

Morgan Stanley Ultra Short Term Fund Scheme Information Document

An Open ended Debt Scheme

Offer for Units: At Rs. 1,000/- per unit during the NFO and at applicable NAV on an ongoing basis

This Fund is suitable for Investors seeking:

- Reasonable returns over short term
- Investment in short term debt and money market instruments
- ■ (Blue). Investors understand that their principal will be at low risk

New Fund Offer Opens on: July 17, 2013

New Fund Offer Closes on: July 24, 2013

Scheme re-opens for continuous sale and repurchase: Within 5 Business Days from the date of allotment

Name of Mutual Fund

Morgan Stanley Mutual Fund

Name of Asset Management Company

Morgan Stanley Investment Management Pvt. Ltd.

Name of Trustee Company

The Board of Trustees

Registered Office & Corporate Office of the above entities

18F/19F, Tower 2, One Indiabulls Centre,
841, Senapati Bapat Marg, Mumbai - 400 013

www.morganstanley.com/indiamf

- The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India [Mutual Funds] Regulations 1996, [herein after referred to as SEBI [MF] Regulations] as amended till date, and filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.
- The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund/Investor Service Centres/Website/Distributors or Brokers.
- The investors are advised to refer to the Statement of Additional Information [SAI] for details of Morgan Stanley Mutual Fund, Tax and Legal issues and general information on www.morganstanley.com/indiamf. Investors should consult their financial advisers if in doubt about whether the product is suitable for them.
- SAI is incorporated by reference [is legally a part of the Scheme Information Document]. For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.
- The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

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I. Highlights/Summary Of The Scheme

NAME OF THE SCHEME

Morgan Stanley Ultra Short Term Fund

TYPE OF THE SCHEME

An Open ended Debt Scheme

INVESTMENT OBJECTIVE

To provide liquidity and generate reasonable returns from a portfolio of money market and short-term debt instruments.

LIQUIDITY

The Scheme will offer Units for Purchase and Redemption at NAV related prices on every Business Day on an on-going basis, commencing not later than 5 business days from the date of allotment.

The Mutual Fund will endeavor to make the payment of the redemption proceeds to the investor through Real Time Gross Settlement [RTGS], NEFT, Direct Credit, etc or dispatch the cheque/demand draft as the case may be, within 1 Business Day from the date of acceptance of redemption request but not beyond 10 business days from the date of Redemption request.

If the payment is not made within the period stipulated in the Regulations, the Unit Holder shall be paid interest @15% p.a. for the delayed period and the interest shall be borne by the AMC.

BENCHMARK INDEX

CRISIL Liquid Fund Index

TRANSPARENCY/ NAV DISCLOSURE

The AMC shall update the NAVs of the scheme on the website of Morgan Stanley Mutual Fund [www.morganstanley.com/indiamf] and on the website of Association of Mutual Funds in India [www.amfiindia.com] by 9.00 pm every Business Day. In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of Business hours on the following day due to any reason, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAVs.

Portfolio of the Scheme as on the last day of the month shall be disclosed on the website of the Fund on or before the tenth day of the succeeding month. As presently required by SEBI [Mutual Funds] Regulations, a complete statement of the Scheme portfolio would be published by

the Mutual Fund in one English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated, within one month from the close of each half-year [i.e. March 31st and September 30th] or alternatively be mailed to the unit holders.

LOAD STRUCTURE

Entry Load: NA

Exit Load: Nil

MINIMUM APPLICATION AMOUNT

Purchase:

Rs. 5,000/- plus in multiples of Re. 1/-

Additional Purchase:

Rs. 1,000/- plus in multiples of Re 1/-

FACE VALUE

Rs. 1,000/- per unit

PLANS AND OPTIONS

The Scheme will have following Plans and Options:

Plan	Options	Sub-Options/ Facility	Frequency	Record date
Regular	Growth	-	-	-
	Dividend	Dividend Re-investment	Daily	Every Business day
	Dividend	Dividend Re-investment	Weekly	Every Friday*
	Dividend	Dividend Re-investment and Pay out	Monthly	Last Friday* of the month
Direct	Growth	-	-	-
	Dividend	Dividend Re-investment	Daily	Every Business day
	Dividend	Dividend Re-investment	Weekly	Every Friday*
	Dividend	Dividend Re-investment and Pay out	Monthly	Last Friday* of the month

* If Friday is a holiday, then the record date shall be the previous Business day.

The AMC reserves the right to introduce a new Plan/Option at a later date, subject to SEBI [Mutual Funds] Regulations. For further details in this regard please refer to the section III A of this document titled 'New Fund Offer'.

OPTION TO HOLD UNITS IN DEMAT FORM

Pursuant to SEBI Circular no. CIR/IMD/DF/9/2011 dated May 19, 2011, an option to hold the units of the Scheme(s)/Plan(s) in dematerialized [demat] form is being provided to the investors. For further details in this regard, please refer to the section III A of this document titled 'New Fund Offer'.

II. Introduction

A. RISK FACTORS

Standard Risk Factors:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price/value/interest rates of the securities in which the scheme invests fluctuate, the value of your investment in the scheme may go up or down.
- Past performance of the Sponsor, Mutual Fund, AMC or any associates of the Sponsor/AMC does not indicate the future performance of the Scheme of the Mutual Fund.
- Morgan Stanley Ultra Short Term Fund is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme or its future prospects and returns.
- The Sponsor is not responsible or liable for any loss resulting from the operations of any of the Schemes of Morgan Stanley Mutual Fund beyond the initial contribution of an amount of Rs. 5 lacs towards setting up the Fund.
- The present scheme is not a guaranteed or assured return scheme.
- Dividend declarations will be dependent on the returns achieved by the AMC through active management of the portfolio. The dividend distributions may, therefore, vary from time to time based on investment results of the portfolio. Further, it should be noted that the actual distribution of dividends is indicative and will depend, inter-alia, on availability of distributable surplus, and will be entirely at the discretion of Trustees.

Risk Factors Associated with Fixed Income and Money Market Instruments:

- Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in prices is a function of the existing coupon, days to maturity and the increase or decrease in interest rates. Price-risk is not unique to government securities but is true for all fixed income securities. The default risk however, in respect of Government securities is minimal. Therefore, their prices are influenced only by movement in interest rates in the financial system. On the other hand, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced by credit standing of the issuer as well as the general level of interest rates.
- In addition to the factors that affect the values of

securities, the NAV of Units of the Scheme will fluctuate with the movement in the broader fixed income, money market and derivatives market and may be influenced by factors influencing such markets in general including but not limited to economic conditions, changes in interest rates, price and volume volatility in the bond and stock markets, changes in taxation, currency exchange rates, foreign investments, political, economic or other developments and closure of the stock exchanges.

- Investments in different types of securities are subject to different levels and kinds of risk. Accordingly, the Scheme's risk may increase or decrease depending upon its investment pattern. E.g. investments in corporate bonds carry a higher level of risk than investments in Government securities. Further, even amongst corporate bonds, bonds which have a higher rating are comparatively less risky than bonds which have a lower rating.
- The performance of the Scheme may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems.
- **Interest rate risk:** As with all debt securities, changes in interest rates may affect the NAV of the Scheme since the price of a fixed income instrument falls when the interest rates move up and vice versa. The effect is more prominent when the duration of the instrument is higher. Hence, the NAV movement of the Scheme consisting of predominantly fixed income securities is likely to have inverse correlation with the movement in interest rates. In case of a floating rate instrument, this risk is lower as a result of periodic reset of the coupon.
- **Spread risk:** Though the sovereign yield curve might remain constant, investments in corporate bonds are exposed to the risk of spread widening between corporate bonds and gilts. Typically, if this spread widens, the prices of the corporate bonds tend to fall and so could the NAV of the Scheme. Similar risk prevails for the investments in the floating rate bonds, where the benchmark might remain unchanged, but the spread over the benchmark might vary. In such an event, if the spread widens, the price and the NAV could fall.
- **Credit risk or default risk:** This refers to inability of the issuer of the debt security to make timely payments of principal and/or interest due. It is reflected in the credit rating of the issuer. Hence if the credit rating of the issuer is downgraded, the price of the security will suffer a loss and the NAV will fall. Credit risk factors pertaining to lower rated securities also apply to lower rated zero coupon and deferred interest kind bonds. Lower rated zero coupon and deferred interest kind

bonds carry an additional risk, unlike bonds that pay interest through the period of maturity, the Scheme by investing in these bonds will realize no cash till the cash payment date and if the issuer defaults, the Scheme may obtain no return on its investment.

- **Liquidity risk:** This represents the possibility that the realized price from selling the security might be lesser than the valuation price as a result of illiquid market. If a large outflow from the Scheme is funded by selling some of the illiquid securities, the NAV could fall even if there is no change in interest rates. Illiquid securities are typically quoted at a higher yield than the liquid securities and have higher bid offer spreads. Investment in illiquid securities results in higher current yield for the portfolio. Liquidity risk is a characteristic of the Indian fixed income market today. In addition, money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the Scheme and may lead to the Scheme incurring losses till the security is finally sold.
- **Reinvestment risk:** This is associated with the fact that the intermediate cash flows [coupons, prepayment of principal in case of securitized transactions or principal payment in case a security gets called or repurchased] may not be reinvested at the same yield as assumed in the original calculations.
- **Settlement risk:** Different segments of Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. Delays or other problems in settlement of transactions could result in temporary periods when the assets of the Scheme are un-invested and no return is earned thereon. The inability of the Scheme to make intended securities purchases, due to settlement problems, could cause the Scheme to miss certain investment opportunities. Similarly, the inability to sell securities held in the Scheme's portfolio, due to the absence of a well developed and liquid secondary market for debt securities, may result at times in potential losses to the Scheme in the event of a subsequent decline in the value of securities held in the Scheme's portfolio.
- **Market risk:** Lower rated or unrated securities are more likely to react to developments affecting the market and the credit risk than the highly rated securities which react primarily to movements in the general level of interest rates. Lower rated or unrated securities also tend to be more sensitive to economic conditions than higher rated securities.

Risk Factors Associated with Derivatives:

- AMC may use various derivative products, as permitted by SEBI from time to time, in an attempt to protect the value of the portfolio and enhance Unit holder's

interest/value of the Scheme. As and when the schemes trade in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly.

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor although they are traded at a relatively small amount of margin. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.
- The derivatives market in India is nascent and does not have the volumes that may be seen in other developed markets, which may result in volatility to the values.
- There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party [usually referred to as the "counter party"] to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme.
- Interest Rate Swaps [IRS] are highly specialized instruments that require investment technique and risk analysis different from those associated with equity shares and other traditional securities. The use of a IRS requires not only an understanding of the referenced asset, reference rate, or index but also of the swap itself, without the benefit of observing the performance of the swap under all possible market conditions. Swap agreements are also subject to liquidity risk, which exists when a particular swap is difficult to purchase or sell. Swap agreements may be subject

to pricing risk, which exists when a particular swap becomes extraordinarily expensive or cheap relative to historical prices or the prices of corresponding cash market instruments. IRS agreements are also subject to counterparty risk on account of insolvency or bankruptcy or failure of the counterparty to make required payments or otherwise comply with the terms of the agreement.

Risk Factors Associated with Foreign Securities:

- Within the investment objectives of the Scheme, the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances.
- It is the AMC's belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multi-market and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme. Since the Scheme would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated under the Regulations or by RBI from time to time.
- Overseas investments will be made subject to any/all approvals, conditions thereof as may be stipulated under the Regulations or by RBI and provided such investments do not result in expenses to the Fund in excess of the ceiling on expenses prescribed by the Regulations and consistent with costs and expenses attendant to international investing.
- To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

Risk Factors Associated with Securitised Debt:

Generally available asset classes for securitization in India are:

- Commercial Vehicles
- Auto and Two wheeler pools

- Mortgage pools [residential housing loans]
- Personal Loan, credit card and other retail loans
- Corporate loans/receivables

In terms of specific risks attached to securitization, each asset class would have different underlying risks. Some of the asset classes such as personal loans, credit card receivables etc., being unsecured credits in nature, may witness higher default rates. As regards corporate loans/receivables, depending upon the nature of the underlying security for the loan or the nature of the receivable the risks would correspondingly fluctuate. However, the credit enhancement stipulated by rating agencies for such asset class pools is typically much higher and hence their overall risks are comparable to other AAA rated asset classes.

The rating agencies have an elaborate system of stipulating margins, over collateralization and guarantee to bring risk limits in line with the other AAA rated securities. It is relevant to note here that predominantly the scheme intends to invest in only AAA rated securitized debt.

Some of the factors, which are typically analyzed for any pool, are as follows:

- **Size of the loan:** This generally indicates the kind of assets financed with loans. Also indicates whether there is excessive reliance on very small ticket size, which may result in difficult and costly recoveries. To illustrate, the ticket size of housing loans is generally higher than that of personal loans. Hence in the construction of a housing loan asset pool for say Rs. 1 Crore, it may be easier to construct a pool with just 10 housing loans of Rs. 10 lac each rather than to construct a pool of personal loans as the ticket size of personal loans may rarely exceed Rs. 5 lacs per individual. Also to amplify this illustration further, if one were to construct a pool of Rs. 1 Crore consisting of personal loans of Rs. 1 lac each, the larger number of contracts [100 contracts of 1 lac each as against a pool of 10 housing loans contracts] automatically diversifies the risk profile of the pool as compared to a housing loan based asset pool.
- **Average original maturity of the pool:** This indicates the original repayment period and whether the loan tenors are in line with industry averages and borrower's repayment capacity. To illustrate, in a car pool consisting of 60 month contracts, the original maturity and the residual maturity of the pool viz. number of remaining installments to be paid gives a better idea of the risk of default of the pool itself. If in a pool of 100 car loans having original maturity of 60 months, if more than 70% of the contracts have paid more than 50% of the installments and if no default has been observed in such contracts, this is a far superior portfolio than a similar car loan pool where 80% of the contracts have not even crossed 5 installments.

- **Loan to Value Ratio:** This indicates how much % value of the asset is financed by borrower's own equity. The lower the LTV, the better it is. This Ratio stems from the principle that where the borrower's own contribution of the asset cost is high; the chances of default are lower. To illustrate for a Truck costing Rs. 20 lac, if the borrower has himself contributed Rs. 10 lac and has taken only Rs. 10 lac as a loan, he is going to have lesser propensity to default as he would lose an asset worth Rs. 20 lac if he defaults in repaying an installment. This is as against a borrower who may meet only Rs. 2 lac out of his own equity for a truck costing Rs. 20 lac. Between the two scenarios given above, the latter would have higher risk of default than the former.
- **Average seasoning of the pool:** This indicates whether borrowers have already displayed repayment discipline. To illustrate, in the case of a personal loan, if a pool of assets consist of those who have already repaid 80% of the installments without default, this certainly is a superior asset pool than one where only 10% of installments have been paid. In the former case, the portfolio has already demonstrated that the repayment discipline is far higher.
- **Default rate distribution:** This indicates how much % of the pool and overall portfolio of the originator is current, how much is in 0-30 DPD [days past due], 30-60 DPD, 60-90 DPD and so on. The rationale here is very obvious, as against 0-30 DPD, the 60-90 DPD is certainly a higher risk category.

Unlike in plain vanilla instruments, in securitization transactions it is possible to work towards a target credit rating, which could be much higher than the originator's own credit rating. This is possible through a mechanism called 'Credit enhancement'. The purpose of credit enhancement is to ensure timely payment to the investors, if the actual collection from the pool of receivables for a given period is short of the contractual payouts on securitization. Securitizations are normally non-recourse instruments and therefore, the repayment on securitization would have to come from the underlying assets and the credit enhancement. Therefore, the rating criteria centrally focus on the quality of the underlying assets.

World over, the quality of credit ratings is measured by default rates and stability. An analysis of rating transition and default rates, witnessed in both international and domestic arena, clearly reveals that structured finance ratings have been characterized by far lower default and transition rates than that of plain vanilla debt ratings. Further, internationally, in case of structured finance ratings, not only are the default rates low but post default recovery is also high.

In the Indian scenario also, more than 95% of issuances have been AAA rated issuances indicating the strength of the underlying assets as well as adequacy of credit enhancement.

- **Limited Liquidity & Price Risk:** Presently, secondary market for securitized papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.
- **Limited Recourse, Delinquency and Credit Risk:** Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the Certificate Holders against the Investors' Representative. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Servicer may repossess and sell the underlying Asset. However many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.
- **Risks due to possible prepayments-Weighted Tenor/Yield:** Asset securitization is a process whereby commercial or consumer credits are packaged and sold in the form of financial instruments. Full prepayment of underlying loan contract may arise under any of the following circumstances :
 - Obligor pays the Receivable due from him at any time prior to the scheduled maturity date of that Receivable; or;
 - Receivable is required to be repurchased by the Seller consequent to its inability to rectify a material misrepresentation with respect to that Receivable; or
 - The Servicer recognizing a contract as a defaulted contract and hence repossessing the underlying Asset and selling the same.

- In the event of prepayments, investors may be exposed to changes in tenor and yield.
- **Bankruptcy of the Originator or Seller:** If originator becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from originator to Trust was not a sale then an Investor could experience losses or delays in the payments due. All possible care is generally taken in structuring the transaction so as to minimize the risk of the sale to Trust not being construed as a “True Sale”.

Legal opinion is normally obtained to the effect that the assignment of Receivables to Trust in trust for and for the benefit of the Investors, as envisaged herein, would constitute a true sale.

- **Bankruptcy of the Investor's Agent:** If Investor's agent becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the recourse of Investor's Agent to the assets/receivables is not in its capacity as agent/Trustee but in its personal capacity, then an Investor could experience losses or delays in the payments due under the swap agreement. All possible care is normally taken in structuring the transaction and drafting the underlying documents so as to provide that the assets/receivables if and when held by Investor's Agent is held as agent and in Trust for the Investors and shall not form part of the personal assets of Investor's Agent. Legal opinion is normally obtained to the effect that the Investors Agent's recourse to assets/receivables is restricted in its capacity as agent and trustee and not in its personal capacity.
- **Credit Rating of the Transaction/Certificate:** The credit rating is not a recommendation to purchase, hold or sell the Certificate in as much as the ratings do not comment on the market price of the Certificate or its suitability to a particular investor. There is no assurance by the rating agency either that the rating will remain at the same level for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency.
- **Risk of Co-mingling:** The Servicers normally deposit all payments received from the Obligor into the Collection Account. However, there could be a time gap between collection by a Servicer and depositing the same into the Collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the Loan Agreements may not be segregated from other funds of the Servicer. If the Servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss. Due care is normally taken to ensure that the Servicer enjoys highest credit rating on stand alone basis to minimize Co-mingling risk.

Risk Mitigation Measures:

Risk management is an integral part of the portfolio management processes and the focus is on delivering risk-adjusted returns on a consistent basis. The main risk components of Investment risk are interest rate risk, liquidity risk, credit risk, re-investment risk, systemic risk and operational risks.

We analyze the risk and return characteristics of individual positions as well as interactions of these positions in the overall portfolio by adopting following measures:

- Internal templates provide an overall check on interest rate, liquidity and credit risk while we use several proprietary tools to manage these risks at micro level.
- There is high degree of due diligence for managing credit risk. Rigorous in-depth credit evaluation is there for selecting individual credits.
- We recognize the importance of liquidity risk management considering the nature of India's fixed income market and the scheme being open-ended while choosing individual security as well as constructing the overall portfolio.
- Regular review of risk and risk adjusted performance metrics including standard deviation of absolute return, tracking error, Sharpe and information ratios and peer comparison.
- Adequate internal controls and compliance to keep operating risk under control.

Overview of the Debt Market in India:

Over the years, the Indian Debt Market has grown in size substantially with a wide variety of new participants and instruments. It is getting gradually integrated with the global financial markets with best of the global technology helping the cause. The Reserve Bank of India has been taking steps to make the Indian Debt Market more efficient and vibrant. The increase in the limit of foreign institutional investors' investment in the domestic fixed income market will result in attracting global investors to the Indian Market.

Broadly, the debt market consists of two parts viz. the Money Market and the Debt market. Money market instruments have a tenor of less than one year while debt market instruments have a tenor of more than one year. Money market instruments are typically commercial paper, certificates of deposit, treasury bills, CBLO etc. Debt market comprises typically of securities issued by Governments (Central and State), Banks, Financial Institutions, and Companies in the private and public sector, Corporations, Statutory Bodies etc. Government (Central and State) is the largest issuer of debt in the market. Public sector enterprises, quasi government bodies and private sector companies are other issuers. Insurance

companies, provident funds, banks, mutual funds, financial institutions, corporate and FIIs are major investors in the market. Government loans are available up to 30 years maturity. Variety of instruments available for investments including plain vanilla bonds, floating rate bonds, money market instruments, structured obligations and interest rate derivatives, make it possible to manage the interest rate risk effectively. The securities available are listed or unlisted, secured or unsecured, public issue or private placements. Credit rating agencies are playing an important role in the market and have been an important source of information to manage the credit risk. The RBI reviews the monetary policy four times a year giving the guidance to the market on direction of interest rate movement, liquidity and credit expansion. The central bank has been operating as an independent authority, formulating the policies to maintain price stability and adequate liquidity.

Screen based order-matching system developed by the RBI for trading in government securities, straight through settlement system for the same, settlements guaranteed by the Clearing Corporation of India (CCIL) and innovative instruments like CBLO have contributed in reducing the settlement risk and increasing the confidence level of the market participants. Debt securities like corporate bonds and money market instruments are mainly over the counter (OTC) products, where counterparties deal directly or through broker platforms. The National Stock Exchange of India Limited (NSE) has a separate platform called the Wholesale Debt Market segment where reporting of trades are done through member brokers. The Bombay Stock Exchange (BSE) also has a similar platform. The CCIL has also set up platform for lending and borrowing through the CBLO dealing system and CROMS (ClearCorp Repo Order Matching system). These dealing systems have been fairly successful and in addition to the call money market account for bulk of the overnight lending and borrowing activities of market participants for short term surpluses.

Indicative levels of the instruments currently trading are as follows:

Instrument	Maturity	Yield	Liquidity
CBLO/ Repo	Short	6.50-7.50%	Very High
CP/CD/T Bills	Short	7.25-9.00%	Very High
PSU Bonds/Corporate Bonds	Medium	7.50-9.50%	Medium
Central/State Government Securities	Low to High	7.25-8.25%	High

These are only indicative levels in June 2013 and are likely to change depending upon the prevailing market conditions.

B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

The Scheme/Plan having a separate portfolio shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme/Plan(s). However, if such limit is breached during the

NFO of the Scheme, the Fund will endeavor to ensure that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme/Plan(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2) (c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme/Plan(s) shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25% limit. Failure on the part of the said investor to redeem his exposure over the 25% limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

C. SPECIAL CONSIDERATIONS, IF ANY

- The Sponsor is not responsible or liable for any loss resulting from the operations of any of the Schemes of Morgan Stanley Mutual Fund beyond the initial contribution of an amount of Rs. 500,000/- collectively made by them towards setting up the Fund or such other accretions and additions to the initial corpus set up by the Sponsor.
- Neither this Scheme Information Document nor the Units have been registered in any other jurisdiction. The distribution of this Scheme Information Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Scheme Information Document are required to inform themselves about, and to observe, any such restrictions.
- Prospective investors should review this Scheme Information Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/investment matters and are advised to consult their own professional advisor[s] as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal [by way of sale, switch or Redemption or conversion into money] of Units and to the treatment of income [if any], capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal [by way of sale, transfer, switch or conversion into money] of Units within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to Purchase/gift Units are subject, and also to determine

possible legal, tax, financial or other consequences of subscribing/gifting, purchasing or holding Units before making an application for Units.

- Morgan Stanley Mutual Fund/the AMC have not authorized any person to give any information or make any representations, either oral or written, not stated in this Scheme Information Document in connection with issue of Units under the Scheme. Prospective investors are advised not to rely upon any information or representations not incorporated in this Scheme Information Document as the same have not been authorized by the Fund or the AMC. Any subscription, Purchase or sale made by any person on the basis of statements or representations which are not contained in this Scheme Information Document or which are inconsistent with the information contained herein shall be solely at the risk of the investor.
- Subject to the Regulations, from time to time, funds managed by the affiliates/associates of the Sponsor may invest either directly or indirectly in the Scheme. The funds managed by these affiliates/associates may acquire a substantial portion of the Scheme's Units and collectively constitute a major investment in the Scheme. Accordingly, Redemption of Units held by such funds may have an adverse impact on the value of the Units of the Scheme because of the timing of any such Redemption and may affect the ability of other Unit Holders to redeem their respective Units.
- As the liquidity of the Scheme's investments may sometimes be restricted by trading volumes, settlement periods and transfer procedures, the time taken by the Fund for Redemption of Units may be significant in the event of an inordinately large number of Redemption requests or of restructuring of the Scheme's portfolio. In view of this, the Trustee has the right, in its sole discretion, to limit redemptions under certain circumstances - please refer paragraph "Right to Limit Redemptions" in section IV A under Units and Offer.
- The AMC, under powers delegated by the Trustee, shall have absolute discretion to reject any application, prevent further transactions by a Unit Holder, if after due diligence, the investor/Unit Holder/a person making the payment on behalf of the investor does not fulfill the requirements of the "Know Your Customer" or the AMC believes that the transaction is suspicious in nature as regards money laundering. In this regard the AMC reserves the right to reject any application and effect a mandatory Redemption of Units allotted. If the payment for Purchase of Units are made by a third party [e.g. a Power of Attorney Holder, a Financing agency, a relative, etc.], the Unit Holder may be required to give such details of such transaction so as to satisfy the AMC of the source and/or consideration underlying the transaction.
- Pursuant to SEBI's circular: SEBI/IMD/CIR No. 14/151044/09 dated January 19, 2009 the AMC shall not offer any indicative portfolio and indicative yield and that no communication regarding the same in any

manner whatsoever, shall be issued by any mutual fund or distributors of its products.

D. DEFINITIONS

In this Scheme Information Document, the following terms shall have the meanings mentioned against the respective term unless the context suggest otherwise:

AMFI: Association of Mutual Funds in India

Asset Management Company, AMC or Investment Manager: Morgan Stanley Investment Management Private Limited incorporated under the provisions of the Companies Act, 1956, and approved by SEBI to act as Investment Manager for the Schemes of Morgan Stanley Mutual Fund.

Applicable NAV: The Net Asset Value applicable for Redemptions/Repurchase/switches etc., based on the Business Day and relevant cut-off times on which the application is accepted at the official points of acceptance.

Application Form/Key Information Memorandum: A form meant to be used by an investor to open a Folio and purchase Units in the Scheme. Any modifications to the application form will be made by way of an addendum. On the issue of such addendum, the application form will be deemed to be updated by the addendum.

Applications supported by Blocked Amount or ASBA: An application containing an authorization given by the investor to block the application money in his/her specified bank account towards the subscription of units offered during the NFO of the Scheme. If an investor applying through ASBA facility, the application money towards the subscription of units shall be debited from his specified bank account only if his/her application is selected for allotment of units.

Business Day: A day not being:

1. A Saturday or Sunday; or
2. A day on which Banks in Mumbai and/or the Reserve Bank of India are closed for business or clearing, or
3. A day on which there is no RBI clearing/settlement of securities; or
4. A day on which the money markets are closed or otherwise not accessible; or
5. A day on which both BSE and NSE are closed, whether or not the banks in Mumbai are open; or
6. A day on which Purchase and Redemption of Units is suspended or a book closure period is announced by the Trustee/AMC; or
7. A day on which normal business cannot be transacted due to storms, floods, bandhs, strikes or such other events as the AMC may specify from time to time.

Provided that the days when the banks in any location where the AMC's Investor Service Centres/Collection Centres are located, are closed due to a local holiday, such days will be treated as non Business Days at such centres for the purposes of accepting fresh subscriptions. However, if the Investor Service Centre in such locations is open on

such local holidays, then redemption and switch requests will be accepted at those centres, provided it is a Business Day for the Scheme on an overall basis.

Notwithstanding the above, the AMC reserves the right to change the definition of Business Day and to declare any day as a Business Day or otherwise at any or all ISCs.

CBLO: Collateralized Borrowing and Lending Obligation.

Contingent Deferred Sales Charge/CDSC: A charge to the Unit Holder upon exiting [by way of Redemption] based on the period of holding of Units. The Regulations provide that a CDSC may be charged only for a no-Load Scheme and only for the first four years after the Purchase and caps the percentage of NAV that can be charged in each year.

Collection Bank[s]: The Bank[s] with which the AMC has entered into an agreement, from time to time, to enable customers to deposit their applications for Units during New Fund Offer.

Cut-off time: Cut-off timing, in relation to an investor making an application to a mutual fund for purchase or sale of units, shall mean the outer limits of timings within a particular day which are relevant for determination of the NAV that is to be applied for his/her transaction.

Depository: Depository as defined in the Depositories Act, 1996.

Designated Collection Centres/ Investor Service Centre/ ISC Official points of acceptance of transaction/service requests from investors. These will be designated by the AMC from time to time. List as on the date of this document is disclosed at the end of this document. For the latest list of ISCs, please refer to the website of the Mutual Fund namely, www.morganstanley.com/indiamf or call at 1800 425 1313 or your distributor.

Dividend: Income distributed by Scheme on the Units, where applicable.

EFT: Electronic Fund Transfer

Exit Load: A Load [other than CDSC] charged to the Unit Holder on exiting the Scheme [by way of Redemption] based on period of holding or any other criteria decided by the AMC.

Floating Rate Debt Instruments: Floating rate debt instruments are debt securities issued by Central and/or State Government, Corporate Bodies or PSUs with interest rates that are reset periodically. The periodicity of the interest reset could be daily, monthly, quarterly, half-yearly, annually or any other periodicity that may be mutually agreed with the issuer and the Mutual Fund. Floating rate debt instruments can be synthetically created by swapping Money Market Instruments & Fixed Rate Debt Instruments for floating rate returns.

Foreign Institutional Investors/FII: An entity registered with SEBI under Securities and Exchange Board of India [Foreign Institutional Investors] Regulations, 1995 as amended from time to time.

Fund/Mutual Fund/MSMF: Morgan Stanley Mutual Fund, a Trust registered with SEBI under the Regulations,

vide Registration No. MF/005/93/1 dated November 5, 1993.

Gilts or Government Securities: Securities created and issued by the Central Government and/or a State Government [including Treasury Bills] or Government Securities as defined in the Public Debt Act, 1944, as amended or re-enacted from time to time.

Investment Agreement/IMA: The agreement dated November 03, 1993, entered into between Board of Trustees and Morgan Stanley Investment Management Private Limited, as amended from time to time.

Load: A charge that may be levied to an investor at the time of Redemption of Units from the Scheme.

MSUSTF: Morgan Stanley Ultra Short Term Fund, an open-ended debt scheme.

Net Asset Value/ NAV: Net Asset Value of the Units of the Scheme [including options there under] calculated in the manner provided in this Scheme Information Document or as may be prescribed by the Regulations from time to time.

New Fund Offer/ NFO: The offer for Purchase of Units at the inception of the Scheme, available to the investors during the NFO Period.

Non Resident Indian/NRI: Non Resident Indian as defined in the Foreign Exchange Management Act, 1999.

Ongoing Offer: Ongoing offer is an offer of units under the scheme when it becomes open for continuous purchase/sale after the closure of the New Fund Offer Period.

PIO: Person of Indian Origin means a citizen of any country other than Bangladesh or Pakistan, if

[a] he/she at any time held Indian passport; or

[b] he/she or either of his/her parents or any of his/her grandparents were a citizen of India by virtue of the Constitution of India or the Indian Citizenship Act 1955; or

[c] the person is a spouse of a Indian citizen or a person referred to in sub clause [a] or [b] above.

POA: Power of Attorney

Purchase/ Subscription: Subscription to/purchase of units of the scheme

Purchase price: The price at which the units can be purchased and calculated in the manner provided in this Scheme Information Document.

RBI: Reserve Bank of India.

Registrar: Karvy Computershare Private Limited registered under the SEBI [Registrar to an Issue and Share Transfer Agents] Regulations, 1993, appointed as the Registrar and Transfer Agent for the Scheme, or any other registrar that may be appointed by the AMC.

Redemption: Repurchase of Units by the Scheme from a Unit Holder.

Redemption Price: The price [being Applicable NAV minus Exit Load/CDSC] at which the Units can be

redeemed and calculated in the manner provided in this Scheme Information Document.

Scheme: Morgan Stanley Ultra Short Term Fund.

Scheme Information Document/SID: This document issued by MSMF offering units of Morgan Stanley Ultra Short Term Fund for subscription. Any modifications to this document will be made by way of an addendum, which will be attached thereto. On issuance of an addendum, the SID will be deemed to be updated to the effect of the addendum issued.

SEBI: Securities and Exchange Board of India established under the SEBI Act, 1992.

SEBI Regulations/Regulations: Securities and Exchange Board of India [Mutual Funds] Regulations, 1996 as amended from time to time, including by way of circulars or notifications issued by SEBI and the Government of India.

Sponsor: Morgan Stanley being the settler of Morgan Stanley Mutual Fund.

Switch: Sale of a Unit in one Scheme/Plan/Option against purchase of a Unit in another Scheme/Plan/Option.

Systematic Investment Plan/SIP: A facility enabling investors to save and invest in the Scheme at frequency/dates prescribed by the Mutual Fund, by submitting post-dated cheques/payment instructions.

Systematic Transfer Plan/STP: A facility enabling the unit holders to transfer their investments from/to other schemes of Morgan Stanley Mutual Fund at a frequency/dates prescribed by the Mutual Fund from time to time, by giving a single instruction to the Mutual Fund.

Systematic Withdrawal Plan/SWP: A facility enabling the unit holders to withdraw amount from the Scheme at a frequency prescribed by the Mutual Fund from time to time, by giving a single instruction to the Mutual Fund.

Transaction Slip: A form meant to be used by Unit Holders seeking additional Purchase or Redemption of Units in the Scheme, change in bank account details, switch-in or switch-out and such other facilities offered by the AMC and mentioned in Transaction Slips.

Trustees/Board of Trustees: The Trustees to the Morgan Stanley Mutual Fund.

Trust Deed: The Trust Deed dated November 3, 1993 made by and between the Sponsor and the Board of Trustees, establishing Morgan Stanley Mutual Fund.

Unit: The interest of an investor, which consists of one undivided share in the net assets of the Scheme.

Unit Holder: A person holding Units of the Scheme of Morgan Stanley Mutual Fund offered under this Scheme Information Document.

Interpretation

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- The terms defined in this Scheme Information Document include the plural as well as the singular.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- All references to "US\$" refer to United States Dollars and "Rs." refer to Indian Rupees.
- References to times of day [i.e. a.m. or p.m.] are to Mumbai [India] times and references to a day are to a calendar day including non Business Day.

E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

It is confirmed that:

- The draft Scheme Information Document forwarded to SEBI is in accordance with the SEBI [Mutual Funds] Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- All legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, were duly complied with.
- The disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.
- The intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.
- The contents of the SID including figures, data, yields, etc. have been checked and are factually correct.

Sd/-

Sonali Bendke
Compliance Officer

Place: Mumbai
Date: November 9, 2012

Note: The aforesaid certificate was submitted to Securities and Exchange Board of India on November 9, 2012.

III. Information About The Scheme

A. TYPE OF THE SCHEME

An Open ended Debt Scheme

B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

To provide liquidity and generate reasonable returns from a portfolio of money market and short-term debt instruments.

C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

Under normal circumstances, the asset allocation would be as follows:

Type of Security	% of Net assets	Risk Profile
Money market & debt instruments* with average maturity of the portfolio not being more than 1 year	100%	Low

* including securitized debt up to 50% of net assets of the Scheme. No investment shall be made in foreign securitized debt.

- Pursuant to SEBI Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010, the cumulative gross exposure to debt and derivative positions will not exceed 100% of the net assets of the Scheme.
- The Scheme may take fixed income derivatives position up to 20% of the net assets of the Scheme based on the opportunities available subject to guidelines issued by SEBI from time to time. These positions may be taken to hedge the portfolio or rebalance the same as permitted under SEBI Regulations from time to time.
- The Scheme may also invest in foreign debt instruments up to 30% of the net assets of the Scheme in accordance with guidelines prescribed by SEBI and RBI from time to time. As mentioned earlier, the Scheme shall not make investments in Foreign Securitized debt.
- The Scheme will not engage in securities lending.

Change in Investment Pattern:

Subject to the SEBI Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute. These proportions can vary depending upon the perception of the Investment Manager; the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be for short term period and for defensive considerations only. In such cases the portfolio will be rebalanced within 30 days in line with the stated asset allocation.

D. WHERE WILL THE SCHEME INVEST?

The assets of the Scheme will be invested in short term debt and money market instruments. Subject to the Regulations, the assets of the Scheme can be invested in any [but not exclusively] of the following securities/instruments:

- Securities created, issued or guaranteed by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI [including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills].
- Debt instruments issued by domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee.
- Corporate debt and securities [of both public and private sector undertakings] including Bonds, Debentures, Notes, STRIPS etc.
- Debt instruments [both public and private sector] issued by banks/development financial institutions.
- Money market instruments permitted by SEBI including alternative investments for the call money market as may be provided by RBI to meet the liquidity requirements.
- Certificate of Deposits [CDs].
- Collateralized Lending & Borrowing Obligations [CBLO].
- Commercial Paper [CPs].
- Securitized Debt instruments.
- Repurchase and Reverse repurchase obligations.
- The non-convertible part of convertible securities.
- Any other domestic fixed income securities and money market securities.
- Any overseas debt instrument, as permitted by extant regulations.
- Pass through, Pay through or other Participation Certificates representing interest in a pool of assets including receivables.
- Derivative instruments.
- Debt or money market Mutual Fund schemes.
- Any other securities/instruments as may be permitted by SEBI from time to time.

Investment in Foreign Securities:

Investment in overseas securities shall be made in accordance with the requirements stipulated by SEBI and RBI from time to time. If the Scheme decides to invest in foreign securities, it is the intention of the Investment Manager that such investments will not, normally exceed 30% of the assets of the Scheme. However, the AMC with

a view to protecting the interests of the investors, may increase exposure in foreign securities as deemed fit from time to time. Foreign securities would include overseas mutual fund units, including money market and debt instruments, which are permissible under the Regulations or by any other regulatory body. Further, the AMC shall ensure due compliance with SEBI circular dated September 26, 2007 as amended from time to time, pertaining to investment in foreign securities before undertaking any such investment. As per SEBI circular SEBI/IMD/CIR No. 7/104753/07 dated September 26, 2007, a mutual fund can make overseas investments up to USD 300 million, or such other limit as may be specified by SEBI from time to time.

Investment in securitized debt:

1. How the risk profile of securitized debt fits into the risk appetite of the scheme?

An evaluation procedure similar to that applied in analyzing other debt category [commercial paper, non-convertible debentures, bonds etc] will be employed for analyzing securitized debt and assessing their eligibility for the scheme and the portfolio. We will also analyze the risk profile in such instruments so that they are in line with other debt category and scheme's investment objectives from a risk perspective for the various investing schemes.

2. Policy relating to originators based on nature of originator, track record, NPAs and losses in earlier securitized debt:

A securitization transaction involves sale of receivables by the originator [a bank, non-banking finance company, housing finance company, or a manufacturing/service company] to a Special Purpose Vehicle [SPV], typically set up in the form of a trust. Investors are issued rated Pass Through Certificates [PTCs], the proceeds of which are paid as consideration to the originator. In this manner, the originator, by selling his loan receivables to an SPV, receives consideration from investors much before the maturity of the underlying loans. Investors are paid from the collections of the underlying loans from borrowers. Typically, the transaction is provided with a limited amount of credit enhancement [as stipulated by the rating agency for a target rating], which provides protection to investors against defaults by the underlying borrowers.

The Scheme will invest in instruments of the originator only if the originator has an investment grade rating. Over and above the credit rating assigned by credit rating agencies to the originator, Morgan Stanley Mutual Fund will conduct an additional evaluation on –

- Previous track record on origination, servicing and performance of existing pools;
- Willingness to pay, through credit enhancement facilities etc;
- Ability to pay;
- Business risk assessment, wherein following factors are considered
 - Outlook for the economy [domestic and global]
 - Outlook for the industry
 - Originator/Pool specific factors

For single loan PTC, credit evaluation of the underlying corporate is to be carried out as it is done for any other debt instruments.

3. Risk mitigation strategies:

Risk mitigation strategies will depend on each asset class, whether they are unsecured loans or secured, collection history, past recovery rates, originator's financial profile, servicing performance, etc for each asset class. MSMF will invest in pools with investment grade rating by SEBI recognized rating agencies. In addition, some specific risk mitigation measures will include:

Risk	Mitigation
Credit Risk	Analysis of originator with respect to past track record, systems and processes, performance of pools, collateral adequacy and disclosure frequency; Analysis of specific pool with respect to nature of underlying asset, loan sizes, loan to value ratio, geographical diversity, etc.
Counterparty Risk	Past track record of handling securitized transactions, disclosure adequacy and frequency.
Legal Risk	Check with rating agency that investors' interest is not compromised, specific protection measures like bankruptcy remoteness, etc are built in; Separate in-house legal opinion on transactions.
Market Risk	Liquidity, Prepayment and Interest Rate Risk Analysis and level of their mitigation through transaction structure and credit enhancements provided.

4. The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments:

Framework that shall be applied while evaluating investment decision relating to a pool securitization transaction:

Characteristics/ Type of Pool	Mortgage Loan	Commercial Vehicle and Construction Equipment	CAR loan	2 Wheelers	Micro Finance Pools	Personal Loans	Single Sell Downs
Approximate Average maturity [in Months]	60-120	12-48	12-48	12-24	12	12-36	NA
Collateral margin [including cash, guarantees, excess interest spread, subordinate tranche]	5-20%	5-20%	5-20%	5-20%	10-30%	10-30%	NA
Average Loan to Value Ratio	Less than 90%	Less than 90%	Less than 90%	Less than 90%	NA	NA	NA
Average seasoning of the Pool	6-12 months	3-6 months	3-6 months	3-6 months	3-12 weeks	1-3 months	0-3 months
Maximum single exposure range	5-10%	5-10%	Retail	Retail	Retail	Retail	NA
Average single exposure range %	1-3%	1-3%	Retail	Retail	Retail	Retail	NA

Information illustrated in the Table above, is based on the current scenario relating to Securitized Debt market and is subject to change depending upon the change in the related factors.

We endeavor to consider some of the important risk mitigating factors for securitized pool i.e.

- Average original maturity of the pool: based on different asset classes and current market practices;
- Collateral margin including cash collateral and other credit enhancements;
- Loan to Value Ratio;
- Average seasoning of the pool, which is a key indicator of past pool performance;
- Default rate distribution;
- Geographical Distribution;
- Maximum single exposure: Retail pools [passenger cars, 2-wheelers, Micro finance, personal loans, etc] are generally well diversified with maximum and average single exposure limits within 1%.

As illustrated above, these factors vary for different asset classes and will be based on interactions with each originator as well as the credit rating agency. The above framework including the mentioned risk mitigating measures will be applied at the time of analyzing pool PTC transactions. In the case of composite PTC pools i.e. pools with more than one asset class, each of the asset categories will be assessed separately in order to arrive at the overall risk profile of the composite pool.

5. Minimum retention period of the debt by originator prior to securitization:

RBI has come out with discussion paper and recommendations on minimum retention period for all securitized debt in mid 2010. Generally, the requirement to keep the originated loans in its own books and observing a minimum servicing of the loan by the borrower should ensure exercise of due diligence by the originating banks. Morgan Stanley Mutual Fund will follow RBI guidelines as applicable on the retention period and average seasoning of pool [as per the framework mentioned above].

6. Minimum retention percentage by originator of debts to be securitized:

RBI has come out with discussion paper and recommendations on minimum retention percentage for all securitized debt in mid 2010. Generally, the requirement to keep a certain percentage of originated loans in its own books should ensure exercise of due diligence by the originating banks. Morgan Stanley Mutual Fund will follow RBI guidelines on the retention percentage or collateral margin requirement [as per the framework mentioned above], whichever is applicable.

7. The mechanism to tackle conflict of interest when the mutual fund invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme of the Fund:

Investments made by the Scheme in any asset are done based on the requirements of the Scheme and is in

accordance with the investment policy. All Investments are made entirely on a stand-alone basis with no consideration of any existing/consequent investments by any party related to the transaction [originator, issuer, borrower etc.]. Investments in Securitised debt to be made as per the Investment pattern of the Scheme and after detailed analysis of the underlying asset. There might be instances of Originator investing in the same scheme but both the transactions are at arm's length and avoid any conflict of interest.

8. The resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt:

As with any other debt instrument, the credit analysts will closely monitor the investment in securitized debt instruments. The ratings of any such instruments will be continuously tracked and periodic performance report from Trustee and MIS from Originators would be scrutinized closely to check for any change in asset quality and related impact on debt servicing and any impact that it can have on the credit ratings.

Investment in other scheme/s of the Mutual Fund:

For the purpose of further diversification and liquidity, the Scheme may invest in another scheme managed by the same AMC or by the AMC of any other Mutual Fund without charging any fees on such investments, provided that aggregate inter-scheme investment made by all schemes managed by the same AMC or by the AMC of any other Mutual Fund shall not exceed 5% of the net asset value of the Fund.

Investment in associate/group companies of the Sponsor:

As per SEBI Regulations, the Scheme shall not make any investments in any un-listed securities of associate/group companies of the Sponsors. The Scheme will also not make investment in privately placed securities issued by associate/group companies of the Sponsor. The Scheme may invest not more than 25% of the net assets in listed securities of group companies of the Sponsor/Asset Management Company/Mutual Fund.

The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity subject to details mentioned above and restrictions mentioned under 'Section II - What Are The Investment Restrictions'. The securities may be acquired through Initial Public Offerings [IPOs], secondary market operations, private placement, rights offers or negotiated deals. The scheme may invest the funds of the scheme in short term deposits of scheduled commercial banks as permitted under extant regulations.

Investment by AMC, Sponsor or their affiliates in the Scheme:

Subject to the Regulations, the AMC, the Sponsor, the

Trustee and their associates or affiliates, may invest either directly or indirectly in the Scheme. However, AMC shall not charge any investment management and advisory services fee on its own investment in the Scheme.

Procedure and Recording of Investment Decisions:

The Investment Manager will carry out the daily investment activities within the framework of SEBI guidelines in accordance with the investment objective of the scheme.

All investment decisions will be recorded in writing. The Fund Manager will continuously monitor all investment decisions and their impact on the performance of the Scheme and carry out suitable adjustment at periodic intervals. Adherence to overall risk parameters will also be monitored on a regular basis. The Board of AMC and Trustees will review the performance of the Scheme in relation to the benchmark, and other appropriate peer groups, based on performance data available.

The AMC has appointed an Investment Management Committee comprising of the Chief Executive Officer, the members from Investment Team and Associate Director/s of the AMC. The Committee's role is laid down by the Board of Directors of the AMC and Board of Trustees wherein the Committee will review the investment policy, portfolio and performance of the Scheme periodically. However, the day-to-day investment management decisions will solely be of the Portfolio Manager of the Scheme.

E. WHAT ARE THE INVESTMENT STRATEGIES?

The objective will be to allocate the assets of the scheme between various money market and fixed income securities to ensure liquidity while achieving optimal returns. The process of allocation to various securities would involve forming a view on interest rates and yield curve based on an analysis of macro economy, monetary policy, public finance and other variables affecting interest rates. Individual securities will be selected based on in-depth credit research and relative valuation. While trying to optimize the portfolio yield, liquidity will be ensured through an appropriate mix of money market and debt securities. Investments in a combination of instruments such as CBLO, reverse repo, treasury bills and other money market instruments will be made to ensure liquidity.

The investment team will carry out in-depth credit evaluation of the securities proposed to be invested in. The credit evaluation will include assessment of financial position, management quality, business and industry dynamics and overall operating environment of the company. The AMC will also be guided by the ratings given to individual issuer and instruments by rating agencies that are approved by the regulators.

The Scheme may also use derivative instruments like Interest Rate Swaps, Forward Rate Agreements or such other derivative instruments as may be introduced from

time to time for the purpose of hedging and portfolio balancing within the limits permitted by the Regulations from time to time.

Investment in Derivatives:

Derivatives products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

In terms of Circular No. MFD.BC.191/07.01.279/1999-2000 and MPD.BC.187/07.01.279/1999-2000 dated November 1, 1999 and July 7, 1999 respectively issued by Reserve Bank of India permitting participation by Mutual Funds in Interest Rate Swaps and Forward Rate Agreements, the fund will use derivative instruments for the purpose of hedging and portfolio balancing. Further, the guidelines issued by Reserve Bank of India from time to time for forward rate agreements and interest rate swaps and other derivative products would be adhered to by the mutual fund.

Interest Rate Swaps [IRS]

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed [pre-determined] rate of interest while the other receives a floating [variable] rate of interest.

Forward Rate Agreement [FRA]

An FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate [the FRA rate] and the interest rate [reference rate] prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

Illustration of a derivatives transaction

Basic Structure of a Swap

Bank A has a 6 month Rs. 10 Crore liability, currently being deployed in call. Bank B has a Rs. 10 Crore 6 month asset, being funded through call. Both banks are running an interest rate risk.

To hedge this interest rate risk, they can enter into a 6 month MIBOR [Mumbai Inter Bank Offered Rate] swap.

Through this swap, A will receive a fixed pre agreed rate [say 7%] and pay "call" on the NSE MIBOR ["the benchmark rate"]. Bank A's paying at "call" on the benchmark rate will hedge the interest rate risk of lending

in call. B will pay 7% and receive interest at the benchmark rate. Bank A's receiving of "call" on the benchmark rate will hedge his interest rate risk arising from his call borrowing.

The mechanism is as follows:

- Assume the swap is for Rs. 10 Crore March 1, 2011 to September 1, 2011. A is a fixed rate receiver at 7% and B is a floating rate receiver at the overnight compounded rate.
- On March 1, 2011, A and B will exchange only an agreement of having entered this swap. This documentation would be as per International Swaps and Derivatives Association [ISDA].
- On a daily basis, the benchmark rate fixed by NSE will be tracked by them. On September 1, 2011 they will calculate the following:
 - A is entitled to receive interest on Rs.10 Crore at 7% for 184 days i.e. Rs. 35.3 lac, [this amount is known at the time the swap was concluded] and will pay the compounded benchmark rate.
 - B is entitled to receive daily compounded call rate for 184 days & pay 7% fixed.
- On September 1, 2011, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 35.3 lac, A will pay B the difference. If the daily compounded benchmark rate is lower, then B will pay A the difference.
- Effectively, Bank A earns interest at the rate of 7% p.a. for six months without lending money for 6 months fixed, while Bank B pays interest @ 7% p.a. for 6 months on Rs. 10 Crore, without borrowing for 6 months fixed.

As per above said RBI circulars, mutual funds are permitted to do Interest Rate Swaps/Forward Rate Agreements, for hedging purposes only. Accordingly, the AMC would undertake the same for similar purposes only. IRS and FRAs do also have inherent credit and settlement risks. However, these risks are substantially reduced as they are limited to the interest streams and not the notional principal amounts.

Investments in derivatives will be in accordance with the extant SEBI regulations/guidelines. Presently, derivatives shall be used for hedging and/or portfolio balancing purposes, as permitted under the Regulations. The circumstances under which such transactions would be entered into would be when, using the IRS route it is possible to generate better returns/meet the objective of the scheme at a lower cost. For e.g. if buying a 2 Yr MIBOR based instrument and receiving the 2 Yr swap rate yields better return than the 2 Yr AAA corporate instrument, the scheme would endeavor to do that. Alternatively, the scheme would also look to hedge existing fixed rate

positions if the view on interest rates is that it would likely rise in the future.

F. FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 [15A] of the SEBI [MF] Regulations:

[i] Type of a scheme

- Open ended Scheme Debt Scheme

[ii] Investment Objective

- Main Objective – Income

For detailed Investment Objective of the Scheme, please refer to section III B of this document titled ‘What is the Investment Objective of the Scheme?’

- Asset Allocation pattern – As mentioned in part C under section III titled “Information about the Scheme.”

[iii] Terms of Issue

- Liquidity provisions such as listing, repurchase, redemption.

The Fund will sell and redeem the Units on an ongoing basis. As the Scheme stands ready to redeem Units on a continuous basis as laid down herein, the transfer facility is found redundant. Units of the Scheme shall therefore be non-transferable. However, the units of the Scheme held in dematerialized form would be freely transferable [except for cases where lock-in periods are applicable] from one demat account to another. The provisions with respect to transmission of such dematerialized units will be governed by SEBI [Depository Participants] Regulations, 1996. Further, if a transferee becomes a holder of Units by operation of law including upon enforcement of a pledge, then the fund may, subject to production of such evidence, which in their opinion is sufficient, proceed to effect the

H. WHO MANAGES THE SCHEME?

Name of the Fund Manager	Age/Qualification	Experience	Names of other Schemes under his management
Mr. Ritesh Jain Portfolio Manager	39 years PGDBA [Finance], B.Com.	Ritesh joined Morgan Stanley Investment Management Private Limited as a part of the Investment Team in March 2009. Prior to joining Morgan Stanley, he worked with Principal PNB Asset Management Company Pvt. Ltd. where he headed Fixed Income division, managing around Rs. 6000 Crore under different Fixed Income Plans. Ritesh holds a PGDBA from K.J. Somaiya Institute of Management Studies & Research, Mumbai and B.Com [Hons.] from University of Kolkata. He has over 14 years of experience in investment management.	<ul style="list-style-type: none"> • Morgan Stanley Short Term Bond Fund • Morgan Stanley Active Bond Fund • Morgan Stanley Liquid Fund • Morgan Stanley Multi-Asset Fund [Debt and Fixed Income assets] • Morgan Stanley Gilt Fund

Mr. Sridhar Sivaram and Mr. Piyush Baranwal shall be the dedicated Fund Managers for investment in foreign securities across the schemes of MSMF.

Please refer to the Statement of Additional Information of the Schemes of Morgan Stanley Mutual Fund for detailed information about all the Key personnel of the Asset Management Company.

transfer within 30 days from the date of lodgment if the intended transferee is otherwise eligible to hold the Units.

- Aggregate fees and expenses charged to the scheme.

Recurring Expenses structure is mentioned in Section IV titled “Fees and Expenses.”

In accordance with Regulation 18[15A] of the SEBI [MF] Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme[s] and the Plan[s]/ Option[s] hereunder or the trust or fee and expenses payable or any other change which would modify the Scheme[s] and the Plan[s]/ Option[s] there under and affect the interests of Unit holders is carried out unless:

- A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unit holders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?

The investment performance of the Scheme shall be benchmarked against CRISIL Liquid Fund Index.

The CRISIL Liquid Fund Index tracks returns on a portfolio that includes CBLO, certificate of deposit and commercial paper, which are the key constituents of ultra short term funds. Morgan Stanley Ultra Short Term Fund intends to invest in a similar portfolio of instruments [money market instruments and short term debt] which CRISIL Liquid Fund Index tracks. Hence, being the most appropriate of the available benchmarks, it is used as the benchmark for this scheme.

I. WHAT ARE THE INVESTMENT RESTRICTIONS?

As per the Trust Deed read with the Regulations, the following investment restrictions apply in respect of the Scheme at the time of making investments. However, all investments by the Scheme will be made in accordance with the investment objective, investment strategy and investment pattern described previously.

- i) The Scheme shall not invest more than 15% of its net assets in debt instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the Act. Such investment limit may be extended to 20% of the net assets of the Scheme with the prior approval of the Board of Trustees and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities and money market instruments.

Provided further that investment within such limit can be made in mortgaged backed securitized debts which are rated not below investment grade by a credit rating agency registered with SEBI.

Further, the scheme shall not invest more than thirty percent of its net assets in money market instruments of an issuer. Such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations.

- ii) The Scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the Scheme. All such investments shall be made with the prior approval of the Board of Trustees and the Board of the asset management company.
- iii) Transfers of investments from one scheme to another scheme in the Fund shall be made only if :-
- a) such transfers are done at the prevailing market price for quoted instruments on spot basis and
Explanation - "spot basis" shall have the same meaning as specified by stock exchange for spot transactions.
- b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
- iv) The Scheme may invest in another scheme under the same AMC or any other mutual fund without charging any fees, provided that aggregate inter-scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed

5% of the net asset value of the Fund.

- v) The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities:
- Provided further that the Mutual Fund may enter into derivatives transactions in a recognized stock exchange subject to framework specified by SEBI.
- Provided further that the sell of government securities already contracted for purchase shall be permitted in accordance with guidelines issued by RBI.
- vi) The Fund shall get the securities purchased or transferred in the name of the Fund on account of the Scheme, wherever investments are intended to be of long term nature.
- vii) Pending deployment of funds in securities in terms of investment objectives of the Scheme can be made in short term deposits of scheduled commercial banks provided:
- a) Total investment of the scheme in Short term deposit[s] of all the Scheduled Commercial Banks put together shall not exceed 15% of the net assets. However, this limit can be raised up to 20% of the net assets with prior approval of the trustees. Further, investments in Short Term Deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
- b) Scheme shall not invest more than 10% of the net assets in short term deposit[s], of any one scheduled commercial bank including its subsidiaries.
- c) Scheme shall not invest in short-term deposit of a bank, which has invested in that scheme.
- d) AMC shall not charge investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks in case of liquid and debt oriented schemes.
- e) "Short Term" for such parking of funds by Mutual funds shall be treated as a period not exceeding 91 days.
- f) Such short-term deposits shall be held in the name of the concerned scheme.

However, the above provisions will not be applicable in case of the term deposits placed as margin money for trading in cash and derivatives market.

- ix) The Scheme shall not make any investment in;
- a) any unlisted security of an associate or group company of the Sponsor; or

- b) any security issued by way of private placement by an associate or group company of the Sponsor; or
- c) the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.
- x] The Scheme shall not make any investment in any fund of funds scheme.
- xi] No term loans for any purpose may be advanced by the Scheme and the Scheme shall not borrow except to meet temporary liquidity needs of the Scheme for the purpose of repurchase, redemption of Units or payment of interest or dividends to Unit Holders, provided that the Fund shall not borrow more than 20% of the net assets of the Scheme and the duration of such a borrowing shall not exceed a period of six months.
- xii] Pursuant to provisions specified in SEBI circular CIR/IMD/DF/21/2012 dated September 13, 2012, amended from time to time total exposure of debt schemes of mutual funds in a particular sector [excluding investments in Bank CDs, CBLO, G-Secs, T-Bills and AAA rated securities issued by Public Financial Institutions and Public Sector Banks] shall not exceed 30% of the net assets of the scheme;
- Provided that an additional exposure to financial services sector (over and above the limit of 30%) not

exceeding 10% of the net assets of the scheme shall be allowed by way of increase in exposure to Housing Finance Companies (HFCs) only for securities issued by HFCs that are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/exposure in HFCs shall not exceed 30% of the net assets of the scheme.

All the investment restrictions will be applicable at the time of making investment. The Scheme will comply with any other Regulations applicable to the investments of Mutual Funds from time to time.

Apart from the investment restrictions prescribed under the Regulations, internal risk parameters for limiting exposure to a particular scrip or sector may be prescribed from time to time to respond to dynamic market conditions as well as opportunities.

The Trustees/AMC may alter these above stated limitations from time to time, and also to the extent the Regulations change so as to permit the Scheme to make its investments in the full spectrum of permitted investments in order to achieve its investment objective.

J. HOW HAS THE SCHEME PERFORMED?

This is a new Scheme and does not have any performance track record.

K. COMPARISON WITH OTHER DEBT ORIENTED SCHEMES OF MSMF:

Name of the scheme	Investment Objectives	Comparison with other Debt Oriented Schemes of MSMF	AUM as on June 21, 2013 [Rs. Crore]	No. of Folios as on June 21, 2013
Morgan Stanley Short Term Bond Fund	The investment objective is to generate income from a diversified portfolio of short to medium term debt and money market securities.	Morgan Stanley Short Term Bond Fund invests in a diversified portfolio of short & medium term debt and money market instruments. The aim is to generate optimum return from a moderate risk portfolio. On a risk-return matrix, it is positioned slightly higher than Liquid and Ultra Short Term Fund.	562.73	1528
Morgan Stanley Active Bond Fund	The investment objective is to generate optimal returns through active management of the portfolio consisting of debt and money market securities.	Morgan Stanley Active Bond Fund invests in a diversified portfolio of medium and long term debt. The aim is to generate return from a relatively high risk trading portfolio. On a risk-return matrix, it is positioned above Liquid, Ultra Short Term and Short-term Bond fund.	580.29	2039
Morgan Stanley Liquid Fund	The investment objective is 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.	Morgan Stanley Liquid Fund invests only in money market/Short Term debt with an aim to generate optimum return from a low risk and high liquid portfolio. On a risk-return matrix, it is positioned at the lower end of the matrix.	485.25	524
Morgan Stanley Multi-Asset Fund	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.	Morgan Stanley Multi Asset Fund proposes to generate regular income by investing in debt/money market instruments along with limited exposure to Equities and Gold ETFs.	42.31	615

Name of the scheme	Investment Objectives	Comparison with other Debt Oriented Schemes of MSMF	AUM as on June 21, 2013 [Rs. Crore]	No. of Folios as on June 21, 2013
	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 ETFs. Plan A and Plan B have separate portfolios.		47.22	1980
Morgan Stanley Gilt Fund	The investment objective is to generate returns primarily through investments in sovereign securities issued by the Central Government and/or a State Government or repos/ reverse repos in such securities or any security unconditionally guaranteed by the Central/State Government.	Morgan Stanley Gilt Fund invests in sovereign securities issued by the Central Government and/or a State Government or repos/reverse repos in such securities or any security unconditionally guaranteed by the Central/State Government with an aim to generate return from a low credit risk and highly liquid portfolio.	82.48	104
Morgan Stanley Ultra Short Term Fund	The investment objective is to provide liquidity and generate reasonable returns from a portfolio of money market and short-term debt instruments.	Morgan Stanley Ultra Short term Fund proposes to invest in money market/ Short Term debt instruments with an aim to generate return from a low risk and high liquid portfolio. In terms of duration profile, it is typically positioned between a liquid and a Short-term Bond Fund.	Not applicable	Not applicable

IV. Units And Offer

This section provides details you need to know for investing in the scheme.

A. NEW FUND OFFER [NFO]

New Fund Offer Period

This is the period during which a new scheme sells its units to the investors.

NFO Opens on: July 17, 2013

NFO Closes on: July 24, 2013

The AMC/Board of Trustees reserves the right to close the NFO of the Scheme before the above-mentioned date. The AMC/Board of Trustees also reserve the right to extend the closing date of NFO subject to the condition that NFO shall not be kept open for more than 15 days.

New Fund Offer Price:

This is the price per unit that the investors have to pay to invest during the NFO.

Rs. 1,000/- Per Unit

Minimum Amount for Application in the NFO

Rs. 5,000/- plus in multiples of Re. 1/-

Minimum Target amount

This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within 5

business days from the closure of the NFO, interest as specified by SEBI [currently 15% p.a.] will be paid to the investors from the expiry of 5th business day from the date of closure of the subscription period.

Rs. 20 Crore

Maximum Amount to be raised [if any]

None

Plans/Options offered

The Scheme will have following Plans and Options:

Plan	Options	Sub-Options/ Facility	Frequency	Record date
Regular	Growth	–	–	–
	Dividend	Dividend Re-investment	Daily	Every Business day
	Dividend	Dividend Re-investment	Weekly	Every Friday*
Direct	Dividend	Dividend Re-investment and Pay out	Monthly	Last Friday* of the month
	Growth	–	–	–
	Dividend	Dividend Re-investment	Daily	Every Business day
	Dividend	Dividend Re-investment	Weekly	Every Friday*
	Dividend	Dividend Re-investment and Pay out	Monthly	Last Friday* of the month

* If Friday is a holiday, then the record date shall be the previous Business day.

Direct Plan: Direct Plan will have a lower expense ratio excluding distribution expenses, commission etc., and no commission for distribution of units will be paid/charged under Direct Plan.

Growth option: Under this Option, income earned on the Scheme's corpus will remain invested in the Scheme and will be reflected in the Net Asset Value [NAV]. Unit holders who opt for this Option will not receive dividend.

Dividend Option: Under this option, dividends will be declared at specified frequencies at the discretion of the Board of Trustees, subject to availability of distributable surplus. On payment of dividend, the NAV of the unit under the said dividend option will fall to the extent of payout and applicable statutory levies, if any.

Dividend Re-investment: Under this facility, the dividend due and payable to the unit holders will be compulsorily and without any further act by the unit holder, re-invested in the respective dividend option at a price based on the prevailing ex-dividend NAV per unit. The amount of dividend re-invested will be net of tax deducted at source wherever applicable.

On re-investment of dividend, the number of units at the credit of the unit holder will increase to the extent of dividend re-invested divided by the applicable NAV. There shall however be no load on the dividend so re-invested.

Dividend Payout: Under this facility, dividend declared, if any will be paid [subject to deduction of dividend distribution tax and applicable statutory levy, if any] to those unit holders whose names appear in the register of unit holders on the notified record date.

In case the investor has not specified any of the following in the application form, the default attributes to be applicable are as under:

Default Plan: Direct Plan

Default Option: Dividend

In case of Dividend Option, default Frequency: Daily

In case of Dividend Option, default between Re-investment and Payout: Re-investment

The Board of Trustees reserves the right to introduce a new Plan/Option and revise the default Plan/Option at a later date on a prospective basis.

Dividend Policy

The Board of Trustees may decide to distribute by way of dividend, the surplus by way of realized profit, dividends and interest, net of losses, expenses and taxes, if any, to Unit Holders in the dividend option of the Scheme if such surplus is available and adequate for distribution in the opinion of the Trustees. The Board of Trustees' decision with regard to availability, adequacy, rate, record date and frequency of distribution shall be final. The dividend will be due to only those Unit Holders whose names appear in the register of Unit Holders in the Dividend option of the Scheme on the record date. The Unit Holders have the option of receiving the dividend or reinvesting the same.

Though it is the intention of the Mutual Fund to make regular dividend distribution, there is no assurance or guarantee that the dividends will be regularly paid.

Dividend distribution procedure:

Pursuant to SEBI circular no. SEBI/IMD/CIR No. 1/64057/06, dated April 4, 2006, the procedure for dividend distribution will be as follows:

1. Quantum of dividend and record date shall be fixed by the Board of Trustees. Dividend so decided shall be paid, subject to availability of distributable surplus as on the date of declaration of dividend.
2. Within 1 calendar day of the decision by the Board of Trustees, the AMC shall issue notice to the public communicating the decision about the Dividend including the record date, in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where Head Office of the Mutual Fund is situated.
3. Record date shall be the date, which will be considered for the purpose of determining the eligibility of investors whose name appear on the register of unit holders for receiving dividends. The Record Date will be 5 calendar days from the date of issue of notice.
4. The NAV will be adjusted to the extent of Dividend distribution and statutory levy, if any at the close of business hours on record date.
5. Before the issue of such notice, no communication indicating the probable date of dividend declaration in any manner whatsoever will be issued by the Mutual Fund.

However, please note that in case of dividend option/s where the frequency of dividend declaration is up to and including Monthly basis, the requirement of issuing a notice, as mentioned above communicating the decision of declaring dividend [including the record date], is not mandatory. Accordingly, no notice as mentioned above will be published by AMC in case of dividend declared under the Scheme under dividend option where the frequency of dividend declaration is up to and including Monthly basis.

The AMC shall remit to the Unit Holders, the dividend proceeds within 30 days of the date of declaration of dividend. If dividend payable under Dividend Payout Option [Monthly frequency] is less than or equal to Rs. 500/-, the dividend will be compulsorily re-invested.

Allotment

Investors may apply for Units by filling up an Application Form. All valid and complete applications will be allotted Units at the Applicable NAV for the application amount. Allotment of units shall be made within 5 business days from the closure of the NFO, and the Scheme shall be available for ongoing repurchase/sale/trading within 5

business days of the allotment.

For applicants applying through 'Applications Supported By Blocked Amount [ASBA]', on allotment, the amount will be unblocked in their respective bank accounts and account will be debited only to the extent required to pay for allotment of Units applied in the application form.

Please refer to Section on Accounts Statements under section [B] titled 'On-going offer details' for details with regards to the Statement of accounts.

Refund

The application money will be refunded to applicants whose applications are found to be incomplete, invalid or have been rejected for any other reason whatsoever. Refund instruments will be dispatched within 5 business days from the closure of the NFO. In the event of delay beyond 5 business days, the AMC shall be liable to pay interest @15% P.A. or such other rate as may be prescribed from time to time. All refund orders will be sent by registered post or through RTGS, NEFT or direct credit facility.

Who can invest?

This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.

The following is an indicative list of persons who are generally eligible and may apply for subscription to the Units of the Scheme:

- Indian resident adult individuals, either singly or jointly [not exceeding three] or on an Anyone or Survivor basis;
- Minor through parent/lawful guardian; [please see the note below]
- Companies, bodies corporate, public sector undertakings, association of persons or bodies of individuals and societies registered under the Societies Registration Act, 1860;
- Religious and Charitable Trusts, Wakfs or endowments of private trusts [subject to receipt of necessary approvals as required] and Private Trusts authorized to invest in mutual fund schemes under their trust deeds;
- Partnership Firms constituted under the Partnership Act, 1932;
- Proprietorship in the name of the sole proprietor;
- A Hindu Undivided Family [HUF] through its Karta;
- Banks [including Co-operative Banks and Regional Rural Banks] and Financial Institutions;
- Non-Resident Indians [NRIs]/Persons of Indian Origin [PIO] on full repatriation basis or on non-repatriation basis;

- Foreign Institutional Investors [FIIs] registered with SEBI on full repatriation basis;
- Army, Air Force, Navy and other para-military funds and eligible institutions;
- Scientific and Industrial Research Organizations;
- Provident/Pension/Gratuity and such other Funds as and when permitted to invest;
- International Multilateral Agencies approved by the Government of India/RBI;
- The Trustee, AMC or Sponsor or their associates [if eligible and permitted under prevailing laws];
- A Mutual Fund through its schemes, including Fund of Funds schemes.
- Qualified Foreign Investors [QFI- in terms of SEBI circular: CIR/IMD/DF/14/2011 dated August 9, 2011 and subject to conditions mentioned therein] residing in countries where the Scheme would be eligible for subscription from time to time.

Note: Minor Unit Holder on becoming major may inform the Registrar about attaining majority and provide his specimen signature duly authenticated by his banker as well as his details of bank account and PAN [if required] to enable the Registrar to update their records and allow him to operate the Account in his own right.

It should be noted that the following entities cannot invest in the scheme:

- Overseas Corporate Bodies [OCBs] shall not be allowed to invest in the Scheme. These would be firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons [OCBs.]
- Non-Resident Indians residing in the United States of America and Canada.
- Non-Resident Indians residing in the Financial Action Task Force [FATF] Non Compliant Countries and Territories [NCCTs] [currently there are no countries as non - co-operative].
- Foreign Investors that are not an Indian residents under the Foreign Exchange Management Act, 1999 [FEMA Act] except Qualified Foreign Investors, FIIs registered with SEBI, sub account of an FII or otherwise explicitly permitted under FEMA Act/by RBI/by any other applicable authority.

The Fund reserves the right to include/exclude new/existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any.

Subject to the Regulations, any application for Units may be accepted or rejected in the sole and absolute discretion of the Trustee. For example, the Trustee may reject any application for the Purchase of Units if the application is invalid or incomplete or if, in its opinion, increasing the size of any or all of the Scheme's Unit capital is not in the general interest of the Unit Holders, or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its Unit Holders to accept such an application.

The AMC/Trustee may need to obtain from the investor verification of identity or such other details relating to a subscription for Units as may be required under any applicable law, which may result in delay in processing the application.

Where can you submit the filled up applications?

The applications duly filled up and signed by the applicants should be submitted at the office of collection centres, ISCs and official points of acceptance whose name and addresses are mentioned at the end of this document.

How to Apply?

Please refer to the SAI and Application form for the instructions.

Listing

The Scheme being open ended, the Units are not proposed to be listed on any stock exchange and no transfer facility is provided. However, the Fund may at its sole discretion list the Units on one or more stock exchanges at a later date.

Transactions through the BSE/NSE Platform:

SEBI vide circular No. SEBI/IMD/CIR No.11/183204/2009 dated November 13, 2009 initiated use of the existing infrastructure for secondary market transactions for facilitating transactions in Mutual Fund schemes.

Accordingly, in terms of the aforesaid circular and subsequent operating guidelines issued by National Stock Exchange ["NSE"] and Bombay Stock Exchange ["BSE"], the units of the Scheme are available for transactions on BSE StAR MF Platform and NSE's Mutual Fund Service System ["MFSS"], collectively referred to as "the Stock Exchange Platforms".

Those investors desiring to transact through the Stock Exchange Platforms could do the same through eligible registered trading members ["Brokers"] of NSE and BSE. Please note the following in this regard:

1. Investors, whether existing or new, shall be eligible to transact through Stock Exchange Platform.
2. The Stock Exchange Platform currently permits only purchase/redemption of Units. Switching of units is currently not permitted. Investors should also note

that the Units of the Schemes are not listed on Stock Exchange and hence the same cannot be traded thereon. The Stock Exchange Platform is only to enable purchase/redemption of Units.

3. Brokers who are eligible to enable transactions through the Stock Exchange Platform would be considered as Official Points of Acceptance. Such Brokers would issue a time stamped confirmation slip for the transaction entered into the system, which shall be considered for applicability of NAV.
4. The applicability of NAV will be subject to guidelines issued by SEBI on Uniform cut-off timings.
5. Units can be held by investors in physical [i.e. through Statement of Account] or dematerialized [demat] mode, as may be opted by them. However, in case of purchase transaction, investor will have to transfer the funds to AMFI certified Stock Exchange Broker irrespective of mode of holding i.e. physical or demat. Separate folios will be allotted for Units held in physical and demat mode.
6. Non-Financial Transactions/Service requests: For non-financial transactions/service requests such as change of address, change of bank details, etc., investors should approach ISCs if Units are held in physical mode and their respective DPs if Units are held in demat mode.

Units in Physical Mode-Subscription/redemption process:

- [a] Investors desiring to purchase/redeem the Units in physical form, [i.e. where Units are held through Statement of Account issued by Mutual Fund] should approach AMFI certified stock exchange Brokers along with the application form for subscription/redemption with applicable documents, if any.
- [b] The AMFI certified stock exchange broker shall verify the application for mandatory details and KYC compliance.
- [c] After completion of the verification, the purchase order will be entered in the Stock Exchange system and an order confirmation slip will be issued to investor.
- [d] The investor will transfer the funds to the AMFI certified stock exchange brokers.
- [e] Allotment details will be provided by the AMFI certified stock exchange brokers to the investor.
- [f] Minimum amount or units for redemption shall be Rs. 1,000/- or 100 Units or account balance, whichever is lower.
- [g] Existing Unit holders desiring to convert the existing physical Units into demat form must submit dematerialization request at their Depository Participant [DP].

- [h] An account statement evidencing the transaction will be issued by Morgan Stanley Mutual Fund to investors.

Units in Demat Mode:

Pursuant to SEBI Circular no. CIR/IMD/DF/9/2011 dated May 19, 2011, an option to subscribe the units of the Scheme in dematerialized [demat] form is being provided to the investors.

Consequently, the Unit holders under the Scheme shall have an option to subscribe/hold the Units in demat form in accordance with the provisions laid under the respective Scheme and in terms of the guidelines/procedural requirements as laid by the Depositories [i.e. NSDL/CDSL] from time to time except plans with daily, weekly and fortnightly dividend options, if any under all Scheme of MSMF. Please note the following in this regard:

- [a] Investors intending to deal in depository mode [i.e. holding Units in electronic form in a depository account] should have a demat account with a DP.
- [b] The investor who chooses the depository mode is required to place an order for purchase/redemption [subject to applicable limits prescribed by Stock Exchanges] with the Broker.
- [c] Minimum amount or units for redemption shall be Rs. 1,000/- or 100 Units or account balance, whichever is lower.
- [d] In case of purchase, the Registrar will credit the Units to the depository account of the investor directly. In case of redemption, payout will be made to the Unit holder's bank account as recorded with the Depository.
- [e] A demat statement will be sent by the DP showing the credit/debit of Units to investor's account. The Fund would not be issuing any account statement in such cases.
- [f] Investors who hold Units in demat mode can only transact through the Stock Exchange Platform. In case investors wish to transact through any other mode, they can do so after rematerializing the Units by making an application to their DP.

In case, the Unit holder desires to hold the Units in Dematerialized/Rematerialized form at a later date, the request for conversion of units held in non-demat form into Demat form or vice-versa should be submitted along with a Demat/Remat Request Form to their Depository Participants.

Units held in demat form will be transferable subject to the provisions laid under the respective Scheme(s)/Plan(s) and in accordance with provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

Special Products/facilities available during the NFO:

ASBA Facility:

The Mutual Fund will offer ASBA facility during the NFO of the Scheme.

ASBA is an application containing an authorization given by the investor to block the application money in his specified bank account towards the subscription of units offered during the NFO of the Scheme. If an investor is applying through ASBA facility, the application money towards the subscription of units shall be debited from his/her bank account only if his/her application is selected for allotment of units.

Other Special products like Systematic Investment Plan, Systematic Transfer Plan will be available only during ongoing basis. Please refer to section titled "Ongoing offer details" for further details.

The policy regarding reissue of repurchased units.

The number of Units held by the Unit Holder in his folio will stand reduced by the number of Units redeemed. Units once redeemed will be extinguished and will not be reissued.

Restrictions, if any, on the right to freely retain or dispose of units being offered.

Pledge of units for loan:

In conformity with the guidelines and notifications issued by SEBI/Government of India/any other regulatory body from time to time, Units under the Scheme may be offered as security by way of a lien/charge in favor of scheduled banks, financial institutions, non-banking finance companies [NBFCs], or any other body. The Registrar will note and record the lien against such Units. A standard form for this purpose is available on request with the Registrar.

The Unit Holder will not be able to redeem/switch Units under lien until the Lien Holder provides written authorization to the Fund that the lien/charge may be vacated. As long as Units are under lien, the Lien Holder will have complete authority to exercise the lien, thereby redeeming such Units and receiving payment proceeds. In such instance, the Unit Holder will be informed by the Registrar through an account statement. All benefits accruing on the units under lien during the period of the lien in the form of bonus, dividend or otherwise shall be subject to lien.

Lien on Units:

On an ongoing basis, when existing and new investors make subscriptions, a lien on units allotted will be created, and such units shall not be available for redemption until the payment proceeds are realized by the Fund. In case a Unit holder redeems units soon after making purchases, the redemption cheque will not be dispatched until sufficient

time has elapsed to provide reasonable assurance that cheques or drafts for units purchased have been cleared.

In case the cheque is dishonored by the bank, the transaction shall be reversed and the units allotted earlier shall be cancelled, and a fresh Account Statement/ Confirmation slip shall be dispatched to the Unit holder.

For NRIs, the Fund may mark a lien on units in case documents, which need to be submitted, are not given in addition to the application form and before the submission of the redemption request. However, the AMC reserves the right to change operational guidelines for lien on units from time to time.

Suspension of Purchase and Redemption of units:

Subject to the approval of the Boards of the AMC and of the Trustees, and subject also to necessary communication of the same to SEBI, the determination of the NAV of the Units of the Scheme, and consequently of the Purchase, Redemption and switching of Units, may be temporarily suspended in any of the conditions described below:

- i. When one or more stock exchanges or markets which provide the basis of valuation for a substantial portion of the assets of the Scheme is closed otherwise than for ordinary holidays.
- ii. When, as a result of political, economic or monetary events or any other circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Scheme is not considered to be reasonably practicable or might otherwise be detrimental to the interests of the Unit Holders.
- iii. In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, so that the value of the securities of the Scheme cannot be accurately or reliably arrived at.
- iv. If, in the opinion of the AMC, extreme volatility of markets causes or might cause, prejudice to the interests of the Unit Holders of the Scheme.
- v. In case of natural calamities, war, strikes, riots, and bandhs.
- vi. In case of any other event of force majeure or disaster that in the opinion of the AMC affects the normal functioning of the AMC or the Registrar.
- vii. If so directed by SEBI.

In any of the above eventualities, the time limits for processing requests for subscription and Redemption of Units will not be applicable. All types of subscription and Redemption of Units will be processed on the basis of the immediately next Applicable NAV after the resumption of dealings in Units.

Right to limit redemptions:

The Trustees may, in the general interest of the Unit Holders of the Scheme and when considered appropriate to do so based on unforeseen circumstances/unusual market conditions, limit the total number of Units which may be redeemed on any Business Day to 5% of the total number of Units then in issue, under the Scheme and option[s] thereof, or such other percentage as the Trustees may determine. Any Units which consequently are not redeemed on a particular Business Day will be carried forward for Redemption to the next Business Day, in the order of receipt. Redemptions so carried forward will be priced on the basis of the Applicable NAV [subject to the prevailing Load] of the Business Day on which Redemption is made. Under such circumstances, to the extent multiple Redemption requests are received at the same time on a single Business Day, redemptions will be made on a prorate basis, based on the size of each Redemption request, the balance amount being carried forward for Redemption to the next Business Day. In addition, the Trustees reserve the right, in its sole discretion, to limit redemptions with respect to any single account to an amount of Rs. 1 lac in a single day.

B. ONGOING OFFER DETAILS

Ongoing Offer Period

This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the NFO period.

The Scheme will re-open for ongoing subscriptions and redemptions within 5 business days from the date of allotment.

Ongoing price for subscription [purchase]/switch-in [from other schemes/plans of the mutual fund] by investors.

This is the price you need to pay for purchase/switch-in.

At the applicable NAV.

Ongoing price for redemption [sale]/switch outs [to other schemes/plans of the Mutual Fund] by investors.

This is the price you will receive for redemptions/switch outs.

Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be:

$$Rs. 10 * [1 - 0.02] = Rs. 9.80$$

At the applicable NAV subject to prevailing exit load.

Cut off timing for subscriptions/redemptions/ switches

This is the time before which your application [complete in all respects] should reach the official points of acceptance.

The Cut-off time for the Scheme is 3 pm and the Applicable NAV will be as under:

For Purchase/switch-in:

- a) In respect of valid Purchase applications [along with necessary documents] of investment amount less than Rs. 2 lacs accepted at an Official Point of acceptance along with a local cheque or demand draft payable at par at the place where it is received up to 3 pm on a Business Day, the closing NAV of the day of receipt of application will be applicable;
- b) In respect of valid Purchase applications [along with necessary documents] of investment amount equal to or more than Rs. 2 lacs accepted at an Official Point of acceptance along with a local cheque or demand draft payable at par at the place where it is received up to 3 pm on a Business Day, and the funds are available for utilization before the cut-off time without availing any credit facility, whether intra-day or otherwise, the closing NAV of the day of receipt of application will be applicable;
- c) In respect of valid Purchase applications [along with necessary documents] of investment amount less than Rs. 2 lacs accepted at an Official Point of Acceptance along with a local cheque or demand draft payable at par at the place where it is received after 3 pm on a Business Day, the closing NAV of the next Business Day will be applicable,
- d) In respect of valid Purchase applications [along with necessary documents] of investment amount equal to or more than Rs. 2 lacs accepted at an Official Point of Acceptance along with a local cheque or demand draft payable at par at the place where it is received after 3 pm on a Business Day, and the funds are available for utilization on the same day without availing any credit facility, whether intra-day or otherwise, the closing NAV of the next Business Day will be applicable, and
- e) Irrespective of the time of receipt of application of investment amount equal to or more than Rs. 2 lacs, where the funds are not available for utilization before the cut-off time without availing any credit facility, whether intra-day or otherwise, the closing NAV of the day on which the funds are available for utilization will be applicable.

For allotment of units, it shall be ensured that:

- a) For all valid applications of investment amount less than Rs. 2 lacs the application is received before the applicable cut-off time;
- b) For all valid applications of investment amount equal to or more than Rs. 2 lacs
 - i. the application is received before the applicable cut-off time,

- ii. Funds for the entire amount of subscription/purchase as per the application/switch-in request are credited to the bank account of the Scheme before the cut-off time,
- iii. The funds are available for utilization before the cut-off time without availing any credit facility whether intra-day or otherwise, by the Scheme.

For Redemption/Switch out:

- a) In respect of valid applications accepted at an Official Point of Acceptance up to 3.00 p.m. on a Business Day, the closing NAV of the same day will be applicable; and
- b) In respect of valid applications accepted at an Official Point of Acceptance after 3.00 p.m., the closing NAV of the next Business Day will be applicable.

Where can the applications for purchase/redemption switches be submitted?

Please refer to the detailed list of Official Points of Acceptance at the end of this document.

Minimum amount for purchase/redemption/switches**a) Subscription of Units****Minimum Application Amount**

Rs. 5,000/- plus in multiples of Re. 1/-

Minimum Additional Application Amount

Rs. 1,000/- plus in multiples of Re 1/-

b) Redemption of Units

The Unit Holder has the option to request for Redemption either in amount or in number of units. In case the request for redemption specifies both i.e. the amount in Rupees as well as the number of units to be redeemed, then the later will be considered as the redemption request and the request will be processed accordingly. The minimum amount in rupees for Redemption shall be Rs. 1,000/- or account balance, whichever is lower.

Units can be redeemed at the Redemption Price. If an investor has purchased Units of a Scheme on more than one Business Day the Units will be redeemed on a first-in-first-out basis. If multiple Purchases are made on the same day, the Purchase appearing earliest in the account statement will be redeemed first.

c) Switches

Valid applications for 'switch-out' shall be treated as applications for Redemption and valid applications for 'switch-in' shall be treated as applications for Purchase, and the provisions of the minimum redemption amount as stated in [b] above and Minimum Application Amount or Minimum Additional Application Amount for purchase as stated in [a] above, as the case may be, shall apply.

Minimum balance to be maintained and consequences of non maintenance

Investors may note that AMC at its sole discretion may close a unit holder's account under a plan/option, after giving a notice of 30 days, if at the time of any part redemption, value of the balance falls below Rs. 1,000/- [or such other amount as AMC may decide from time to time] or where the units are held by the unit holder in breach of any Regulation.

Special Products available

Systematic Investment Plan [SIP]:

The conditions for investing in SIP will be as follows:

- SIP Frequency : Monthly and quarterly;
- Minimum SIP instalment amount: Rs. 1000/- and in multiples of Re.1/- thereafter;
- Minimum No. of SIP instalments : 6 instalments [including the first SIP cheque];
- SIP Dates* : 1st/5th/10th/15th/20th/25th of the month/of any month in the quarter;
- Registration period: There must be at least 21 days between the first SIP cheque and subsequent due date of ECS [debit clearing];
- The load structure prevailing at the time of submission of the SIP application [whether fresh or extension] will apply for all the installments indicated in such application;
- The investors may avail multiple SIPs per month/quarter under the same folio/ account on specified SIP dates mentioned above;
- All the cheques/payment instructions [including the first cheque/payment instruction] shall be of equal amounts in case of SIP applications;
- Investors may also choose to invest any lump sum amount along with the first SIP installment by way of a single cheque/payment instruction. However, in such a scenario, the minimum amount of the first cheque/payment instruction has to be Rs. 5,000/-.

* If any of the dates is a non Business Day, the transaction will be effected at the Applicable NAV of the next Business Day.

Group SIP [GSIP]:

GSIP is a Systematic Investment Plan for Corporate Employees to subscribe to the Units of the Scheme, whereby employees can enroll with their Employers to participate in the Monthly Systematic Investment Plan, and the Employer would coordinate with MSMF collectively on behalf of its employees.

The conditions for investing in GSIP will be as follows:

- Employers could choose from any of the existing SIP dates viz. 1st, 5th, 10th, 15th, 20th or 25th offered under Systematic Investment Plan at a monthly frequency of any of the Schemes of MSMF for GSIP on behalf of its employees.
- Employees interested to invest in the GSIP would be required to fill up requisite application forms and authorize their employers to deduct the monthly amount of investment from their salaries for duration as specified by them.
- Minimum installment amount per investor would be Rs. 250/- per month.
- Minimum number of GSIP installments would be 6 for Monthly SIP with no limit on maximum duration/ amount.
- The Employers would then, on behalf of the investors, issue a single consolidated local cheque/draft favoring "Morgan Stanley Mutual Fund [Scheme Name]" on behalf of all its employees who enroll for the GSIP.
- Load Structure as in force at the time of application would be applicable for GSIP investments.
- Dividend and Redemption Proceeds as applicable would be credited to the bank account of the employee as per the mandate provided in the application form.
- All communication will be sent to the address that employee mentions in his/her application form.

Systematic Transfer Plan [STP]:

- STP Frequency : Monthly
- Minimum STP instalment amount^ : Rs. 1000/- and in multiples of Re. 1/- thereafter
- Minimum No. of STP instalments : 6
- STP Dates* : 1st/5th/10th/15th/20th/25th of the month
- Registration period: 7 days gap for registration
- Minimum Balance for registration of STP – Rs. 6,000/-

Systematic Withdrawal Plan [SWP]:

- a) SWP Frequency : Monthly
- b) Minimum SWP instalment amount^: Rs. 1,000/- and in multiples of Re.1/- thereafter.
- c) Minimum No. of SWP instalments : 6
- d) SWP Dates* : 1st of every month
- e) Registration period: 7 days gap for registration
- f) Minimum Balance for registration of STP – Rs. 6,000/-

g) SWP is not available for investments which are pledged.

* The Units will be redeemed at the Applicable NAV of the dates specified by AMC on which such transactions are sought. However, if any of the dates on which the transaction is sought is a non Business Day, the transaction will be effected at the Applicable NAV of the next Business Day.

^ If the amount of instalment is greater than the amount available in that account for transfer [under STP]/redemption [under SWP], the entire available amount will be transferred [under STP]/redeemed [under SWP] and the STP/SWP will terminate automatically.

The Trustee/AMC reserves the right to modify the facilities at any time in future on a prospective basis.

Switching Options:

[a] Inter-scheme switching option:

Unit holders under the Scheme have the option to switch part or all of their Unit holdings in the Scheme to any other Scheme offered by the Mutual Fund from time to time. The Mutual Fund also provides the investor the flexibility to switch their investments from any other Scheme[s]/Plan[s] offered by the Mutual Fund to this Scheme.

The Switch will be effected by way of a redemption of units from the Scheme at the applicable NAV, subject to exit load, if any, and re-investment of redemption proceeds into another Scheme offered by the Mutual Fund at applicable NAV, and accordingly the Switch must comply with the Redemption rules of the Switch out scheme, and Subscription rules of the Switch-in Scheme.

[b] Intra-Scheme switching option:

Unit holders under the Scheme have the option to switch their Unit holdings from one option to another [e.g. Growth Option to Dividend option and vice versa]. The Switches would be processed at the applicable NAV based prices, and the difference between the NAVs of the two options will be reflected in the number of units allotted.

Switching shall be subject to the applicable “cut off time and applicable NAV” as mentioned in the section on “cut off timing”. In case of switch transactions, from one scheme to another, the allocation shall be in line with redemption payouts.

Application via Electronic mode:

Subject to the investor fulfilling certain terms and conditions stipulated by the AMC, its agents and/or representatives and the Registrar may accept transactions through any electronic mode [“fax/web/electronic transactions”] as permitted by SEBI or other regulatory authorities:

- i] The acceptance of the fax/web/electronic transactions will be solely at the risk of the transmitter of the fax/web/electronic transactions and the recipient shall not in any way be liable or responsible for any loss, damage caused to the transmitter directly or indirectly, as a result of the transmitter sending or purporting to send such transactions.
- ii] The recipient will also not be liable in the case where the transaction sent or purported to be sent is not processed on account of the fact that it was not received by the recipient.
- iii] The transmitter’s request to the recipient to act on any fax/web/electronic transmission is for the transmitter’s convenience and the recipient is not obliged or bound to act on the same.
- iv] The transmitter acknowledges that fax/web/electronic transactions is not a secure means of giving instructions/transactions requests and that the transmitter is aware of the risks involved including those arising out of such transmission.
- v] The transmitter authorizes the recipient to accept and act on any fax/web/electronic transmission which the recipient believes in good faith to be given by the transmitter and the recipient shall be entitled to treat any such fax/web/electronic transaction as if the same was given to the recipient under the transmitter’s original signature.
- vi] The transmitter agrees that security procedures adopted by the recipient may include signature verification, telephone call backs which may be recorded by tape recording device and the transmitter consents to such recording and agrees to cooperate with the recipient to enable confirmation of such fax/web/electronic transaction requests.
- vii] The transmitter accepts that the fax/web/electronic transactions shall not be considered until time stamped as a valid transaction request in the Scheme in line with SEBI regulations.
- viii] In consideration of the recipient from time to time accepting and at its sole discretion acting on any fax/web/electronic transaction request received/purporting to be received from the transmitter, the transmitter agrees to indemnify and keep indemnified the AMC, Directors, employees, agents, representatives of the AMC, Morgan Stanley Mutual Fund and Trustees from and against all actions, claims, demands, liabilities, obligations, losses, damages, costs and expenses of whatever nature [whether actual or contingent] directly or indirectly suffered or incurred, sustained by or threatened against the indemnified

parties whatsoever arising from or in connection with or any way relating to the indemnified parties in good faith accepting and acting on fax/web/electronic transaction requests including relying upon such fax/electronic transaction requests purporting to come from the transmitter even though it may not come from the transmitter.

The AMC reserves the right to discontinue the facility at any point of time.

Accounts Statements

Consolidated Account Statement [CAS]:

Pursuant to Regulation 36 of SEBI [Mutual Funds] Regulations, 1996 and amendments thereto, read with SEBI circular No. Cir/IMD/DF/16/2011 dated September 8, 2011, the investor whose transaction has been accepted by the AMC/Mutual Fund shall receive the following:

- (i) On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted by way of email/SMS and/or physical statement within 5 Business Days from the date of receipt of transaction request at the registered e-mail address and/or mobile number and/or registered address.
- (ii) Thereafter, a consolidated account statement [CAS]^ for each calendar month to the Unit holder/s in whose folio/s transaction/s has/have taken place during the month on or before 10th of the succeeding month.

^Consolidated Account Statement [CAS] shall contain details relating to all the transactions carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges, if any paid to the distributor.
- (iii) For the purpose of sending CAS, common investors across mutual funds shall be identified by their valid Permanent Account Number [PAN] & KYC. The CAS shall not be received by the Unit holders for the folio/s not updated with valid PAN & KYC details. The Unit holders are therefore requested to ensure that the folio/s are updated with their valid PAN & KYC.
- (iv) In case of a specific request received from the Unit holders, the AMC/Fund will provide the account statement to the investors within 5 Business Days from the receipt of such request.
- (v) In the event, the account has more than one registered holder, the first named Unit holder shall receive the CAS/account statement.

Further, the CAS detailing holding across all schemes of all mutual funds at the end of every six months [i.e. September and March every year], shall be sent on or before 10th day

of succeeding month, to all such Unit holders in whose folios no transaction has taken place during that period.

The consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.

The statement of holding of the beneficiary account holder for units held in demat will be sent by the respective Depository Participants periodically.

Dividend

The dividend proceeds shall be remitted to the unit holders within 30 days of the date of declaration of the dividend.

In case of unit holders having a bank account with certain banks with whom the Mutual Fund would have an arrangement from time to time, the dividend proceeds shall be directly credited to their account.

Where the dividend is paid by warrant, the payments will be made in favor of the Unit holder [registered holder of the units or, if there is more than one registered holder, only to the first registered holder] with bank account number furnished to the Mutual Fund. Please note that it is mandatory for the unit holders to provide the bank account details as per the directives of SEBI.

Further, the dividend proceeds may be paid by way of ECS/EFT/NEFT/RTGS/any other manner through which the investor's bank account specified in the Registrar & Transfer Agent's records is credited with the dividend proceeds as per the instructions of the unit holders.

Redemption

The Mutual Fund will endeavor to remit the redemption proceeds to the investor through Real Time Gross Settlement [RTGS], NEFT, Direct Credit, etc or dispatch the cheque/demand draft as the case may be, within 1 Business Day from the date of acceptance of redemption request but not beyond 10 business days from the date of Redemption request.

Please note that it is mandatory for the unit holders to provide the Bank account details as per the directives of SEBI.

A Transaction Slip can be used by the unit holder to request for redemption. The requisite details shall be entered in the Transaction Slip and submitted at ISC/ official point of Acceptance. Transaction Slips can be obtained from any of the ISCs/official point of Acceptance.

Redemption by NRIs/FIIs:

Credit balances in the account of an NRI / FII Unit holder, may be redeemed by such Unit holder in accordance with the procedure mentioned here under Payment to NRI / FII Unit holders will be subject to the relevant laws / guidelines of the RBI as are applicable from time to time (also subject to deduction of tax at source as applicable).

In the case of NRIs:

- (i) Credited to the NRI investor's NRO account, where the payment for the purchase of the Units redeemed was made out of funds held in NRO account or
- (ii) Remitted abroad or at the NRI investor's option, credited to his NRE / FCNR / NRO account, where the Units were purchased on repatriation basis and the payment for the purchase of Units redeemed was made by inward remittance through normal banking channels or out of funds held in NRE / FCNR account.

In the case of FIIs

The Fund will credit the net amount of redemption proceeds of the Units to the foreign currency account or Non-Resident Rupee Account of the FII investor.

Delay in payment of redemption/repurchase proceeds

The Asset Management Company shall be liable to pay interest to the unit holders at such rate as may be specified by SEBI [currently @ 15% per annum] for the period of delay i.e. beyond 10 business days from the date of acceptance of a valid Redemption request. However, the AMC will not be liable to pay any interest or compensation or any amount otherwise, in case the AMC/Trustee is required to obtain from the investor/unit holders verification of identity or such other details relating to subscription for Units under any applicable law or as may be requested by a regulatory body or any government authority, which may result in delay in processing the application.

C. PERIODIC DISCLOSURES**Net Asset Value**

This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.

The NAV will be disclosed on AMFI's website i.e. www.amfiindia.com and on the MSMF website i.e. www.morganstanley.com/indiamf by 9.00 pm on every business day. The NAVs of the Scheme shall also be released for publication in at least two daily newspapers on a daily basis as per SEBI [Mutual Funds] Regulations.

In case of delay in declaring the NAV beyond 9.00 p.m. on any business day, the reasons for such delay would be explained to AMFI in writing. NAVs would however be endeavored to be made available before commencement of business hours the following business day, failing which a press release explaining the material reasons for non-availability would be released.

Portfolio Disclosure

This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures.

Portfolio of the Scheme as on the last day of the month shall be disclosed on the website of the Fund on or before the tenth day of the succeeding month.

Also, the Fund shall before the expiry of one month from the close of each half-year [March 31st and September 30th] publish a complete statement of Scheme portfolio, in the prescribed format, in one national English daily newspaper circulating in the whole of India, and in the language of the region where the Head office of the Mutual Fund is situated. Alternatively, a complete statement of Scheme portfolio may be mailed to the respective unit holders. These portfolio details shall also be hosted on the website of the Mutual Fund namely, www.morganstanley.com/indiamf and on the website of AMFI namely, www.amfiindia.com.

Half Yearly Results

The mutual fund shall within one month from the close of each half year, that is on 31st March and on 30th September, host a soft copy of its unaudited financial results on its website namely, www.morganstanley.com/indiamf and an advertisement disclosing the hosting of such financial results on its website, in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the mutual fund is situated.

The Unaudited Financial Results would also be accessible on the website of AMFI namely, www.amfiindia.com.

Annual Report

An annual report of the Scheme will be prepared as at the end of each financial year [March 31st] and copies of the annual report or an abridged summary thereof will be mailed [including transmission by e-mail, if so decided by AMC] to all Unit Holders as soon as possible but not later than 4 months from the closure of the relevant financial year. If the report is mailed in a summary form, the full report will be available for inspection at the registered office of the Trustees and a copy thereof on request to the Unit Holders on payment of a nominal fee. These results shall also be displayed on the website of the Mutual Fund and Association of Mutual Funds in India.

Associate Transactions

Please refer to Statement of Additional Information (SAI).

Taxation

The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/ authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the scheme.

	Resident Investors*	Mutual Fund**
Tax on Dividend	Nil	Dividend Distribution Tax: For individual/HUF investors where dividend is declared: 25% on the amount distributed
		For other than individual/HUF investors- 30% on the amount distributed
Capital Gains:		
Long Term	10% without indexation benefit and 20% with indexation benefit	Nil
Short Term	At marginal tax rate applicable to the investor.	Nil

*The aforementioned tax rates would be increased by a surcharge of:

(a) 5% - in case of domestic corporate Unit Holders, where the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore.

10% – in case of domestic corporate Unit Holders, where the total income exceeds Rs. 10 crore.

(b) 10% – in case of individual/ HUF/AOP/ BOI, firm/LLP, local authority and co-operative societies, where total income exceeds Rs. 1 crore.

Further, education cess at the rate of 3% would be charged on amount of tax inclusive of the applicable surcharge for all Unit Holders.

**The tax would be increased by a surcharge of 10% and education cess at the rate of 3% on the amount of tax inclusive of surcharge.

The rates mentioned above are as per the Finance Act, 2013.

For further details on taxation please refer to the clause on Taxation in the SAI

Investor services

Investors may contact the ISCs and/or offices of the AMC for any queries/complaints or clarifications.

Mr. Sidhartha Gupta has been appointed as the Investor Relations Officer and he may be contacted at 18F/19F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai - 400 013, and at msmfcustomercare@karvy.com for written communication.

Customer Service Executives of Morgan Stanley Mutual Fund can be reached at the following toll free number: - 1800 425 1313.

D. COMPUTATION OF NAV

The NAV of Units under the Scheme shall be calculated by the following method:

$$\text{NAV} = \frac{\text{Market or fair value of the Scheme's investments} + \text{Current assets} - \text{Current Liabilities and Provisions}}{\text{No. of Units outstanding under the Scheme}}$$

The NAV will be calculated up to four decimal places for the Scheme. Separate NAVs will be calculated and announced for each Plan/Option. Units will be allotted up to three decimal places.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and under such regulations as may be prescribed by SEBI from time to time.

V. Fees And Expenses

This section outlines the expenses that will be charged to the scheme.

A. NEW FUND OFFER [NFO] EXPENSES

These expenses are incurred for the purpose of various activities related to NFO. In accordance with SEBI guidelines, the NFO expenses will be borne by the AMC/ Sponsor.

B. ANNUAL RECURRING EXPENSES

These are the fees and expenses for operating the Scheme. The table below includes expenses as estimated by the AMC. For actual current expenses being charged, the investor should refer to the website of the mutual fund.

Particulars	% of Average Daily Net Assets
Investment Management and Advisory Fees	
Trustee Fees	
Audit Fees	
Custodian Fees	
RTA Fees	
Marketing & Selling expenses incl. agent commission	
Cost related to investor communications	
Cost of fund transfer from location to location	
Cost of providing account statements and dividend redemption cheques and warrants	Up to 2.25%
Cost of statutory Advertisements	
Cost towards investor education & awareness [at least 2 bps]	
Brokerage & transaction cost over and above 12 bps and 5 bps for cash and derivative market trades respectively	
Service tax on expenses other than investment and advisory fees	
Service tax on brokerage and transaction cost	
Maximum total expense ratio [TER] permissible under Regulation 52(6)(c)(i) and (6)(a)	Up to 2.25%
Additional expenses under Regulation 52 (6A) (c)	Up to 0.20%
Additional expenses for gross new inflows from specified cities	Up to 0.30%

Commission/expenses for distribution of units will not be charged under Direct Plan. Accordingly, the annual recurring expenses of Direct Plan will be lower by at least 10% vis-à-vis Regular Plan.

These estimates have been made in good faith as per the information available to the Investment Manager based on past experience.

Regulatory limits on total expenses in terms of Regulation 52 is as follows:

Daily Net Assets	Maximum, as a % average Daily Net Assets
On the first Rs.100 crore	2.25%
On the next Rs.300 crore	2.00%
On the next Rs.300 crore	1.75%
On the balance of the assets	1.50%
Additional Expenses on total daily net assets	0.20%

The following expenses would be chargeable in addition to the limits specified above:

- [i] Brokerage and transaction costs which are incurred for the purpose of execution of trade and is included in the cost of investment, not exceeding 0.12% in case of cash market transactions and 0.05% in case of derivatives transactions, and
- [ii] Service tax on investment management and advisory fees.

The following are the additional details regarding expenses under the head "Additional Expenses for gross new inflows in specified cities" referred in the above table:

Expenses not exceeding of 0.30% of daily net assets will be charged, if the new inflows from such cities as specified by the SEBI from time to time are at least higher of -

- [i] 30% of gross new inflows in the scheme, or;
- [ii] 15% of the average assets under management [year to date] of the scheme,

Provided that if inflows from such cities are less than the higher of sub-clause (i) or sub-clause (ii), such expenses on daily net assets of the scheme shall be charged on proportionate basis.

Provided further that expenses charged under this clause shall be utilized for distribution expenses incurred for bringing inflows from such cities.

Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the scheme in case the said inflows are redeemed within a period of one year from the date of investment.

The types of expenses disclosed in this Section are as permitted under the Regulation 52 of SEBI [MF] Regulations. Any expenses in excess of the same shall be borne by the AMC, or Trustees or Sponsor. Morgan Stanley Mutual Fund would update the current expense ratios on its website within two business days mentioning the effective date of the change.

C. LOAD STRUCTURE

In accordance with SEBI circular SEBI/IMD/CIR No. 4/168230/09 dated June 30, 2009, effective August 1, 2009, there shall be no entry load for all mutual fund schemes. Upfront commission shall be paid directly by the

investor to the ARN holder [AMFI registered distributor] based on the investor's assessment of various factors including the service rendered by the ARN holder.

Load structure including SIP transactions:

Type of Load	Load chargeable [as %age of NAV]
Entry	NA
Exit	Nil

Applicability of Exit Load and Holding period calculation in case of Switches:

MSMF has categorized all the Schemes in the below mentioned 'Fund Families'. The table below lists down the details regarding applicability of exit load and holding period for calculating exit load at the time of:

- [a] Switching from one plan/option to another within the same Scheme;
- [b] Switching to another Scheme belonging to the same Fund Family;
- [c] Switching to another Scheme belonging to a different Fund Family.

Fund Family I	Fund Family II	Fund Family III
Morgan Stanley ACE Fund	Morgan Stanley Short Term Bond Fund	Morgan Stanley Liquid Fund
Morgan Stanley Growth Fund	Morgan Stanley Active Bond Fund	Morgan Stanley Gilt Fund
Morgan Stanley Multi Asset Fund Plan A and Plan B		Morgan Stanley Ultra Short Term Fund

Sr. No.	Scenario	Exit Load Applicable at the time of Switch-out	Holding Period Calculation for applicability of Exit Load in the Switch-in Scheme
1	Switch Within the Scheme (Intra Scheme - Option / Plan Change)	Nil	Original Date of Investment in the Scheme
2	Switch Within the Fund Family (Inter Scheme - Same Fund Family)	Nil	Date of Switch
3	Switch Between Schemes of Different Fund Families (Inter Scheme - Separate Fund Family)	Applicable as per the Switch-out Scheme's Load Structure	Date of Switch

Note:

The above mentioned matrix of Fund Families is based upon the existing schemes. The AMC reserves the right to modify the classifications of the Schemes/Fund Families as per its discretion.

Exit Load charged to the investors will be credited back to the Scheme net of service tax.

The Trustees retain the right to change/impose Exit Load subject to the provisions below:

- i) Any such changes/impositions would be chargeable only for prospective Purchases and Redemptions from such prospective Purchases [applying First in First Out basis].
- ii) The AMC shall arrange to display a notice in all the ISCs for any change in the prevalent load structure. An addendum detailing the changes in load structure will be attached to Scheme Information Documents and Application Forms. Unit holders/prospective investors will be informed of changed/prevaling load structures through various means of communication such as public notice published in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated and/or display at ISCs/Distributors' offices, on account statements, investor newsletters, etc.
- iii) The Redemption Price will not be lower than 93% of the applicable NAV and the Purchase Price will not be higher than 107% of the applicable NAV, provided that the difference between the Redemption Price and the Purchase Price at any point in time shall not exceed the permitted limit as prescribed by SEBI from time to time, which is currently 7% calculated on the Purchase Price.

The investors are requested to check the prevailing load structure of the Scheme before investing. For the current applicable load structure, please refer to the website of the Mutual Fund namely, www.morganstanley.com/indiamf or call at 1800 425 1313 or your distributor.

D. TERMS AND CONDITIONS RELATING TO TRANSACTION CHARGES:

Pursuant to SEBI circular: Cir/IMD/DF/13/2011 dated August 22, 2011, transaction charges can be paid to the distributors for per subscription transactions of Rs. 10,000/- and above. The said charges would be deducted from the subscription amount remitted by the Investor and would be paid to the distributor and the net amount will be invested in the scheme i.e. units will be allotted against the net investment.

For investors already invested in Mutual Fund Schemes, the applicable transaction charge would be Rs. 100/- per subscription of Rs. 10,000/- and above, where as for first time investors the same would be Rs. 150/-.

In case of Systematic Investment Plans (SIPs), the Transaction Charge will be applicable only if the total commitment through SIPs at the time of starting the SIP amounts to Rs.10,000/-and above. The transaction charge could be paid in 3 to 4 installments during the tenure of the SIP.

No Transaction charges would be applicable:

- a) Where the investor purchases the Units directly from the Mutual Fund
- b) Where the amount of investment is below Rs. 10,000/- on a per subscription basis
- c) On transactions other than purchases/subscriptions relating to new inflows i.e. Switch-in/Transfer/ Transmission of units/Allotment of Bonus Units/ Dividend reinvestment Units.

The said transaction charges would be in addition to the existing system of commission permissible to the Distributors. Upfront commission, if any, would continue to be paid directly by the Investors to the Distributors by a separate cheque as agreed between them.

E. DISTRIBUTOR'S EMPLOYEE UNIQUE IDENTIFICATION NUMBER [EUIN]:

SEBI, vide its circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 has directed mutual funds to capture the Employee Unique Identification Number [EUIN] of the employee/relationship manager/sales person of the distributor interacting with the investor for the sale of mutual fund products in addition to AMFI Registration Number [ARN] of the distributor. Thus all the non-individual ARN holders are required to provide the EUIN in addition to their ARN code in the application form.

VI. Rights Of Unitholders

Please refer to SAI for details.

VII. Penalties, Pending Litigation Or Proceedings, Findings Of Inspections Or Investigations For Which Action May Have Been Taken Or Is In The Process Of Being Taken By Any Regulatory Authority

A. Penalties/fines imposed in case of foreign Sponsor:

Following is the list of Top ten penalties imposed on Morgan Stanley from April 1, 2010 till March 31, 2013:

1. On February 28, 2013, Morgan Stanley without admitting or denying the findings, consented to a settlement with the Federal Reserve Board relating to the Saxon foreclosure review process that was mandated by an April 2012 Consent Order with the Federal Reserve Board. Payment was made in the amount of \$113.5 mn to the Qualified Settlement Fund and a \$2 mn payment was made to NeighborWorks America.
2. On April 20, 2012, MS&Co. entered into a settlement with FINRA of threatened charges arising from 2-plus year old investigation into sales of leveraged ETFs. UBS, Wells/Wachovia and Citigroup were also subjects of the investigation and entered into settlements with FINRA. MS agreed to a fine of \$1.75mn plus restitution of \$0.6 mn.
3. On June 5, 2012, Morgan Stanley without admitting or denying the underlying allegations and without adjudication of any issue of rule or fact, the Firm accepted and consented to entry of findings and the imposition of a fine of \$6.75 mn with CFTC, CBOT, and CME relating to the execution, processing and reporting of numerous off-exchange futures trades as exchanges for related positions (EFRPs) without the corresponding and related cash, OTC swap, OTC option, or other OTC derivative position. (CFTC, \$5mn; CBOT, \$1mn; CME, \$0.75mn).
4. On August 7, 2012, Morgan Stanley without admitting or denying the underlying allegations of violations of federal antitrust laws relating to the Firm's involvement in a capacity swap in the New York City Energy market between Keyspan and Morgan Stanley, the Firm accepted and consented to entry of findings and the imposition of a fine of \$4.8 mn with the Department of Justice.
5. On December 17, 2012, Morgan Stanley & Co. LLC has entered into a settlement of \$5 mn, neither admitting nor denying the allegations, made by the Commonwealth of Massachusetts, Securities Division, in connection with an investigation involving Morgan Stanley's role as lead underwriter for the initial public offering of Facebook, Inc.
6. On September 9, 2011, Morgan Stanley Mortgage Capital Holdings LLC ("MSMCH"), without admitting or denying liability, agreed to make payments totaling \$15.9 mn in connection with the Nevada Attorney General's investigation concerning potential misrepresentations by loan originators to Nevada consumers who took out subprime loans that were bought and securitized by MSMCH. \$10.8 mn (of the \$15.9M) went to the State of Nevada to be used by the Attorney General for mortgage fraud and foreclosure prevention and similar purposes, and to reimburse the State for the costs of the investigation.
7. On November 2, 2011, Morgan Stanley Smith Barney ("MSSB"), without admitting or denying the findings, consented to a censure and a fine in the amount of \$1 mn. The Firm also agreed to make restitution to the investors in the total amount of \$0.37 mn, plus interest. FINRA alleged that MSSB violated FINRA and MSRB rules in connection with the sale/purchase of corporate and municipal bonds to/from customers at a price that was not fair and reasonable (including any markup or markdown). FINRA further alleged that the Firm's supervisory system for markups and markdowns was inadequate for purposes of determining whether such markups/markdowns were excessive and did not provide reasonable policies and procedures designed to comply with applicable securities laws, regulations, and FINRA rules concerning markups/markdowns.
8. On June 24, 2010, Morgan Stanley & Co. ("MS&Co.") settled with the Massachusetts Attorney General Office who undertook an investigation into the financing, purchase, and securitization of allegedly unfair residential mortgage loans during the period late 2005 through the first half of 2007 by MS&Co. (together with its affiliates involved in the mortgage financing and securitization business). Without admitting or denying allegations, Morgan Stanley entered into Assurance of Discontinuance. MS&Co. settled the matter for \$102.7 mn.
9. On April 29, 2010, MSCGI reached a settlement with the CFTC relating to a single request by a former MSCGI trader on 2/6/09 that his counterparty at UBS reported a TAS Block trade after the close rather than within 5 minutes. Without admitting or denying findings, MSCGI agreed to pay a civil monetary penalty in the amount of \$14 million, plus post-judgment interest; and to comply with undertakings set forth in the Offer. The settlement amount largely reflects a disgorgement of profits associated with the trade.
10. On November 16, 2011, Morgan Stanley Investment Management Inc. ("MSIM") settled charges by the SEC relating to The Malaysia Fund, Inc. (the "Fund"),

and a closed - end investment company launched and managed by MSIM. The settlement relates to the period from 1996 until the end of 2007, during which time the SEC found MSIM represented to investors and to the independent members of the Fund's board of directors that the Fund's unaffiliated Malaysian sub-adviser, AMMB Consultant Senderian Berhad ("AMMB") was providing certain services that AMMB in fact was not providing. Effective December 31, 2007, AMMB was terminated. Without admitting or denying the findings, MSIM consented to a censure and was ordered to make a reimbursement to the Fund in the amount of \$1.84 mn for the amount of advisory fees the Fund paid to AMMB from 1996 until the end of 2007, less a credit of \$0.54 mn for the portion MSIM had already reimbursed to the Fund. MSIM also was ordered to pay a civil money penalty in the amount of \$1.5 mn to the U.S. Treasury. MSIM was further ordered to implement and maintain policies and procedures specifically governing: (1) the investment advisory contract renewal process of the mutual funds for which it serves as investment adviser; (2) MSIM's oversight of certain service providers, including sub-advisers; and (3) MSIM's disclosures regarding such service providers. Lastly, MSIM was ordered to certify, in writing, compliance with the undertakings above, which certification shall be supported by written evidence of compliance and exhibits.

- B. In case of Indian Sponsor(s), details of all monetary penalties imposed and/or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/or the AMC and/or the Board of Trustees/Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed – Not Applicable since Morgan Stanley Mutual Fund does not have Indian Sponsor.
- C. Details of all enforcement actions taken by SEBI in the last three years and/or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/or

suspension and/or cancellation and/or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/or the AMC and/or the Board of Trustees/Trustee Company and/or any of the directors and/or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed - None.

- D. Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/or the AMC and/or the Board of Trustees/Trustee Company and/or any of the directors and/or key personnel are a party should also be disclosed separately - None.
- E. Any deficiency in the systems and operations of the Sponsor(s) and/or the AMC and/or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed - None.

Notes:

1. The Scheme under this Scheme Information Document is approved by the Board of Trustees on November 5, 2012.
2. The Board of Trustees have ensured that Morgan Stanley Ultra Short Term Fund is a new product offered by Morgan Stanley Mutual Fund and is not a minor modification of any of existing schemes of the Mutual Fund.
3. Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI [Mutual Funds] Regulations, 1996 and the guidelines there under shall be applicable.

For and on behalf of
Morgan Stanley Investment Management Private Limited
[Investment Manager of Morgan Stanley Mutual Fund]

Sd/-

Anthony Heredia
Managing Director & CEO

Place: Mumbai
Date: June 28, 2013

OFFICIAL POINTS OF ACCEPTANCE DURING NFO & ONGOING OFFER

Morgan Stanley Investment Management Pvt. Ltd.

Ahmedabad: Broadway Business Centre, 1st Floor, Sahajanand Complex, C. G. Road, Ahmedabad - 380 006

Bangalore: 928, Regus Business Centre, Level 9, Raheja Towers, 26/27 Mahatma Gandhi Road, Bangalore - 560 001

Chandigarh: Office No. 303, 3rd Floor, Reliant Business Centre, SCO No. 60-61-62, Sector 17 C, Chandigarh - 160 017

Chennai: 208, Apeejay Business Centre, Apeejay House, 39/12 Haddows Road, Nungambakkam, Chennai - 600 006

Hyderabad: Office No. 214, DBS Business Centre, 43 - 46 Sardar Patel Road, Secunderabad - 500 003

Kolkata: Office No. 8, 8th Floor, Apeejay Business Centre, Apeejay House, Block A, 15 Park Street, Kolkata - 700 016.

Mumbai: 18th Floor, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai - 400 013

New Delhi: DBS Business Center Office #203, World Trade Tower Connaught Place New Delhi 110 001

Pune: Apeejay Business Center Cabin No. 2 and 16, 1st Floor, Pride House S. No. 108/7, Shivajinagar University Road, Pune 411 016

Karvy Computershare Private Limited

Ahmedabad: 201-202, Shail Buildings, Opp. Madhusudhan House, Off C. G. Road, Nr. Navrangpura Telephone

Exchange, Ahmedabad - 380 006 **Bangalore:** 59, Skanda Puttanna Road, Basavanagundi, Bangalore - 560004

Chennai: Flat No. F11, First Floor, Akshya Plaza, (Erstwhile Harris Road), Opp. Chief City Metropolitan Court, #108,

Adhithanar Salai, Egmore, Chennai - 600 002 **Chandigarh:** SCO-371-372, First Floor, Above HDFC Bank, Sector

35B, Chandigarh - 160 022 **Hyderabad:** 8-2-596 Karvy Plaza, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500

034 **Kanpur:** B 15/46, Opp. Muir Mills, Civil Lines, Kanpur - 208 001 **Kolkata:** South Kolkata: 166, A Rashbehari

Avenue, 2nd Floor, Near Adi Dhakeshwari Bastralaya, Opp. Fortis Hospital, Kolkata - 700 029 **Lucknow:** Usha Sadan,

24, Prem Nagar, Ashok Marg, Lucknow - 226 001 **Ludhiana:** SCO - 136, First Floor, Above Airtel Show Room, Feroze

Gandhi Market, Ludhiana - 141 001 **Mumbai:** Fort: Office No. 01/04, 24/B, Raja Bahadur Compound, Ambalal Doshi

Marg, Behind Bombay Stock Exchange, Fort, Mumbai - 400 001 **New Delhi:** 305, 3rd Floor, New Delhi House, Bara

Khamba Road, Connaught Place, New Delhi - 110 001 **Pune:** Shop No. 16, 17 & 18, Ground Floor, Shreenath Plaza,

Dnyaneshwar Paduka Chowk, F.C. Road, Pune - 411 004 **Vadodara:** SB-4&5, Mangaldeep Complex, Opposite Mesonic

Hall, Productivity Road, Alkapuri, Vadodara - 390 007

OFFICIAL POINTS OF ACCEPTANCE DURING ONGOING OFFER

Karvy Computershare Private Limited

Ahmedabad: 201-202, Shail Buildings, Opp. Madhusudhan House, Off C. G. Road, Nr. Navrangpura Telephone

Exchange, Ahmedabad - 380 006 **Allahabad:** RSA Towers, 2nd Floor, Above Sony TV Showroom, 57, S P Marg, Civil

Lines, Allahabad - 211 001 **Amritsar:** 72A, Taylor's Road, Aga Heritage, Gandhi Ground, Amritsar - 143 001 **Asansol:**

114/71, G.T. Road, Near Sony Centre, Bhanga Pachil, Asansol - 713 303 **Aurangabad:** Ramkunj, Railway Station Road,

Near Osmanpura Circle, Aurangabad - 431 005 **Bangalore:** 59, Skanda Puttanna Road, Basavanagundi, Bangalore

- 560004 **Bhavnagar:** G-11, Giranjali Complex, Opp. C - Divison Police Station, Kalanala, Bhavnagar - 364001

Bhubaneswar: A/181, Behind Shivam Honda Showroom, Saheed Nagar, Bhubaneswar - 751007

Burdwan: 63, G. T. Road, Birhata, Halder Complex, 1st Floor, Burdwan -713 101 **Calicut:** 2nd Floor, Sowbhagya

Shopping Complex, Areyadathupalam Mavoor Road, Calicut - 673 004 **Chandigarh:** SCO-371-372, First Floor, Above

HDFC Bank, Sector 35B, Chandigarh - 160 022 **Chennai:** Flat No. F11, First Floor, Akshya Plaza, (Erstwhile Harris

Road), Opp. Chief City Metropolitan Court, #108, Adhithanar Salai, Egmore, Chennai - 600 002 **Cochin:** Building

No. 39, Ali Arcade, 1st Floor, Near Atlantis Junction, Kizhvana Road, Panampili Nagar, Cochin - 682 036 **Coimbatore:**

1057/1058, Jaya Enclave, Avanashi Road, Coimbatore - 641 018 **Cuttack:** Dargha Bazar, Opp. Dargha Bazar Police

Station, Buxibazar, Cuttack - 753 001 **Dehradun:** Kaulagarh Road, Near Sirmaur Marg, Above Reliance Webworld, Dehradun - 248 001 **Durgapur:** MWAV-16 Bengal Ambuja, 2nd Floor, City Centre, Dist. Burdwan, Durgapur - 713 216 **Guntur:** Door No. 6-10-27, 10/1 Sri Nilayam, Arundelpet Guntur - 522 002 **Guwahati:** 54 Sagarika Bhawan, R. G. Baruah Road (AIDC Bus Stop), Guwahati - 781 024 **Hubli:** 22 & 23, 2nd Floor, Eureka Junction, T B Road, Hubli - 580 029 **Hyderabad:** 8-2-596 Karvy Plaza, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 **Indore:** 213 B, City center, M G Road, opp. High court, Indore -452001 **Jaipur:** S-16 A, 3rd Floor, Land Mark, Opp. Jaipur Club, Mahavir Marg, C-Scheme, Jaipur - 302 001 **Jalandhar:** Lower Ground Floor, Office No. 3, Arora Prime Tower, Plot No. 28, G T Road, Jalandhar - 144 004 **Jamnagar:** 108, Madhav Plaza, Opp. SBI Bank, Near Lal Bangalow, Jamnagar - 361 001 **Jamshedpur:** Kanchan Tower, 3rd Floor, Chhaganlal Dayalji Sons, 3-S B Shop Area, (Near Traffic Signal), Main Road, Bistupur, Jamshedpur - 831 001 **Jodhpur:** 203, Modi Arcade, Chupasni Road, Jodhpur - 342 001 **Kanpur:** B 15/46, Opp. Muir Mills, Civil Lines, Kanpur - 208 001 **Kolkata:** South Kolkata: 166, A Rashbehari Avenue, 2nd Floor, Near Adi Dhakeshwari Bastralaya, Opp. Fortis Hospital, Kolkata - 700 029 **Dalhousie:** 19, R. N. Mukherjee Road, 2nd Floor, Dalhousie, Kolkata - 700 001 **Lucknow:** Usha Sadan, 24, Prem Nagar, Ashok Marg, Lucknow - 226 001 **Ludhiana:** SCO - 136, First Floor, Above Airtel Show Room, Feroze Gandhi Market, Ludhiana - 141 001 **Madurai:** Rakesh Towers, 30-C, Bye-pass Road, 1st Floor, Opp. Nagappa Motors, Madurai - 625 010 **Mangalore:** Ground Floor, Mahendra Arcade, Kodial Bail, Mangalore - 575 003 **Margao:** 2nd Floor, Dalal Commercial Complex, Opp. Hari Mandir, Pajifond, Margao - 403 601 **Moradabad:** Om Arcade, Parker Road, Above Syndicate Bank, Tari Khana Chowk, Moradabad - 244 001 **Mumbai:** Fort: Office No. 01/04, 24/B, Raja Bahadur Compound, Ambalal Doshi Marg, Behind Bombay Stock Exchange, Fort, Mumbai - 400 001 **Borivali:** A/1, Himanshu Bldg., Gr. Floor, Near DHL Courier, Sodawala Lane, Borivali (West), Mumbai - 400 091 **Thane:** 101, Yashwant Building, Ram Ganesh Gadkari Path, Ram Maruti Road, Naupada, Thane (West) - 400 602 **Mysore:** L-350, Silver Tower, Clock Tower, Ashoka Road, Mysore - 570 001 **Nagpur:** Plot No. 2/1, House No. 102/1, Mangaldeep Apartment, Mata Mandir Road, Opp. Khandelwal Jewellers, Dharampeth, Nagpur - 440 010 **Nasik:** S-12, 2nd Floor, Suyojit Sankul, Sharanpur Road, Nasik - 422 002 **Navsari:** 1st Floor, Chinmay Arcade, Opp. Sattapir, Tower Road, Navsari - 396 445 **New Delhi:** 305, 3rd Floor, New Delhi House, Bara Khamba Road, Connaught Place, New Delhi - 110 001 **Panipat:** 1st Floor, Krishna Tower, Above Amertex, G T Road, Panipat - 132 103 **Patna:** 3A, 3rd Floor, Anand Tower, Beside Chankya Cinema Hall, Exhibition Road, Patna - 800 001 **Pune:** Shop No. 16, 17 & 18, Ground Floor, Shreenath Plaza, Dnyaneshwar Paduka Chowk, F.C. Road, Pune - 411 004 **Rajkot:** 102-103, Siddhi Vinayak Complex, Dr. Yagnik Road, Opp. Ramkrishna Ashram, Rajkot - 360 001 **Ranchi:** Commerce Towers, 3rd Floor, Room No. 307, Beside Mahabir Towers, Main Road, Ranchi - 834 001 **Salem:** No. 40, Brindavan Road, Near Perumal Koil, Fairlands, Salem - 636 016 **Surat:** G-16, Empire State Building, Udhna Darwaja, Ring Road, Surat - 395 009 **Trichy:** 60, Srikrishna Arcade, 1st Floor, Thennur High Road, Trichy - 620 017 **Trivandrum:** 2nd Floor, Akshaya Towers, Sasthamangalam, Trivandrum - 695 010 **Vadodara:** SB-4&5, Mangaldeep Complex, Opposite Mesonic Hall, Productivity Road, Alkapuri, Vadodara - 390 007 **Varanasi:** D64/132, 1st Floor, Anant Complex, Sigra, Varanasi - 221 010 **Vijayawada:** 39-10-7, Opp. Municipal Water Tank, Labbipet, Vijayawada - 520 010 **Visakhapatnam:** 47-14-5/1, Eswar Paradise, Dwaraka Nagar, Main Road, Visakhapatnam - 530 016

For updated and detailed list of Official Points of Acceptance refer to the Customer Service section on our website.

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www.morganstanley.com/indiamf