto		8.82%
	✓ Mahindra and Mahindra Limited	4.48%
	✓ Bajaj Auto Limited	2.43%
	TVS Motor Company Limited	1.91%
Consumer Non Durables		6.53%
	✓ ITC Limited	6.53%
Oil		4.43%
	Oil and Natural Gas Corporation Limited	2.29%
	Oil India Limited	2.14%
Petroleum Products		3.74%
	✓ Reliance Industries Limited	3.74%
Consumer Durables		2.66%
	Tube Investments of India Limited	1.39%
	Bajaj Electricals Limited	1.27%
Power		2.26%
	Power Grid Corporation of India Limited	2.26%
Gas		2.18%
	GAIL India Limited	2.18%
Textile Products		1.75%
	Raymond Limited	1.75%
Construction		1.69%
	IRB Infrastructure Developers Limited	1.69%
Ferrous Metals		1.68%
	Jindal Steel and Power Limited	1.68%
Cement		1.62%
	Shree Cement Limited	1.62%
Non - Ferrous Metals		1.61%
	Hindustan Zinc Limited	1.61%
Telecom - Services		1.53%
	Bharti Airtel Limited	1.53%
Construction Project		1.38%
	Larsen and Toubro Limited	1.38%
Minerals/Mining		1.00%
	Coal India Limited	1.00%
Industrial Products		0.97%
	Sintex Industries Limited	0.97%

Industry Classification	Security Description	% of Total Net Assets
Retailing		0.87%
	Shoppers Stop Limited	0.87%
Transportation		0.76%
	Spice Jet Limited	0.76%
Finance		0.51%
	Manappuram Finance Limited	0.51%
Auto Ancillaries		0.40%
	Exide Industries Limited	0.40%
Cash and other assets		11.04%
Grand Total		100.00%

Fund Features:

Asset Allocation:

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

NAV (₹):

Growth 11.972 per unit
Dividend 11.271 per unit

Expense Ratio:

2.32% of average daily net assets

Portfolio Turnover:

1.26

Volatility Measures:

(for trailing 3 year period)
Standard Deviation 26.72%
Beta 0.93
Sharpe Ratio¹ 0.65

Average Fund AUM:

₹ 319.39 crore
(Quarter ended Dec. 2011)

¹Risk Free rate is based on 3 month T-Bill rate (5.71%)

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 Dec. 30, 2011)

₹ 2000 invested every month	Amount Invested (₹)	MSACE		Benchmark - BSE 200	
		Present Value (₹)	Returns XIRR %	Present Value (₹)	Returns XIRR %
2 years	48000	40204.40	-16.13%	39462.83	-17.71%
Since inception*	88000	98058.98	5.86%	87932.82	-0.04%

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 November 30, 2011. Morgan Stanley A.C.E. Fund has been rated 4 Star by Morningstar in the Morningstar India Large Cap. 328 funds which completed 3 years of performance were considered for rating. Rating Source & Publisher: Morningstar.

Morgan Stanley Growth Fund

(An open-ended Equity Fund)

Details as on Dec. 30, 2011

Portfolio (✓ Top Ten Holdings)

Industry Classification	Security Description	% of Total Net Assets
Banks		18.81%
	✓ HDFC Bank Limited	8.94%
	✓ ICICI Bank Limited	3.85%
	✓ IndusInd Bank Limited	3.26%
	State Bank of India	1.41%
	Bank Of Baroda	1.35%
Consumer Non Durables		15.51%
	✓ ITC Limited	7.26%
	✓ Hindustan Unilever Limited	3.61%
	Asian Paints Limited	1.98%
	Nestle India Limited	1.47%
	McLeod Russel India Limited	1.19%
Software		10.44%
	✓ Tata Consultancy Services Limited	6.97%
	Infosys Limited	2.29%
	Wipro Limited	1.18%
Pharmaceuticals		9.05%
	✓ Dr. Reddy's Laboratories Limited	4.92%
	✓ Glenmark Pharmaceutical Limited	4.13%
Auto		6.98%
	✓ Mahindra and Mahindra Limited	4.21%
	Bajaj Auto Limited	1.78%
	Tata Motors Limited	0.99%
Construction Project		4.44%
	Larsen and Toubro Limited	2.51%
	Engineers India Limited	1.44%
	Gammon India Limited	0.49%
Ferrous Metals		4.18%
	Jindal Steel and Power Limited	2.10%
	Tata Steel Limited	2.08%
Petroleum Products		3.68%
	✓ Reliance Industries Limited	3.68%
Gas		3.31%
	GAIL India Limited	1.83%
	Indraprastha Gas Limited	1.48%
Telecom - Services		2.74%
	Bharti Airtel Limited	2.74%
Cement		2.16%
	ACC Limited	2.16%
Industrial Capital Goods		2.14%
	AIA Engineering Limited	1.17%
	Thermax Limited	0.97%
Fertilisers		1.81%
	Coromandel International Limited	1.81%
Trading		1.46%
	Redington India Limited	1.46%
Construction		1.21%
	Oberoi Realty Limited	1.21%
Industrial Products		1.21%
	Cummins (India) Limited	1.21%
Non - Ferrous Metals		1.12%
	Hindustan Zinc Limited	1.12%
Transportation		1.07%
	Gujarat Pipavav Port Limited	1.07%
Media & Entertainment		1.06%
	DB Corp Limited	1.06%
Finance		0.89%
	Manappuram Finance Limited	0.89%
Minerals/Mining		0.85%
	Coal India Limited	0.85%
Auto Ancillaries		0.79%
	Motherson Sumi Systems Limited	0.79%
Oil		0.54%
	Oil and Natural Gas Corporation Limited	0.54%
Power		0.07%
	KSK Energy Ventures Limited	0.07%
Cash and other assets		4.48%
Grand Total		100.00%

Fund Features:

Asset Allocation:

Equity and Equity related instruments of companies having large market capitalization[‡]: 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 49.009 per unit
Dividend* 14.962 per unit
*option introduced on Jan. 19, 2009

Expense Ratio:

1.96% of average daily net assets

Portfolio Turnover:

0.49

Volatility Measures:

(for trailing 3 year period)
Standard Deviation 26.10%
Beta 0.93
Sharpe Ratio¹ 0.39

Average Fund AUM:

₹ 1247.89 crore
(Quarter ended Dec. 2011)

¹Risk Free rate is based on 3 month T-Bill rate (5.71%)

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 Dec. 30, 2011)

₹ 2000 invested every month	MSGF			Benchmark - BSE 100	
	Amount Invested (₹)	Present Value (₹)	Returns XIRR %	Present Value (₹)	Returns XIRR %
2 years	48000	39118.77	-18.45%	40055.12	-16.45%
Since inception*	70000	65145.13	-4.75%	66296.61	-3.60%

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 Dec. 30, 2011

Portfolio

Security Description	Rating	% of Total Net Assets
Money Market Instruments		65.24%
Vijaya Bank	CARE A1+	11.23%
Andhra Bank	CARE A1+	11.20%
Federal Bank Limited	CRISIL A1+	11.20%
The Jammu and Kashmir Bank Ltd.	CRISIL A1+	10.73%
Oriental Bank of Commerce	CRISIL A1+	10.46%
ICICI Bank Limited	CRISIL A1+	10.42%
Corporate Debt		32.60%
Bajaj Finance Limited	CRISIL AA+	11.39%
Housing Development Finance Corpn Ltd.	CRISIL AAA	11.37%
Tata Capital Limited	CARE AA+	9.84%
Treasury Bills		0.56%
91 Days T-Bill 16 Mar 12	Sovereign	0.56%
Cash & Current Assets		1.60%
Grand Total		100.00%

Rating Profile

Rating Category	
Sovereign	0.56%
AAA	76.61%
AA	21.23%
Cash & Current Assets	1.60%
Grand Total	100.00%

Asset Allocation

Asset Class	
Money Market Instruments	65.24%
Corporate Debt	32.60%
Treasury Bills	0.56%
Cash & Current Assets	1.60%
Grand Total	100.00%

CRISIL Mutual Fund Rank* Open End Debt Short Schemes, Sep. 30, 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 31 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 September 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

Fund Features:

Plans/Options and NAV (₹):

Institutional Plus Plan	
Weekly Dividend	10.1008
Reinvestment:	
Monthly Dividend	10.1454
(Payout and Reinvestment):	
Growth:	11.8697
Regular Plan	
Weekly Dividend	10.0988
Reinvestment:	
Monthly Dividend	10.1536
(Payout and Reinvestment):	
Growth:	11.7714

Expense Ratio:

Institutional Plus Plan	0.60%
Regular Plan	0.90%

Average Maturity: 9.82 months

Modified Duration: 0.72

Yield to Maturity: 9.52%

Rating:

Credit risk rating mfAAA by ICRA#

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).

Dividend History

Plan/Frequency	Record Date	Non-Individuals Per Unit (₹)	Individuals Per Unit (₹)	Ex Dividend NAV (₹)
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
Regular Plan-Monthly Dividend	Oct. 28, 2011	0.0510	0.0595	10.0625

Note: Face Value ₹ 10 per unit.

Morgan Stanley Active Bond Fund

(An open-ended Debt Fund)

Details as on Dec. 30, 2011

Portfolio

Security Description	Rating	% of Total Net Assets
Treasury Bills		10.77%
91 Days T-Bill 16 Mar 12	Sovereign	10.77%
Cash & Current Assets		89.23%
Total Net Asset		100.00%

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).

Fund Features:

Plans/Options and NAV (₹):

Institutional Plus Plan	
Quarterly Dividend	
(Payout and Reinvestment):	10.0000
Growth:	10.0000
Regular Plan	
Quarterly Dividend	
(Payout and Reinvestment):	10.8124
Growth:	10.8124
Expense Ratio:	
Institutional Plus Plan	1.20%
Regular Plan	1.75%

Average Maturity: 0.36 months

Modified Duration: 0.03

Yield to Maturity: 7.48%

Rating:

Credit risk rating mfAAA by ICRA#

Average Fund AUM:

₹ 0.40 crore
(Quarter ended Dec. 2011)

Rating Profile

Rating Category	
Sovereign	10.77%
Cash & Current Assets	89.23%
Grand Total	100.00%

Asset Allocation

Asset Class	
Treasury Bills	10.77%
Cash & Current Assets	89.23%
Grand Total	100.00%

*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 Dec. 30, 2011

Portfolio

Security Description	Rating	% of Total Net Assets
Money Market Instruments		99.31%
Corporation Bank	CRISIL A1+	8.88%
Axis Bank Limited	CRISIL A1+	8.87%
Punjab National Bank	CARE A1+	8.80%
Canara Bank	CRISIL A1+	8.74%
Bank of Maharashtra	CRISIL A1+	4.44%
ING Vyasa Bank Limited	CRISIL A1+	4.41%
IDBI Bank	CRISIL A1+	4.41%
Tata Capital Limited	[ICRA] A1+	4.40%
L&T Finance Limited	CARE A1+	4.40%
Andhra Bank	CRISIL A1+	4.39%
Indian Overseas Bank	[ICRA] A1+	4.38%
Kotak Mahindra Bank Limited	CRISIL A1+	4.38%
The Jammu and Kashmir Bank Limited	CRISIL A1+	4.37%
Aditya Birla Finance Limited	[ICRA] A1+	4.37%
UCO Bank	CRISIL A1+	4.36%
Allahabad Bank	[ICRA] A1+	4.36%
Bank of India	CRISIL A1+	4.36%
Aditya Birla Nuvo Limited	[ICRA] A1+	4.35%
Housing Development Finance Corporation Limited	[ICRA] A1+	1.77%
Vijaya Bank	CARE A1+	0.87%
Treasury Bills		0.47%
91 Days T-Bill 16 Mar 12	Sovereign	0.47%
Cash & Current Assets		0.22%
Grand Total		100.00%

Fund Features:

Options and NAV (₹):

Daily Dividend	1,000.4971
Reinvestment:	
Weekly Dividend	1,002.5399
Reinvestment:	
Monthly Dividend (Payout and Reinvestment):	1,009.8907
Growth:	1,028.4099

Average Maturity: 1.47 months

Modified Duration: 0.11

Yield to Maturity: 9.53%

Rating:
[ICRA]A1+mfs*

Expense Ratio:

0.10%

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	Dec. 30, 2011	6.7127	6.99850	1001.00000
Monthly Dividend	Nov. 25, 2011	5.2216	5.44380	1001.00000
Monthly Dividend	Oct. 28, 2011	4.9782	5.19010	1001.00000

Note: Face Value ₹ 1000 per unit.

Rating Profile

Rating Category	
Sovereign	0.47%
AAA	99.31%
Cash & Current Assets	0.22%
Grand Total	100.00%

Asset Allocation

Asset Class	
Money Market Instruments	99.31%
Treasury Bills	0.47%
Cash & Current Assets	0.22%
Grand Total	100.00%

*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

• Ahmedabad 079 2644 9132	• Bangalore 080 4180 0702	• Chandigarh 0172 4665 295	• Chennai 044 2830 2091
• Delhi 011 6624 9133	• Hyderabad 040 4002 4168	• Kolkata 033 3984 5315	• Mumbai 022 6118 2929
• Pune 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

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