

Asia/GEMs Equity Strategy

Stay cautious a while longer

May 2011

MORGAN STANLEY RESEARCH
GLOBAL

Morgan Stanley Asia Limited+
Jonathan Garner
jonathan.garner@morganstanley.com
+852 2848 7288

Pankaj Mataney
pankaj.mataney@morganstanley.com
+852 2239 7830

Pauline Yeung
pauline.yeung@morganstanley.com
+852 2848 6853



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Key Highlights

- We continue to expect a difficult absolute and relative returns environment for EM & APxJ through H1 2011, with somewhat better performance in H2.
- Our scenario-weighted Target Prices of 1,290 for MSCI EM and 540 for MSCI APxJ are below consensus, with around 9% and 7% upside, respectively, from current levels. However, there is more than 20% downside to our bear case Target Prices.
- Our factor modeling of earnings suggests a marked deceleration for both indices in EPS growth – from around 40% YoY in 2010 to 13% YoY on our Base Case (consensus over 20%) and 4% in our Bear Case. Earnings revisions breadth has recently turned negative.
- We also expect consensus forward P/E multiples to remain below long-run average levels while inflation rises and policy tightening continues. The inflection point in this regard is likely to come in Q3.
- We have recently started to run higher country risk positions. Our OWs are China, Malaysia, Russia and Czech. Our UWs are Mexico, India, Thailand, Chile, Peru, Hungary and Philippines.
- Energy is our only sector OW for 2011, although we also prefer Metals & Mining and Software and are less negative Telecoms. Least favoured are Utilities, Diversified Financials, Consumer and Financials.
- We are emphasizing value investing and dividend yield and dividend growth more as themes for 2011.
- Our recent Inflation Blue Paper also provided detailed advice on how to invest during late-cycle inflation acceleration.
- We highlight two baskets of APxJ stocks which are positively and negatively geared to a further acceleration in inflation. These have been selected using a combination of top-down screening for prior performance and operating margin changes during prior periods of inflation acceleration as well as bottom-up analyst selection in relation to the current environment.

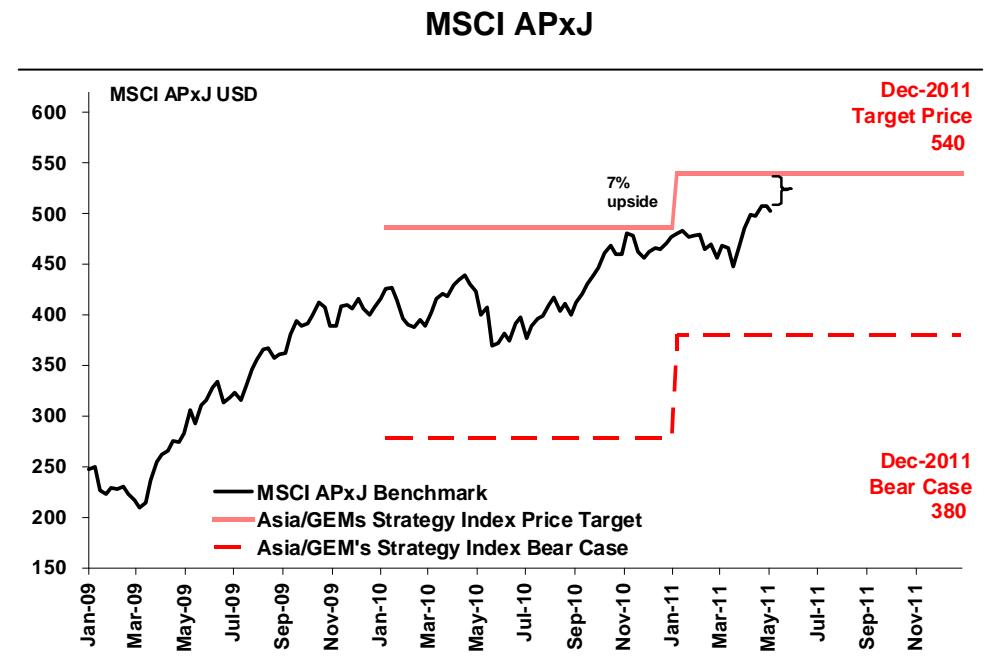
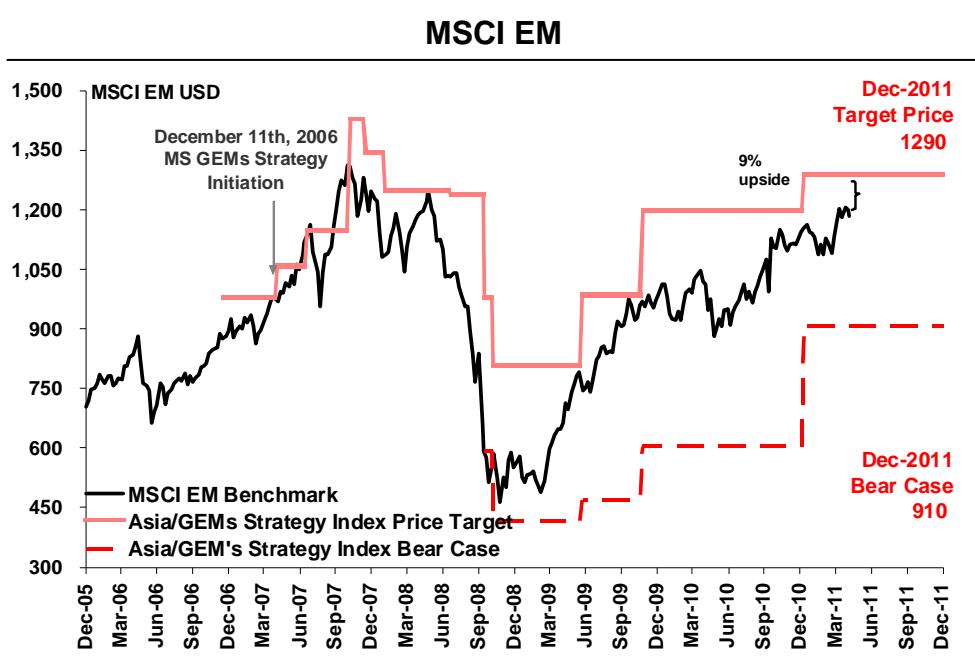
Revisiting Morgan Stanley's View for 2010, 2010 Outcome, and View for 2011 vs. Consensus

Key Recommendations / Themes	Our view for 2010	Outcome in 2010	Our view for 2011	Consensus view / comments
Target Price	1,200 for MXEF (+21%) and 486 for MXAPJ (+17%): scenario weighted	MXEF traded up to 1,156 and MXAPJ to 484: both on 5/11/2010; currently lower	1290 for MXEF (9% upside) and 540 (7% upside) for MXAPJ	Higher Target Price forecasts
Overall market view	Similar trajectory through 2010 as in 2004: tough H1 and better H2.	Market performed poorly through end May before rallying through mid October	Difficult absolute returns environment until inflation and interest rates peak in mid 2011	Consensus more bullish on near term.
Growth / Inflation	EM GDP growth of 7.4% (similar to 2004). Inflation to peak in late summer	GDP growth in line with expectations. However, inflation rose faster and has yet to peak	GDP growth to decelerate to 6.5% in 2011. Higher inflation and policy rates near term.	IMF forecasts 6.4% 2011 GDP growth. Consensus appears less concerned on inflation and policy rates
Earnings Forecast	Forecast 40% earnings growth for EM - more bullish than consensus forecast of 28%	Reached 38% on IBES LTM basis - almost back at early 2008 peak	Top Down Base case \$94. Bull case \$103 and Bear case \$87.	Consensus more bullish than us at \$97 for EM
Weighting of Bull, Base & Bear scenarios	30% weight on Bull, 55% Base and 15% Bear. At tails more emphasis on potential for bubble than double dip.	Close to Base Case. Double dip fears highest in May. Bubble hopes strongest in October	15% Bull, 60% Base, 25% Bear. We place more emphasis on downside risks to earnings than upside to flows.	Consensus puts more emphasis on impact of QE2 and funds flow in driving potential bull scenario
EM vs DM (MXEF / MXWO)	1,000 - 2,000 bps of outperformance	Outperformance of 1,200 bps to 5th Nov. Currently 700 bps.	Outperformance of 250 bps to 500 bps - back-end loaded to 2H 2011.	Record 86% bullish EM reading at Sep 2010 London client polling
EM equities vs EM debt	OW Equity (MXEF) versus Bonds (JPM EMBI & GBI-EM) and Cash. Upgraded equities from 26/05 to 17/10	MXEF outperforms JPM EMBI+ to 5/11/2010 (in line now). Still outperforming GBI-EM and Cash. MXEF gains +27% from 26/05 to 17/10.	Continue to OW equity (+400 bps)	Consensus appears to expect Equity outperformance of Debt
Regional Preferences	OW EMEA and to lesser extent Asia; UW LATAM	EMEA (15% ytd) and Asia (+14%) have both outperformed LATAM (+11%)	No strong regional preferences	No strong regional preferences
Sector Preferences	OW Consumer Discretionary, Financials (in China, India, Brazil and Indonesia) & Energy. UW Consumer Staples, Telecom and Utilities UW. Also downgraded IT from OW to EW.	Consumer Discretionary best performing sector (+1400 bps vs EM). Financials outperformed in Brazil, Indonesia and India but not in China. Energy, Utilities, IT and Telecoms all underperformed while Cons Stap outperformed	Downgrade Cons Disc to EW. Remain OW Energy. EW Materials, EW Financials and IT. Remain UW Consumer Staples, Telecoms and Utilities	PM weightings are most OW Consumer Disc., Consumer Staples and Healthcare . Most UW are Industrials, Utilities and Materials
Country Preferences	Few mispricings to exploit at country level. China, Korea, Russia and Malaysia most OW through year. Downgraded India at mid year to EW.	Asean (inc Malaysia), Turkey and smaller Latam markets outperform. China, Russia underperform. Korea outperforms. India underperforms post downgrade	China, Malaysia, Brazil, and Russia are our key OW. Thailand, Mexico, India and Chile are our key UW	PM weightings are most OW India, Turkey and Mexico. Most UW are Taiwan, Korea and China
Best Business Model theme	Emphasis on stocks using Best Business Model Framework (High sustainable RNOA, Balance sheet strength)	400 bps of YTD outperformance to MSCI EM. Overall outperformance of 950 bps since inception (28 Oct, 2009). See Bloomberg Ticker: MSMSBBM Index	Continue to favour approach.	N.A.
Third transition in Manufacturing	See "Third Transition in Global Manufacturing – Investment Implications" published on Jul 25, 2010	N.A	Recommend firms with low EM labour cost / sales ratio and above average revenues in EM vs DM	N.A.
Dividend Yield theme	See "Playing the Dividend Theme in APxJ / EM" published on Oct 8, 2010.	N.A	Recommend more focus on stocks with high dividend yield and ability to grow dividends	N.A.

Source: Morgan Stanley Research

Scenario-weighted Target Price History

- Target Prices are set, as in previous years, with respect to weighted averages of Bull, Base and Bear scenarios using the assigned weightings given on the following slides.
- There is 9% upside to our MSCI EM Target Price and 7% upside to our APxJ Target Price.



Source: MSCI, FactSet, Morgan Stanley Research. Data as of May 3, 2011

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Three Scenarios for 2011: MSCI EM

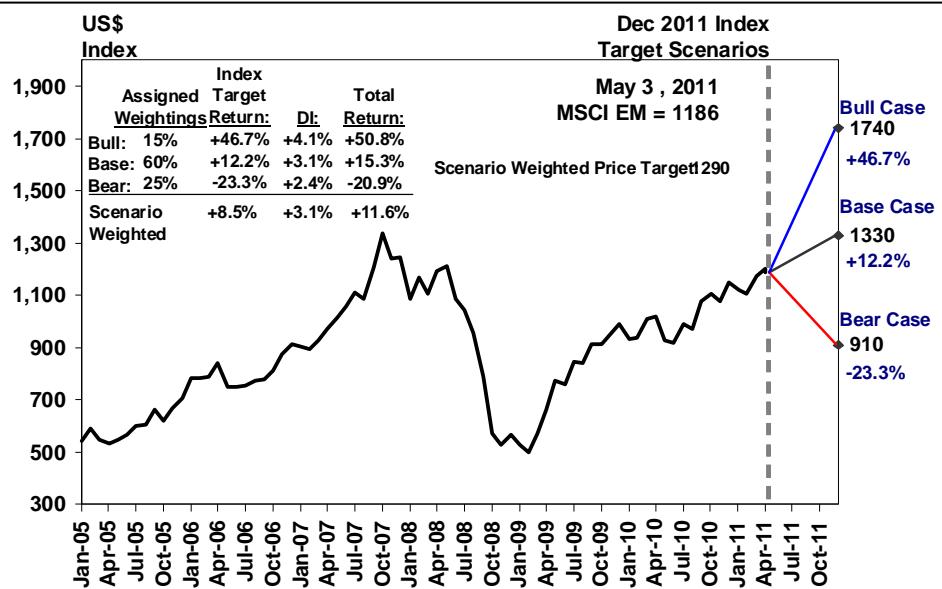
- We put a higher weighting on the Bear scenario (25%) than the Bull scenario (15%) – which is the opposite of last year.
- EPS forecasts are set with respect to flexing the assumptions on a factor model.
- P/E assumptions refer to historical ranges. Importantly, we expect higher inflation to keep the P/E inflation below average levels in H1 with multiple expansion more likely in H2.

MSCI EM Scenario Analysis for 2011

MS Asia/GEMs Strategy		Key Variables on EM Scenario Analysis*		
2011 Outlook	Scenarios	MSCI EM 2011E EPS Growth	MSCI EM Trailing P/E Dec-2011	Implied Total US\$ Return Upside
2011 Outlook	Assigned Weight	+23.4% in 2011	17.0x, average of top 15 percentiles	51%
Bull Scenario	15%	+23.4% in 2011	17.0x, average of top 15 percentiles	51%
Base Scenario	60%	+12.7% in 2011	14.2x, average of last 10 years	15%
Bear Scenario	25%	+4.3% in 2011	10.5x, average of bottom 15 percentiles	-21%

Source: Morgan Stanley Research. *Total US\$ returns includes dividends. Data as of May 3, 2011

MSCI EM: Index Target Price Scenario, USD Return



Source: MSCI, FactSet, Morgan Stanley Research. Data as of May 3, 2011

Three Scenarios for 2011: MSCI APxJ

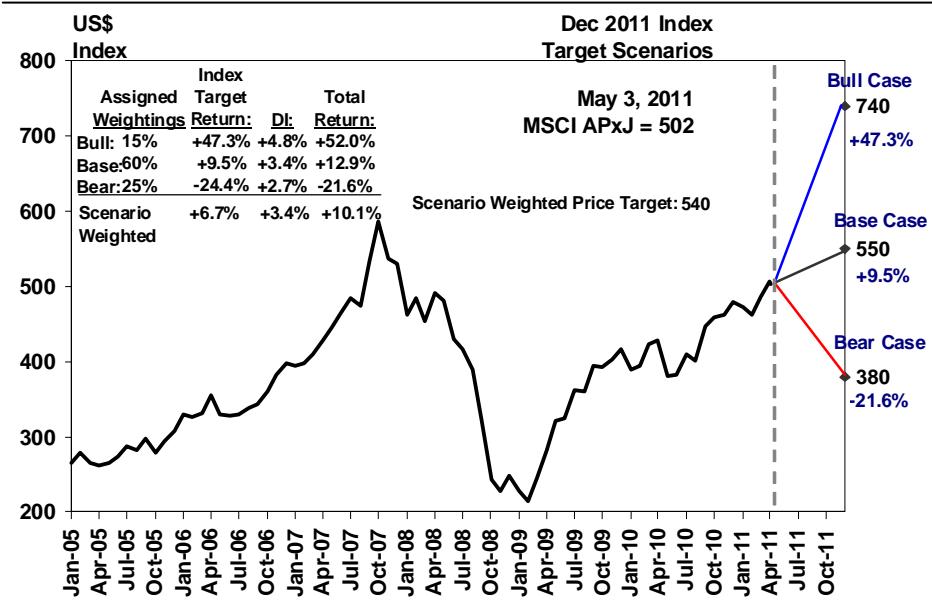
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MSCI APxJ Scenario Analysis for 2011

MS Asia/GEMs Strategy		Key Variables on APxJ Scenario Analysis*			
2011 Outlook	Scenarios	Assigned Weight	MSCI APxJ 2011E EPS Growth	MSCI APxJ Dec-2011 Trailing P/E	Implied Total US\$ Return Upside
2011 Outlook					
Bull Scenario	15%		+22.9% in 2011	19.4x, average of top 15 percentiles	52%
Base Scenario	60%		+13.0% in 2011	15.9x, average of last 10 years	13%
Bear Scenario	25%		+4.2% in 2011	12.0x, average of bottom 15 percentiles	-22%

Source: Morgan Stanley Research. *Total US\$ returns includes dividends. Data as of May 3, 2011

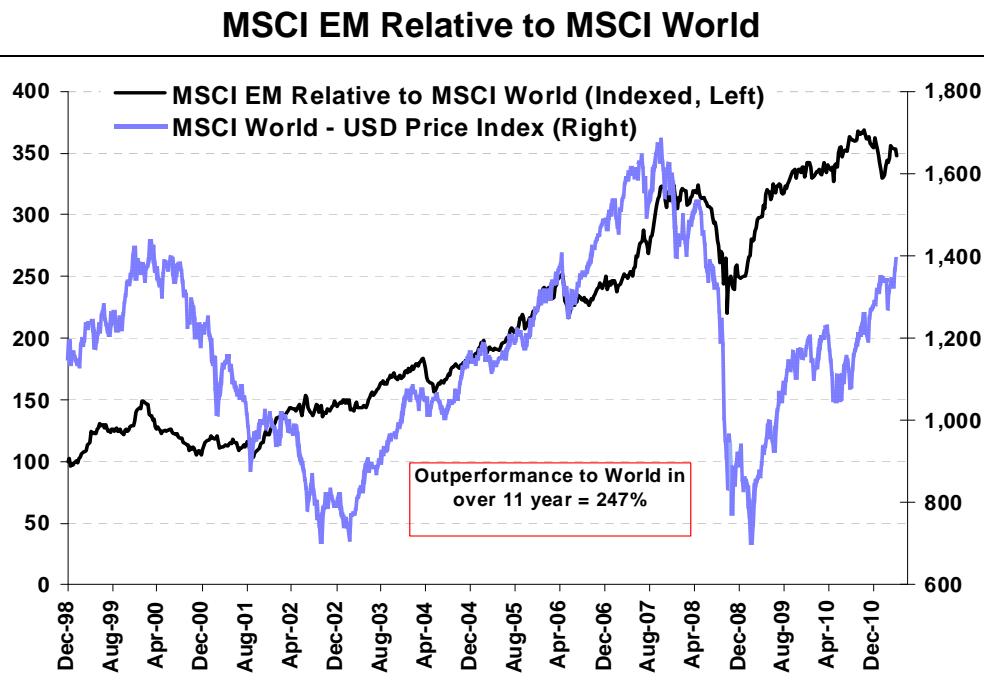
MSCI APxJ: Index Target Price Scenario, USD Return



Source: MSCI, FactSet, Morgan Stanley Research. Data as of May 3, 2011

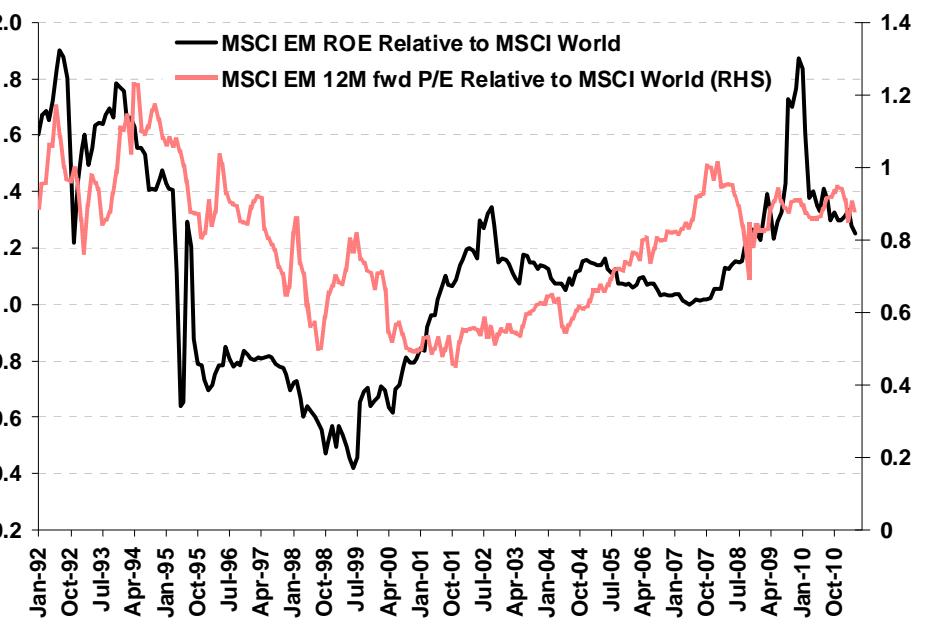
Secular Bull Market in EM Equities Relative to DM Equities likely intact

- MSCI EM ROE is currently 15.1%, which is a 22% premium to DM ROE.
- 2011 is likely to be the 11th year running when it has been above DM ROE.
- On consensus earnings estimates, EM 12-month forward P/E is at 11.2x which is a 12% discount to DM.



Source: MSCI, FactSet. Morgan Stanley Research, Data as of May 2, 2011.

ROE vs. Forward PE: MSCI EM vs. MSCI World – Still a Forward P/E Discount but ROE Premium Is Falling

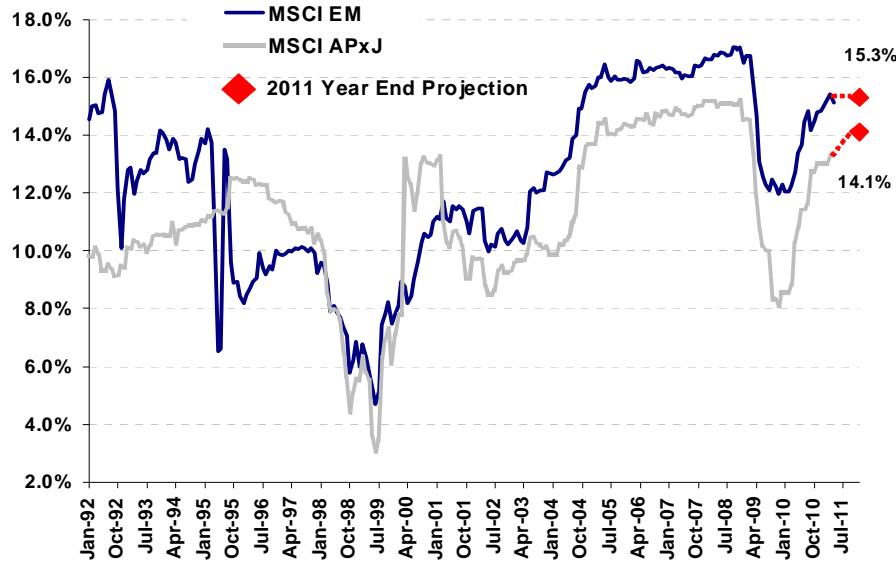


Source: MSCI, IBES, FactSet. Morgan Stanley Research, Data as of Apr 30, 2011.

Summary Earnings Growth, Valuation and ROE Metrics

- Our Base case modeling of earnings growth suggests a further slight gain in ROE for both regional indices, but to levels below the 2006/07 peaks.

Top-down Base Case ROE: MSCI EM vs. MSCI APxJ



Source: MSCI, FactSet, Morgan Stanley Research. Data as of Apr 30, 2011

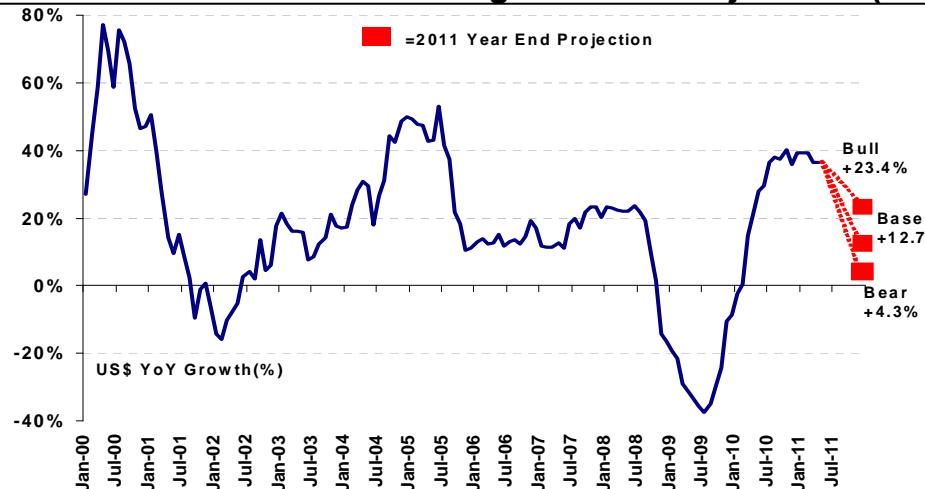
Top-down MSCI USD EPS Growth and Valuations Scenarios

Scenarios	Assigned Weight	US\$ EPS Growth 2011	US\$ P/E 2011	US\$ P/Book 2011	US\$ ROE 2011	US\$ DY 2011
2011 Outlook		APXJ EM	APXJ EM	APXJ EM	APXJ EM	APXJ EM
Bull Scenario	15%	22.9% 23.4%	13.3x 11.8x	2.03x 1.94x	15.2% 16.5%	2.9% 2.6%
Base Scenario	60%	13.0% 12.7%	14.5x 12.9x	2.05x 1.96x	14.1% 15.3%	2.8% 2.4%
Bear Scenario	25%	4.2% 4.3%	15.7x 13.9x	2.07x 1.99x	13.1% 14.3%	2.6% 2.4%

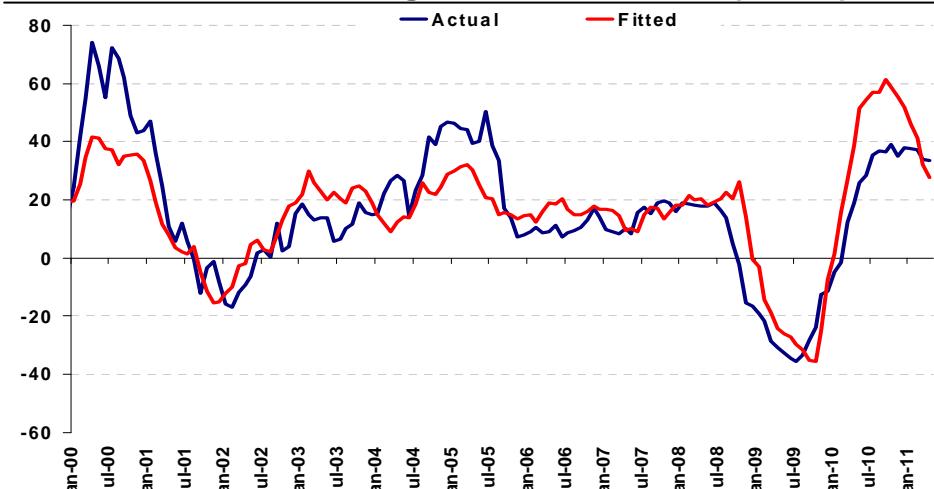
Source: IBES, MSCI, FactSet, Morgan Stanley Research. Data as of May 2, 2011

MSCI EM Factor Model Earnings Growth

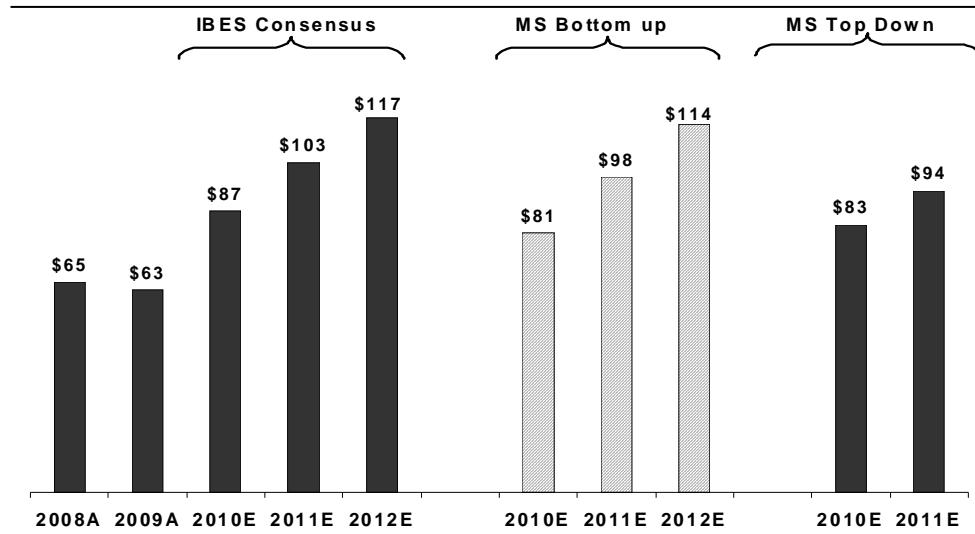
MSCI EM Factor Model Earnings Growth Projections (YoY%)



MSCI EM Earnings Factor Model Fit (YoY%)



IBES Consensus USD EPS Forecast



Regression Fit and Assumptions

Regression Fit

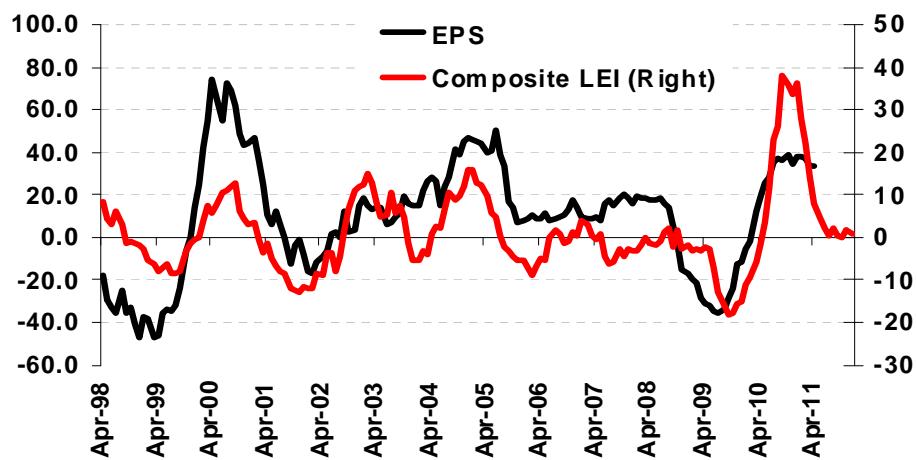
	Coefficients	Standard Error	t Stat
Intercept	5.50	2.39	2.31
Composite LEI*	lagged by 9M	0.48	0.21
EM REER	lagged by 2M	1.91	0.41
EM IP (3MMA)	lagged by 4M	1.03	0.43
EM Core CPI-PPI	lagged by 9M	1.00	0.47
Multiple R	0.81		
R Square	0.66		

Assumptions

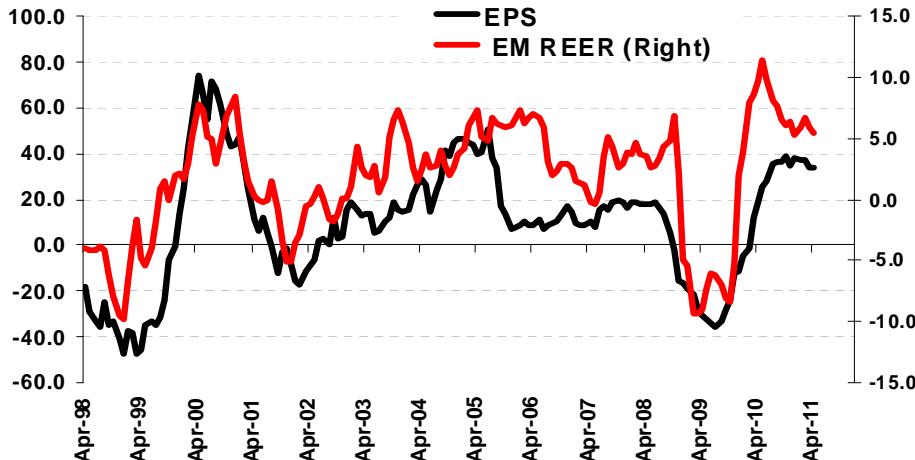
Coefficient	5.50	0.48	1.91	1.03	1.00	Real Earnings Growth	US CPI 2011	Nominal Earnings Growth
Factors	Intercept	China LEI	EM REER	EM IP (3MMA)	EM Core CPI-PPI			
Bull		1.39	3.4	7.9	0.0	20.8	2.6	23.4
Base		-3.11	1.4	6.5	-2.8	10.6	2.1	12.7
Bear		-6.61	-1.6	5.6	-2.3	2.7	1.6	4.3

Factor Model Variables - MSCI EM

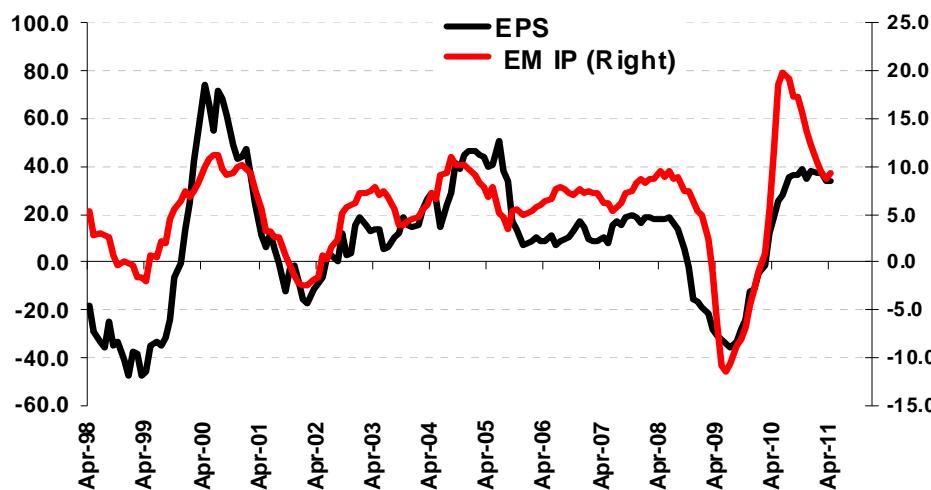
MSCI EM EPS Growth vs. Composite LEI* YoY% (lagged by 9M)



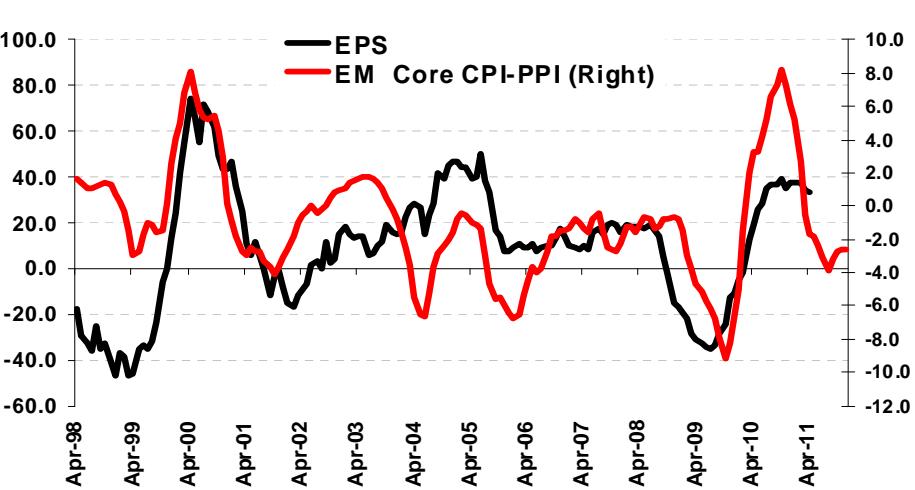
MSCI EM EPS Growth vs. EM REER YoY% (lagged by 2M)



MSCI EM EPS Growth vs. EM IP Growth (lagged 3M)



MSCI EM Growth vs. EM Core CPI-PPI YoY% (lagged by 15M)



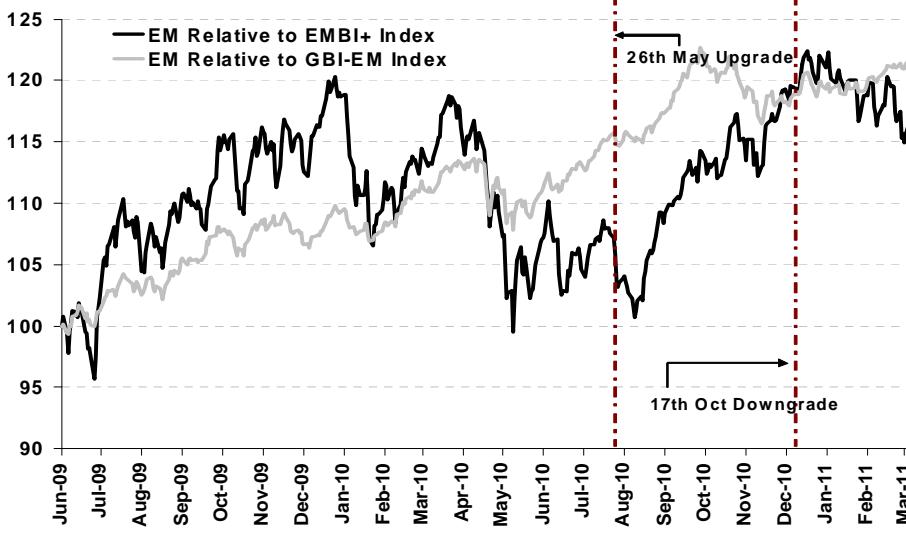
Source: DataStream, MSCI, Factset, Morgan Stanley Research. * 50/50 combination of US ISM and China LEI; Data as of April, 2011

Stay Overweight Equities versus Fixed Income within Multi-asset Portfolio

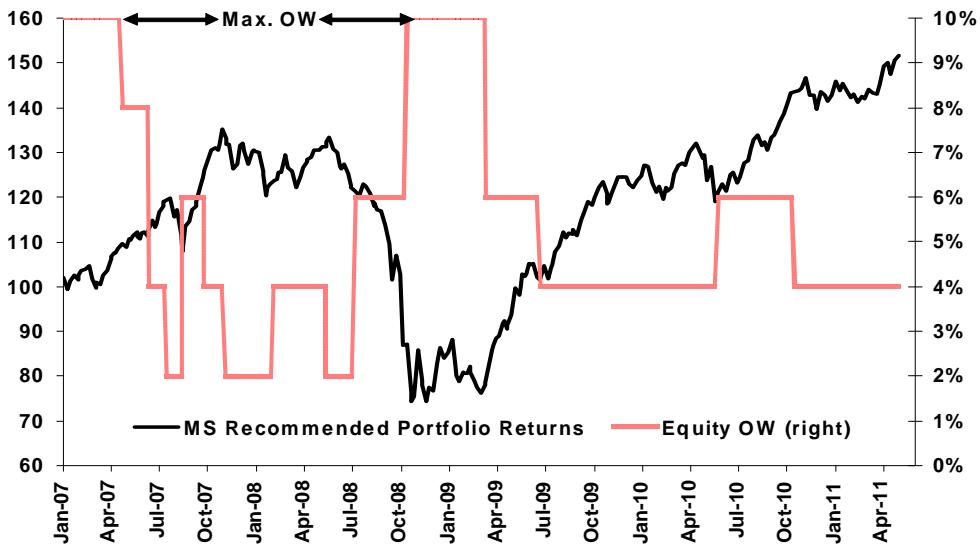
- Following our October 17 downgrade, we retain a moderate 4% OW equities stance in our long-term bonds, equities, cash asset allocation model.
- Cumulative returns from our MS Recommended Asset Allocation Portfolio are 10.4% p.a. in USD since inception in December 2006.

EM Asset Classes	18th Oct-10 Allocation	26th May-10 Allocation	Delta	Neutral EM Portfolio	MS Over (Under) Weight Relative to Neutral Portfolio
EM Equities	54%	56%	-2%	50%	4%
USD & EUR EM Debt	25%	25%	0%	25%	0%
Local Currency EM Debt	17%	17%	0%	20%	-3%
Cash	4%	2%	2%	5%	-1%

MSCI EM Total Return Index Relative to EMBI+ Index



MS Recommended Asset Allocation Portfolio Returns



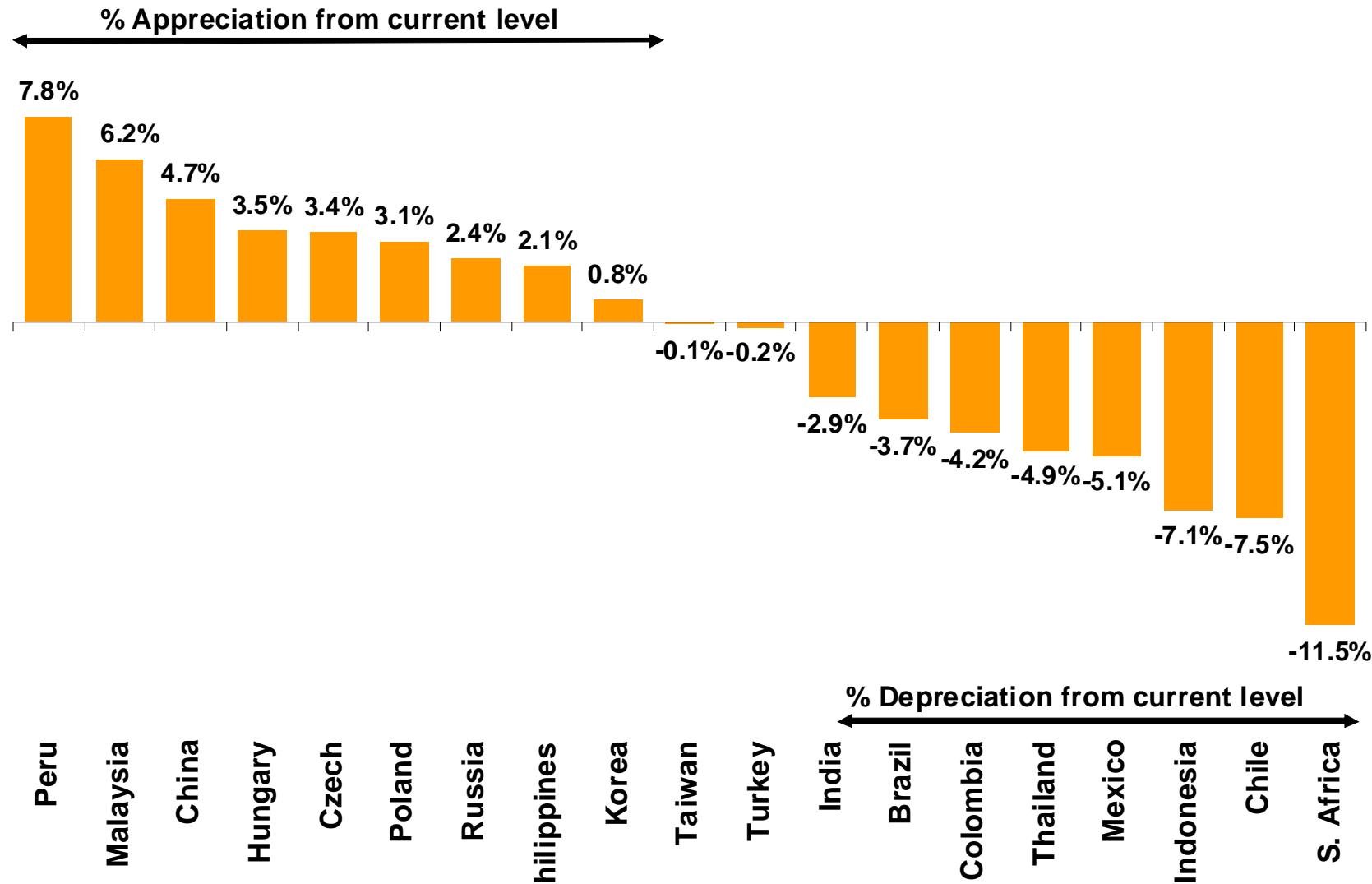
Source: MSCI, Bloomberg, Morgan Stanley Research. Data as of April 6, 2011. *EMBI+ and GBI-EM are proxies for USD & EUR denominated EM Debt and Local Currency EM Debt respectively. Maximum OW (UW) position for any asset set at +10% (-10%). Note: Multi-asset portfolio represents returns from a portfolio comprising MXEF, JMP EMBI+, GBI-EM, & US\$ Cash with weightings as per our published recommended allocation weighting

Morgan Stanley Macro Forecasts: GDP Growth & Inflation

Region / Country	Real GDP Growth (%)					CPI Headline Inflation (%)				
	2008	2009	2010	2011E	2012E	2008	2009	2010	2011E	2012E
Global Economy	2.7	-0.8	5.1	4.2	4.6	5.3	1.9	3.3	3.9	3.4
Industrial World	0.0	-3.6	2.6	2.0	2.7	3.3	0.0	1.4	2.4	1.9
Developing World	6.0	2.5	7.8	6.5	6.7	7.7	4.2	5.5	5.6	5.0
US	0.0	-2.6	2.9	2.9	3.6	3.8	-0.3	1.6	2.7	2.3
Euro Area	0.3	-4.0	1.7	1.7	1.2	3.3	0.3	1.6	2.3	1.8
Germany	1.0	-4.7	3.6	2.6	1.6	2.6	0.3	1.1	2.3	1.8
France	0.1	-2.5	1.5	1.6	1.7	2.8	0.1	1.5	1.8	1.6
Japan	-1.2	-6.3	3.9	-0.5	2.9	1.5	-1.3	-1.0	0.2	-0.4
UK	-0.1	-4.9	1.3	1.2	1.8	3.6	2.2	3.3	4.0	2.5
Asia ex-JP	7.3	6.3	9.3	7.7	8.0	6.4	2.4	5.1	5.1	4.4
China	9.6	9.1	10.3	9.0	9.0	5.9	-0.7	3.3	4.6	4.0
India	7.4	7.2	8.8	7.7	8.7	8.3	10.8	12.1	7.6	6.6
Korea	2.3	0.3	6.2	4.5	4.0	4.7	2.8	3.0	3.6	2.9
Taiwan	0.7	-1.9	10.8	3.8	4.2	3.5	-0.9	1.0	2.0	1.6
Indonesia	6.0	4.6	6.1	6.5	6.5	9.8	4.8	5.1	6.5	5.5
Malaysia	4.7	-1.7	7.2	5.0	5.5	5.4	0.6	1.7	2.3	2.2
Thailand	2.5	-2.3	7.8	4.8	5.3	5.5	-0.8	3.3	3.5	3.5
EMEA	3.9	-5.3	4.3	4.4	4.4	11.5	8.2	6.0	6.9	6.2
Russia	5.2	-7.8	4.0	5.0	5.5	14.1	11.7	6.9	9.5	8.0
Poland	5.2	1.6	3.8	4.1	3.7	4.3	3.5	2.6	4.3	3.1
Czech	2.5	-4.1	2.2	2.7	2.4	6.4	1.0	1.5	2.1	2.3
Hungary	0.9	-6.7	1.2	2.9	2.7	6.1	4.2	4.9	4.7	3.9
Turkey	0.7	-4.8	8.9	5.3	4.2	10.4	6.3	8.6	5.7	6.1
Latin America	4.2	-1.8	6.4	4.2	4.4	7.8	6.3	6.3	6.5	5.9
Brazil	5.1	-0.2	7.7	4.0	4.6	5.7	4.9	5.0	6.1	4.8
Mexico	1.5	-6.1	5.5	4.4	4.1	5.1	5.3	4.2	3.8	3.6
Chile	3.7	-1.7	5.2	5.6	4.5	8.7	1.5	1.4	3.3	3.4
Peru	9.8	0.9	8.8	5.9	6.2	5.8	2.9	1.5	2.4	2.4
Colombia	2.7	0.8	4.4	4.9	5.1	7.0	4.2	2.3	3.3	3.2

Source: Morgan Stanley Research estimates. Global Weekly Calendar published on May 1, 2011.

Currency Deviation – Current vs. MS 2011 Forecast versus US Dollar

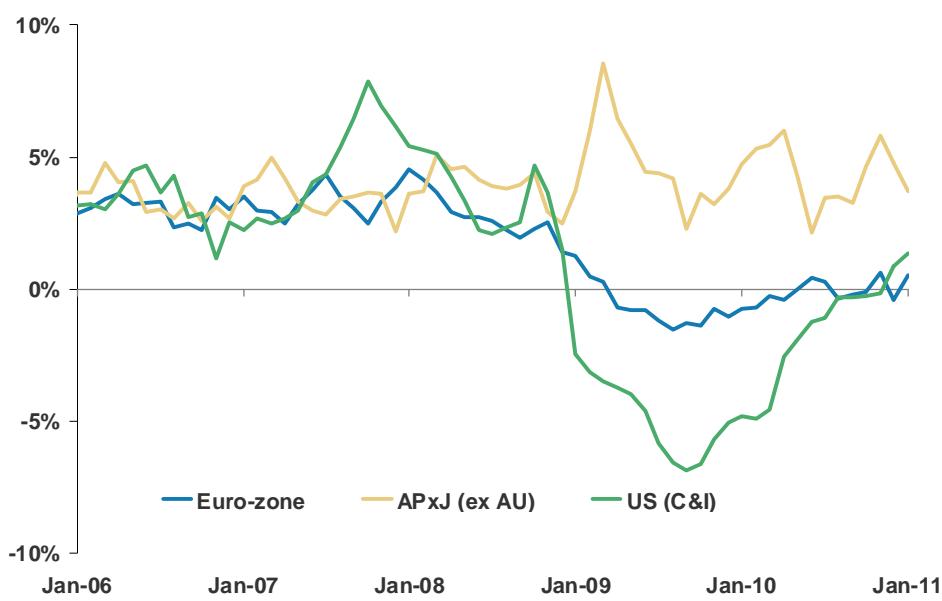


Source: MS FX team, Morgan Stanley Research. FX Pulse published on April 28, 2011

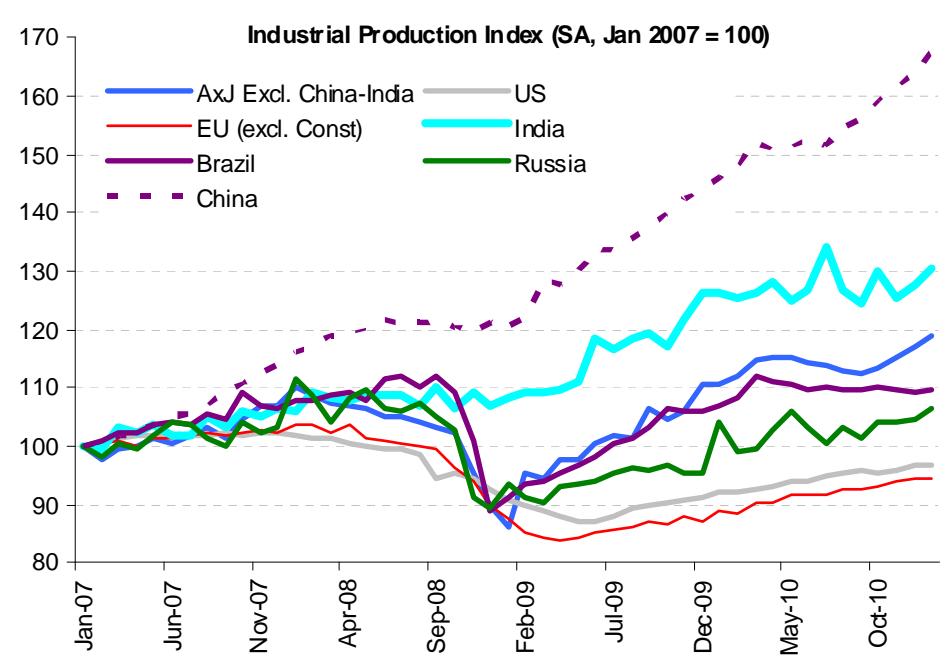
Credit Growth and Industrial Production Trends

- Industrial production growth trends remain firm in China, but less so elsewhere in Asia and India. Recently, Brazil IP growth has moderated while Russia's has improved.
- Global credit growth trends continue to favour Asia over Europe and the US.

Global Credit Growth (QoQ)



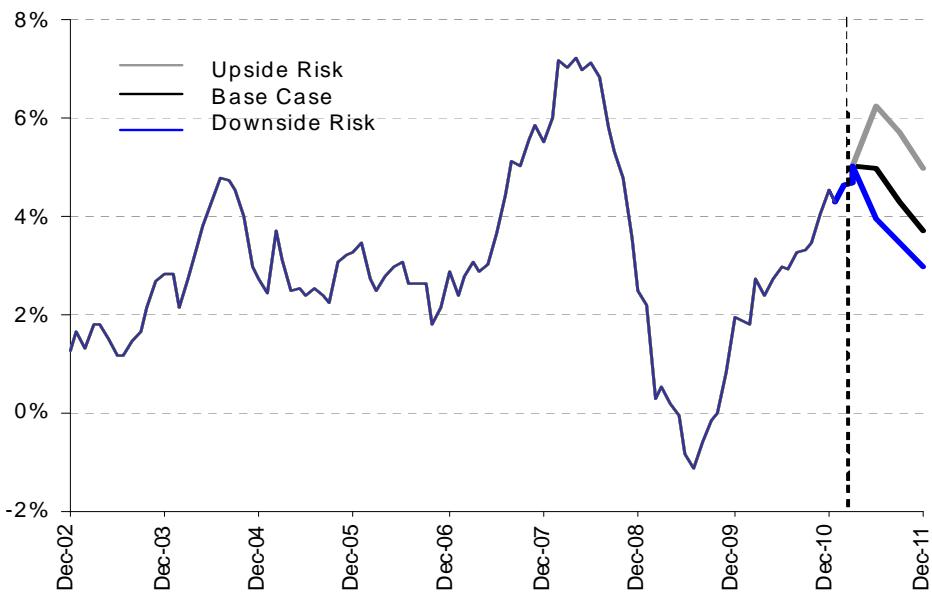
Industrial Production Trends



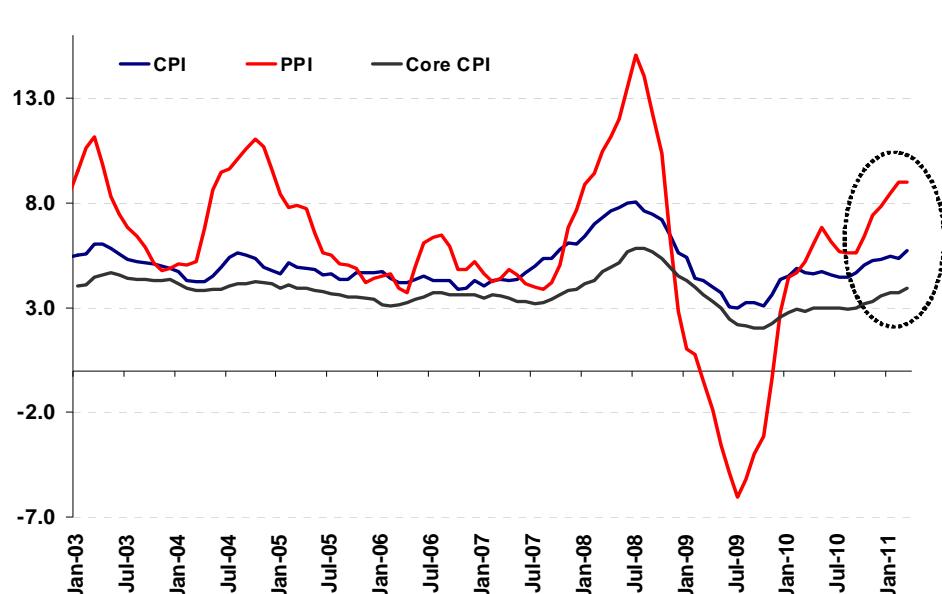
Rising Inflationary Pressures in Asia / EM

- Our economics teams sees average global inflation at 3.9% in 2011. China CPI inflation is forecast to rise from 3.3% (average in 2010) to 4.6% (average in 2011), and gains are also forecast in Taiwan, Indonesia, Korea, Russia, and Brazil.
- Pan-EM PPI and CPI inflation has continued to accelerate in H1 with PPI now significantly above CPI.
- Our economics team's upside risk forecast for APxJ ex India CPI now has a trajectory similar to that in the 2007/08 cycle.

AxJ ex India CPI Inflation



EM CPI, Core CPI & PPI*



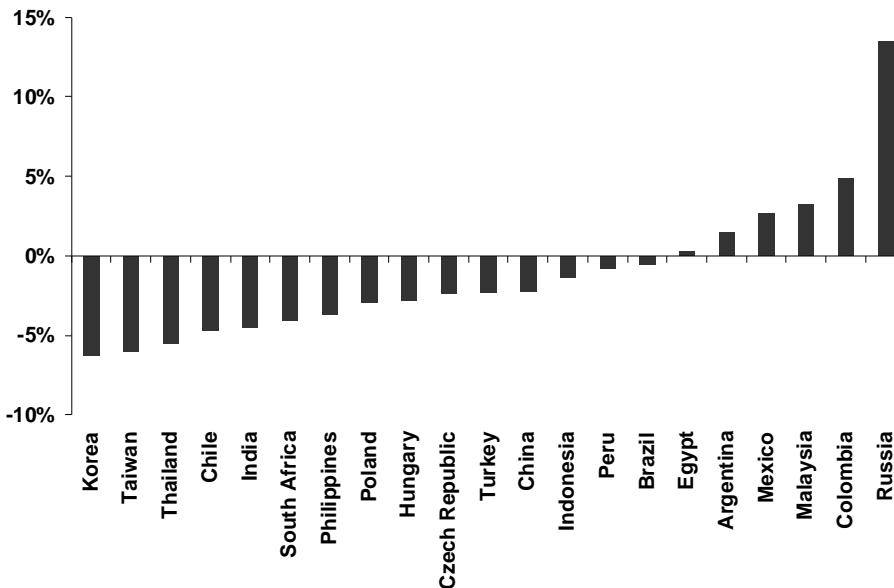
Source: MS Economic Team, Morgan Stanley Research. Data as of April 6, 2011. E = MS Research estimates. Note: CPI is GDP PP weighted

Source: IBES, MSCI, FactSet, Morgan Stanley Research. * Nominal GDP Weighted. Data as of March 2011

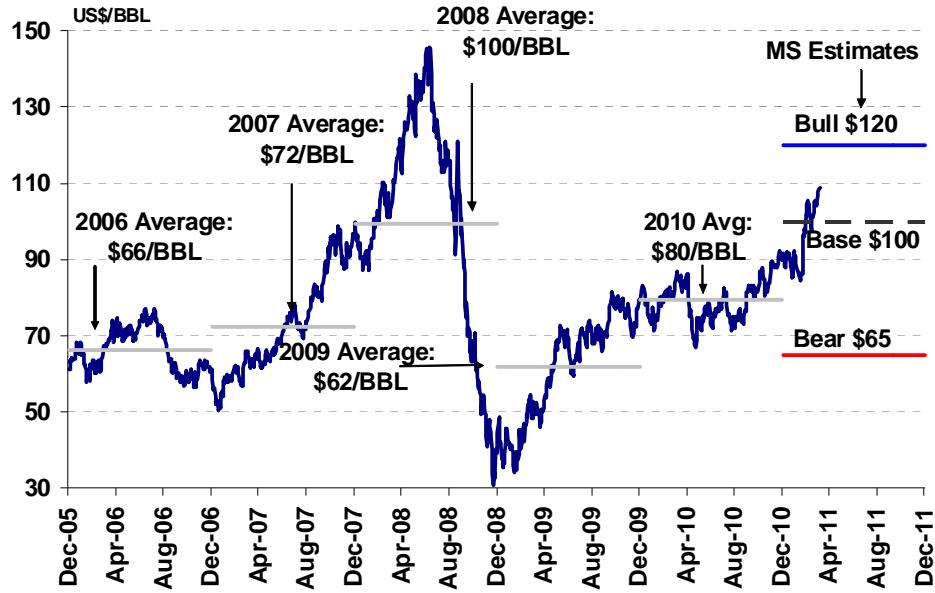
Oil Shock

- Principal beneficiaries of rising oil prices are the net oil exporters – Russia, Colombia and Malaysia.
- The worst affected are the largest net oil importers – Korea, Taiwan, Thailand, Chile and India.
- Oil is now trading above our Base Case average forecast for 2011, due to supply interruption from Libya.

2009 Net Oil Trade to GDP*



WTI Oil with MS Forecast Bull, Base & Base Case Forecast



Source: BP Statistical Review, IMF, Morgan Stanley Research. * Uses net production / consumption of oil with an average WTI price of \$62.

Source: MS Commodities Team, Morgan Stanley Research.

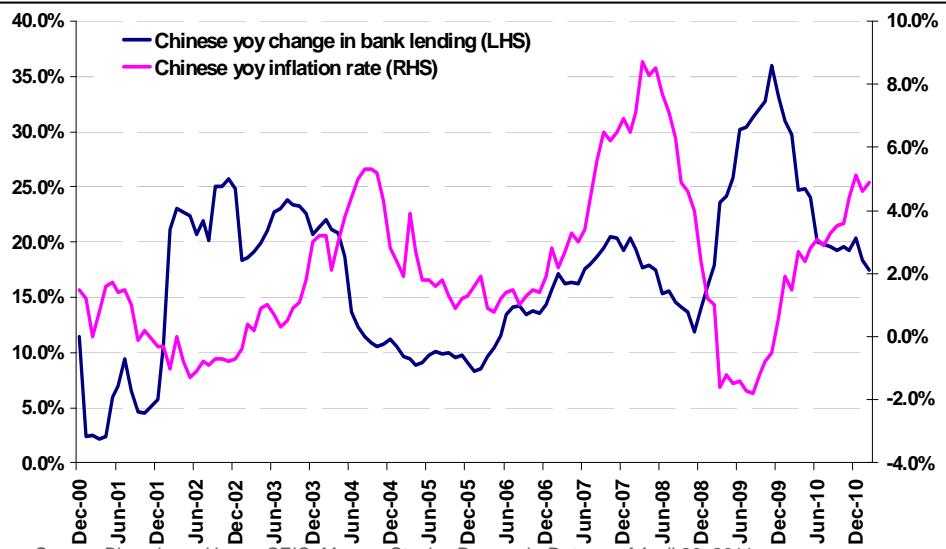
Chinese Boom in Bank Lending Since December 2008

- Chinese bank lending as a percentage of China's nominal GDP has surged from 104% in December 2008 to 132% in December 2010.
- Historically, an acceleration in bank lending has preceded an acceleration in the Chinese inflation rate.
- Chinese YoY change in bank lending is running at over 17%.

Chinese bank lending stock as a % of nominal GDP

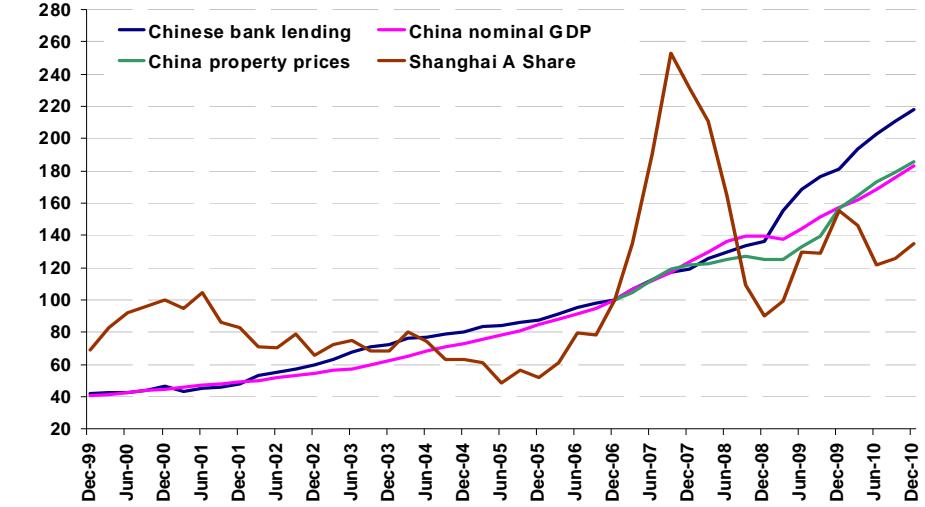


Chinese YoY change in bank lending vs Chinese YoY inflation rate



Source: Bloomberg, Haver, CEIC, Morgan Stanley Research. Data as of April 30, 2011

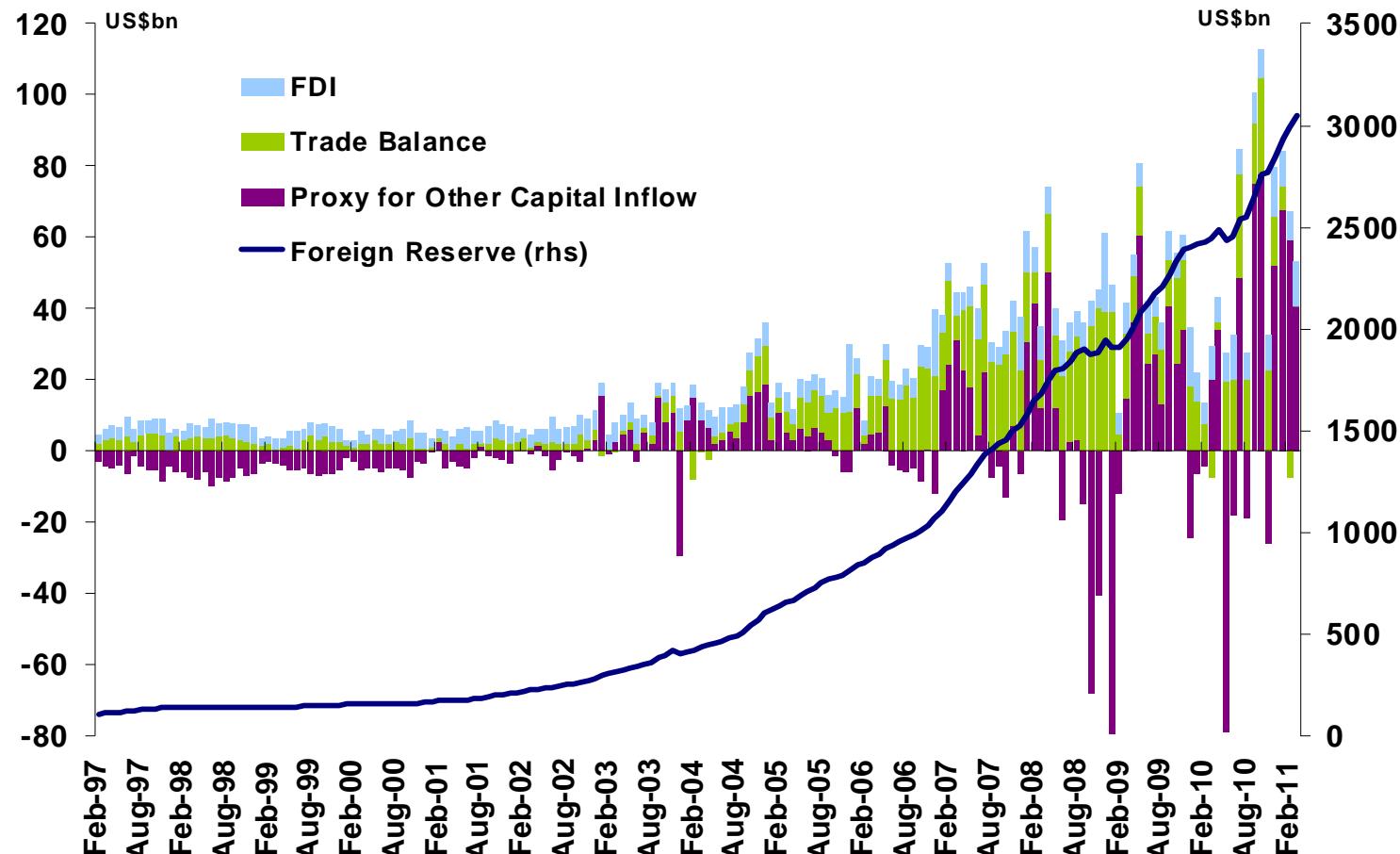
Chinese bank lending, property prices, nominal GDP and Shanghai A Share (rebased to 100 in December 2006)



Source: Bloomberg, CEIC, Haver, Datastream, Morgan Stanley Research. Data as of Apr 30, 2011

China Trade and Capital Accounts – Structural Change Underway

- China's trade surplus is declining. Reserve accumulation is increasingly driven by portfolio inflows

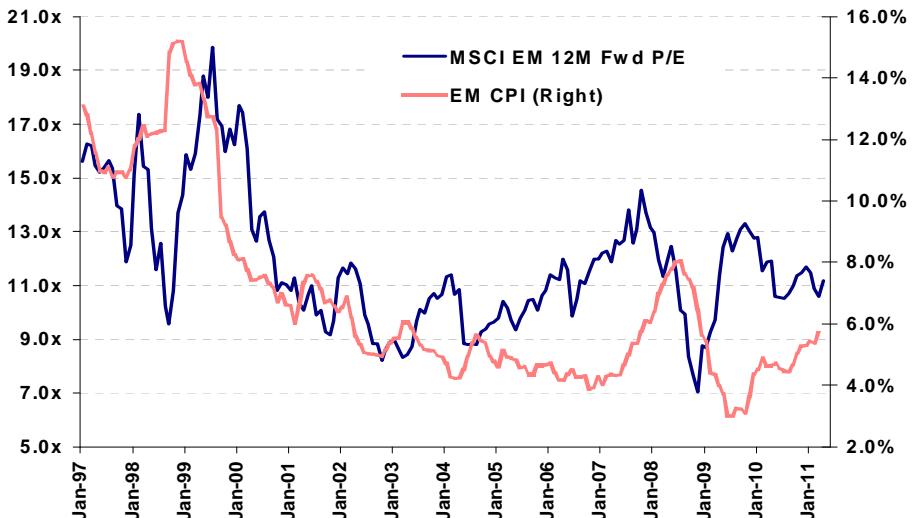


Source: CEIC, Morgan Stanley Research

Consensus Equity Valuations depressed by rising inflation

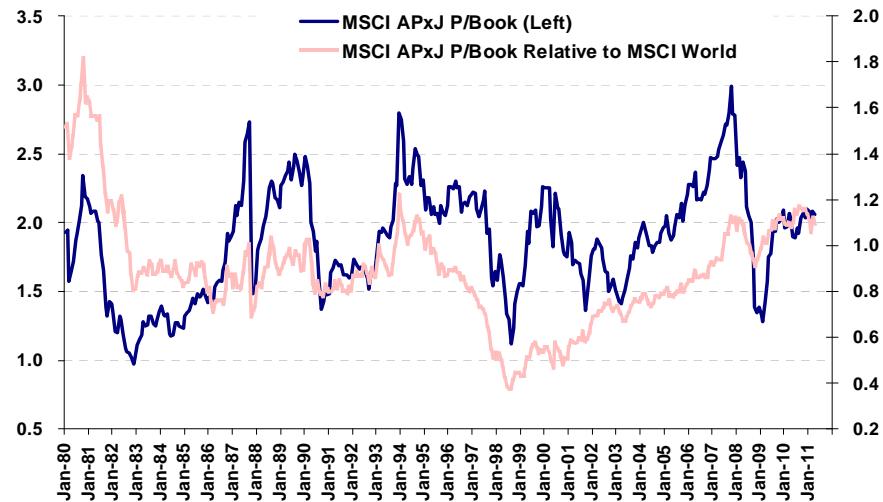
- Forward P/E multiples are now below long-run average levels at 11.2x for MSCI EM and 12.5x for APxJ. This is due mainly to rising inflation.

MSCI EM 12-month Forward P/E vs. CPI

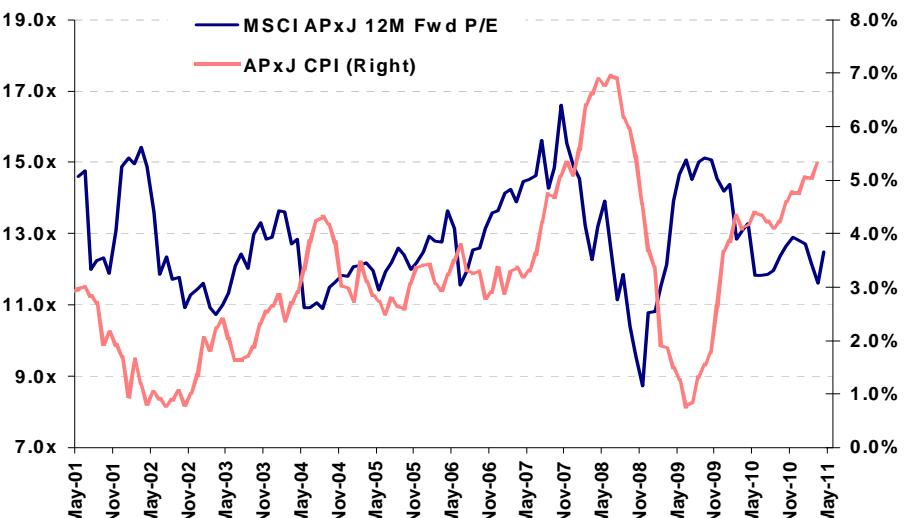


Source: MSCI, IBES, Morgan Stanley Research. Data as of April 30, 2011

MSCI APxJ Trailing P/Book



MSCI APxJ 12-month Forward P/E vs CPI

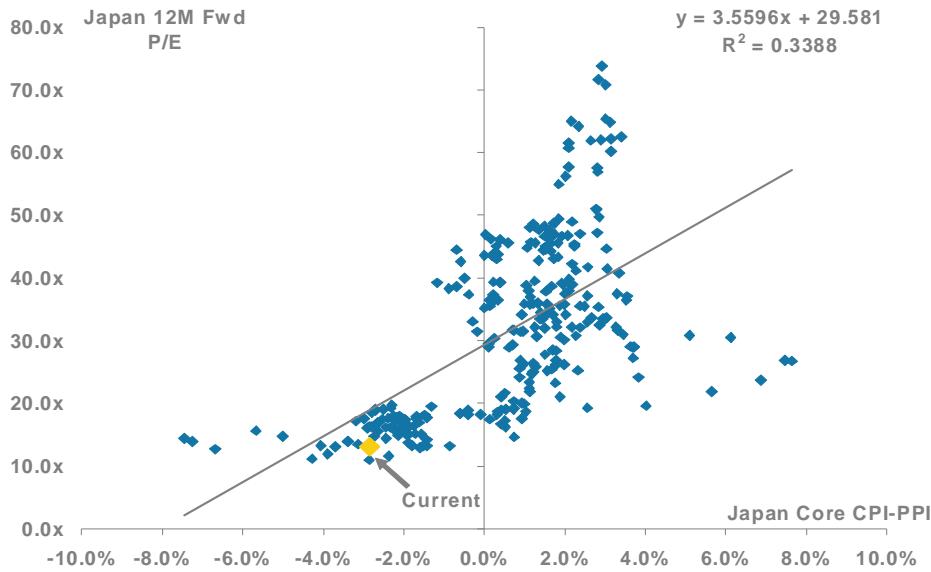


Source: MSCI, IBES, Morgan Stanley Research. Data as of Apr 30, 2011

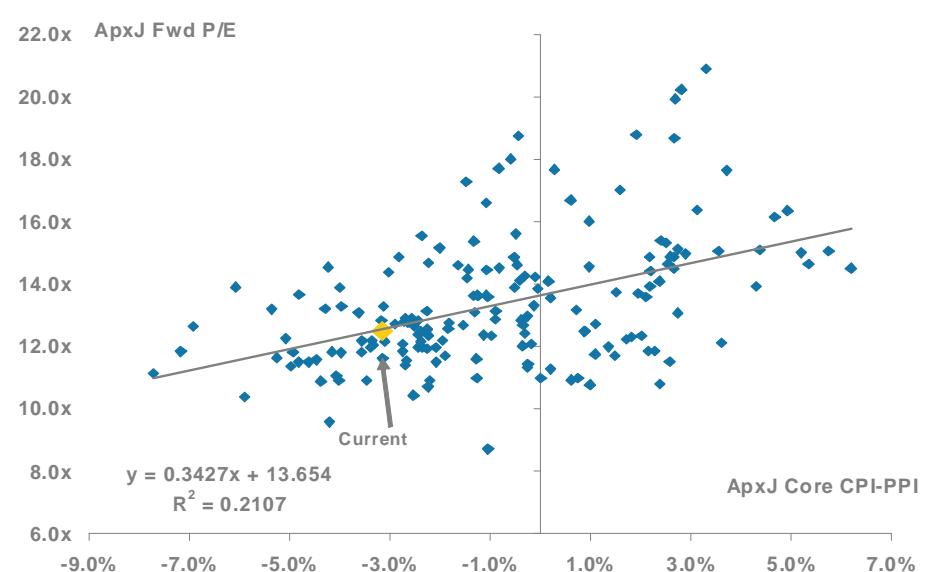
Shift to Negative CPI – PPI Spread Drives Declines in Forward P/E Multiple

- Core CPI-PPI spread is a proxy for corporate margins (ability to pass on input price increases to consumers).
- At the moment CPI inflation is below PPI inflation both in APxJ and Japan by approximately similar amounts. This represents a major change from mid-2010. As a result, the forward P/E multiples of APxJ and Japan have contracted to 12.5x and 13.1x, respectively, versus long-term averages of 13.4x and 17.5x (the average for Japan since Jan-03, due to the de-rating in Japanese equities in the last decade).
- The second phase of market adjustment is now likely to come in the form of earnings revisions and downgrades.

MSCI Japan Core CPI – PPI vs. Japan Forward PE



MSCI APxJ Core CPI – PPI vs. APxJ Forward PE



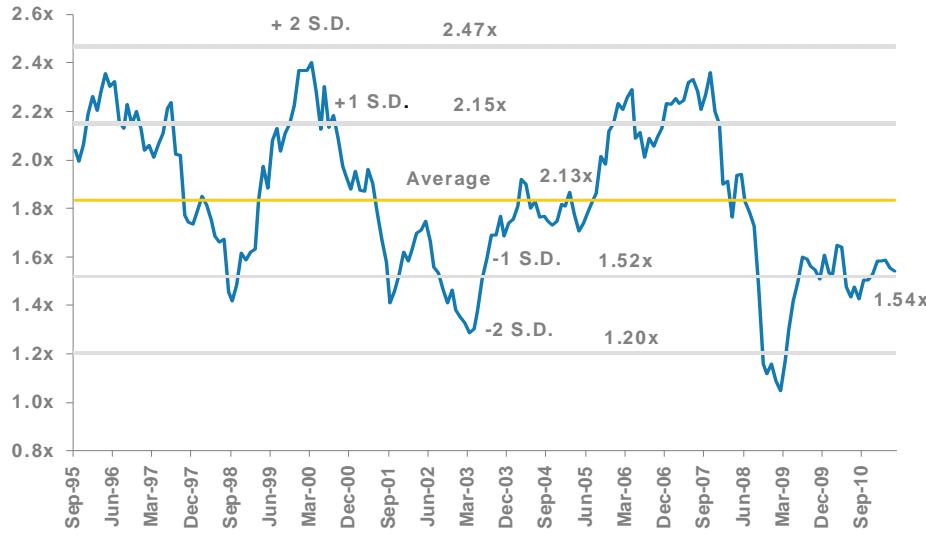
Source: MSCI, IBES, FactSet, Morgan Stanley Research. Data from 1988-2011. Current data as of April, 2011

Source: IBES, MSCI, FactSet, Morgan Stanley Research. Data from 1997-2011. Current data as of April, 2011

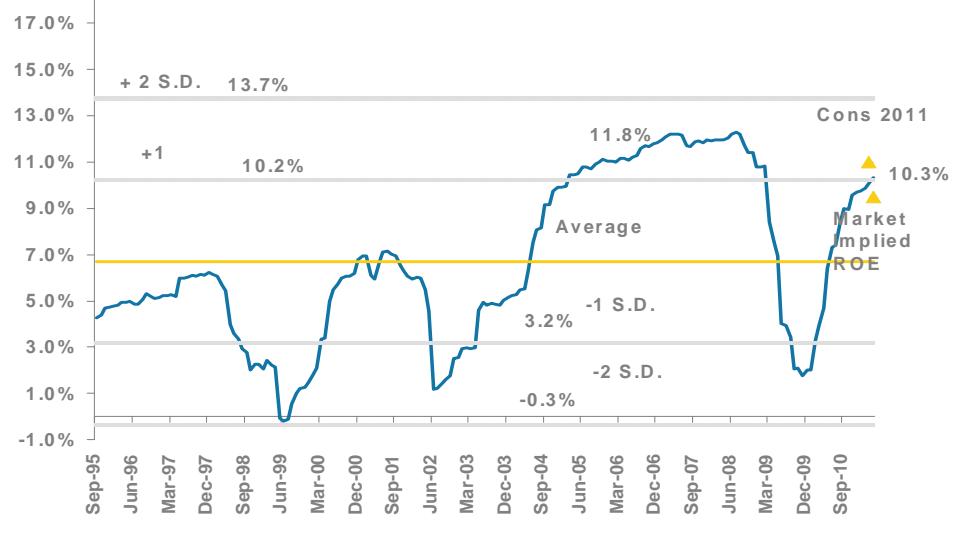
Pan-Asia Market is Now Discounting ROE to Plateau Around Current Levels

- Recent market declines have moved the Asia Pac P/B to 1.54x, which is close to 1 S/D below the long-run average level. Yet ROE of 10.3% is well above long-run average level.
- Using a cost of equity of 7.85%* we calculate that the current P/B implies forward ROE of 10.0% versus bottom-up consensus of 11.0%.
- *Cost of Equity: 3.35%(10 yr US treasury) + 1% (weighted US\$ CDS AC Asia Pac spreads) + 3.5% risk premium.

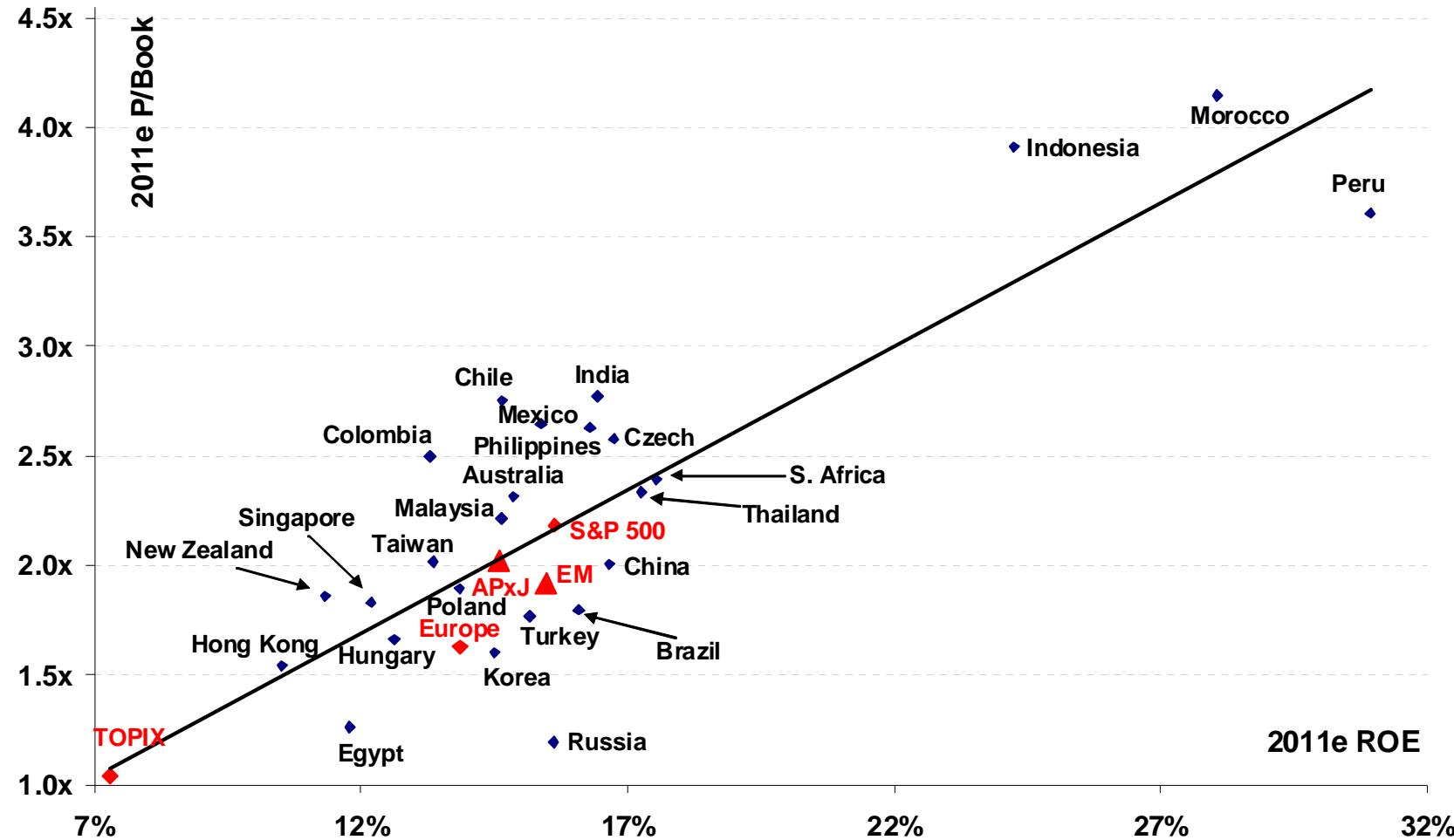
MSCI Asia Pac: Price to book



MSCI Asia Pac: Return on Equity



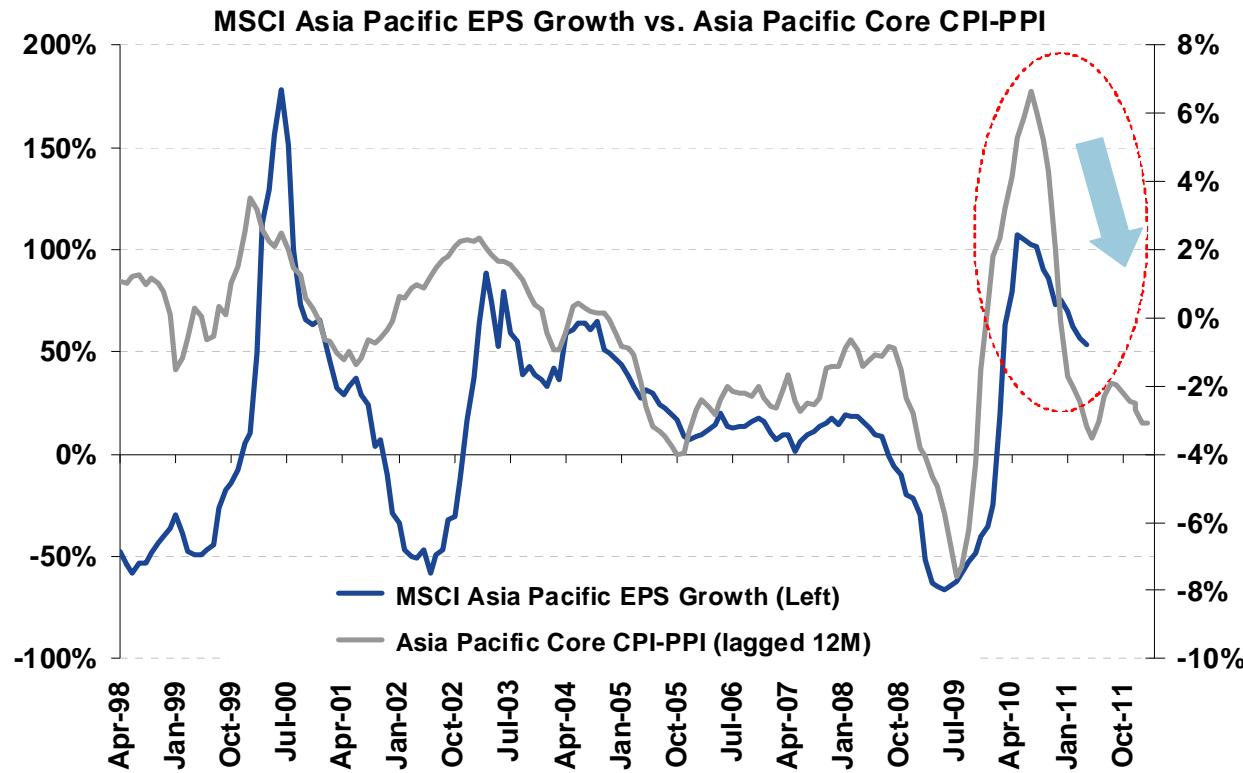
2011 Price/Book vs. ROE Country Scatter



Source: MSCI, FactSet, Morgan Stanley Research. Data as of April 30, 2011

Proxy for Corporate Margins Indicates Downward Pressure on Asia Pac EPS

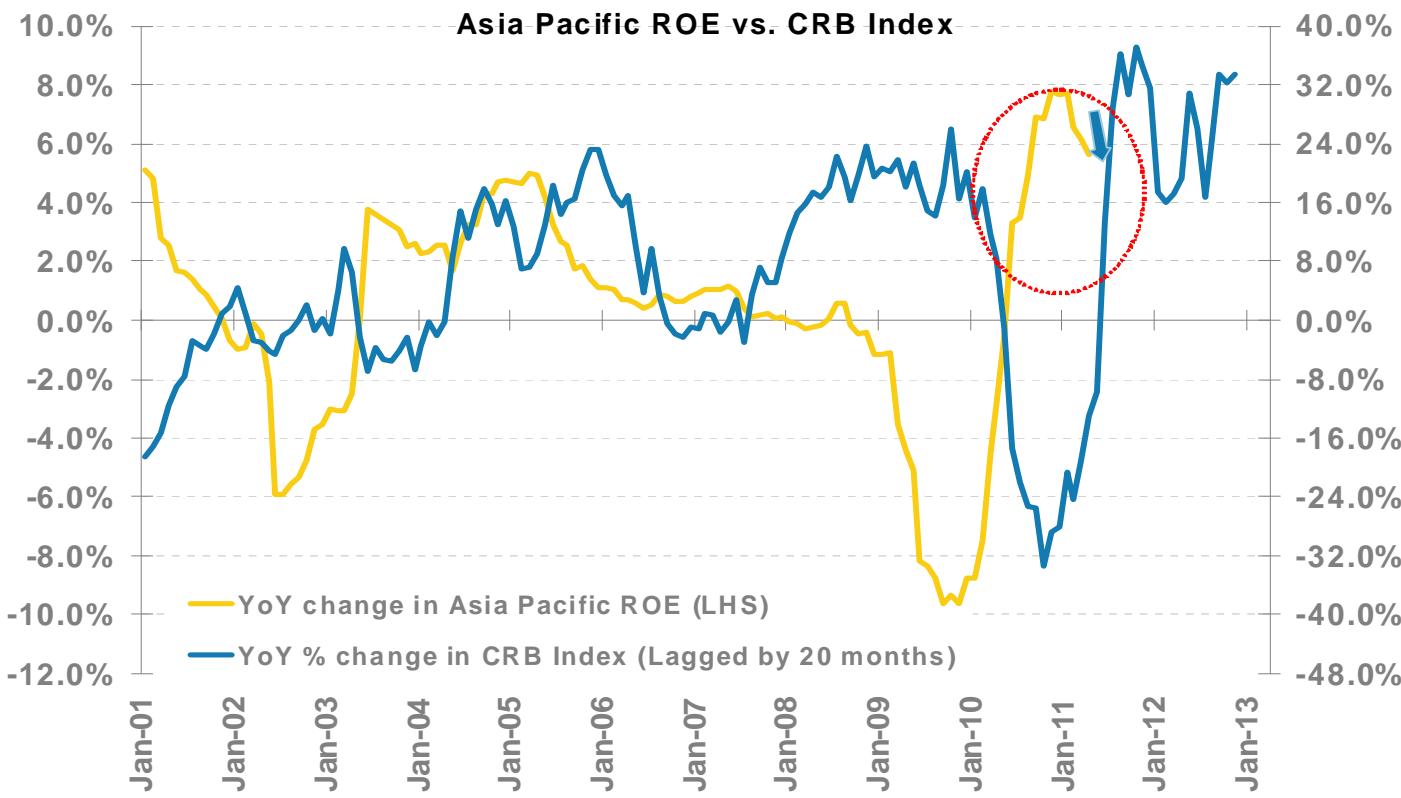
- From mid-2009 to end-2010 corporate earnings growth was boosted by a benign pricing environment with CPI inflation rising faster than PPI inflation.
- That environment reversed in late 2010, since when PPI inflation has been rising faster than CPI inflation, squeezing corporate margins.
- Given a 12-month lag, the implication is a sharp slowdown in earnings growth is about to take place.



Source: Datastream, Haver, MSCI, FactSet, Morgan Stanley Research. EPS Data as of Apr-2011

CRB Index Rising at Over 30% YoY Set to Drive ROE Down

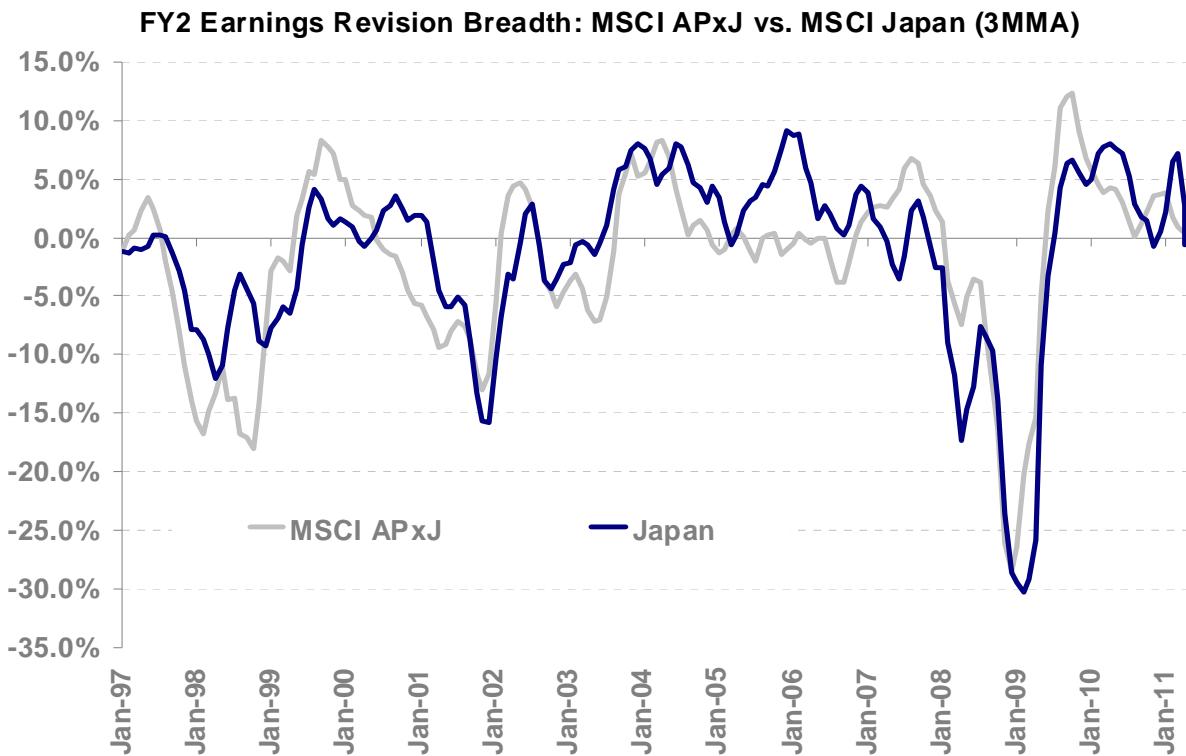
- The lagged (20 month) impact of commodity price inflation on Asia Pacific ROE is negative.
- The primary driver of this relationship is the impact on operating margins of higher input costs in a region mainly oriented to downstream manufacturing.
- The CRB has been exhibiting sustained gains of 30%+ YoY recently.



Source: Bloomberg, MSCI, FactSet, Morgan Stanley Research. Data as of April , 2011.

Earnings Revision Breadth Going Down

- Japan earnings revisions breadth is highly correlated with APxJ revisions breadth.
- APxJ was later than Japan into the earnings downgrade cycle in 2008 but earlier to recover.
- A move to the downside is now occurring led by sectors and industries, which have experienced deteriorating operating margins in previous inflation shocks.



Source: IBES, MSCI, FactSet, Morgan Stanley Research. Data as of May 2, 2011

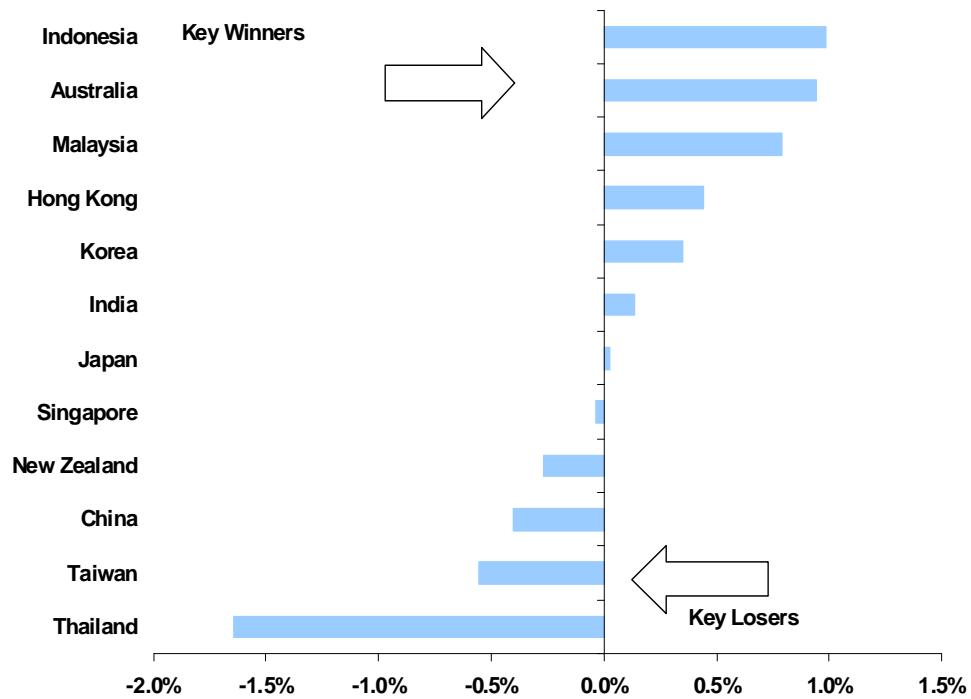
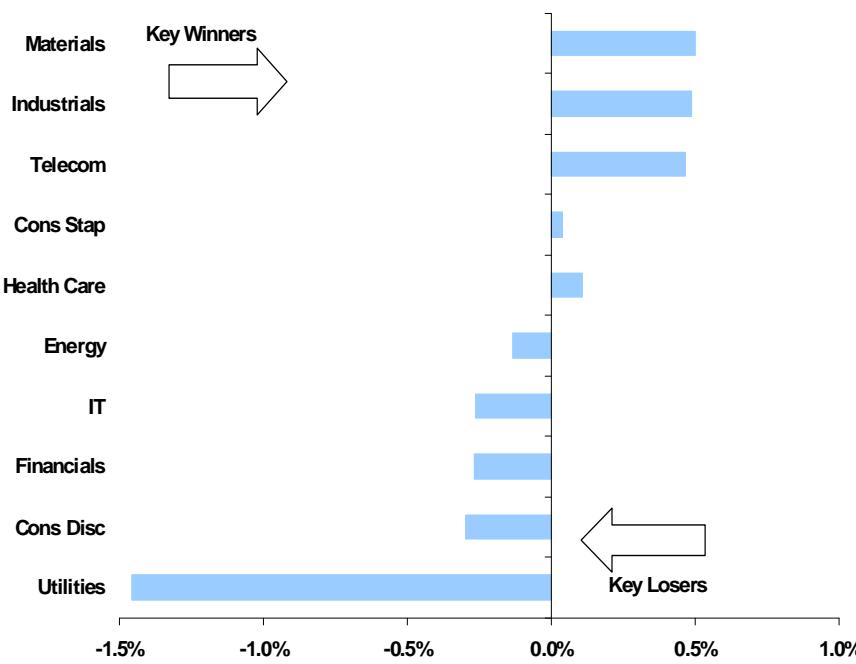
FY2 Earnings Revisions Breadth: MSCI EM Sectors / Countries

MSCI EM Sectors: Revisions Breadth - FY2, 3mma																	
	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Cons. Disc.	10.5%	6.4%	5.3%	6.7%	8.7%	8.6%	7.6%	6.9%	7.0%	8.0%	7.4%	6.9%	4.4%	0.4%	-1.7%	-2.2%	-2.3%
Cons. Stap.	6.3%	0.6%	0.4%	0.3%	2.6%	2.2%	2.2%	0.7%	1.4%	1.4%	3.1%	2.7%	2.1%	-0.1%	-0.4%	-1.4%	-1.0%
Energy	5.4%	4.7%	2.6%	1.1%	2.9%	3.4%	1.5%	-0.8%	0.3%	0.5%	2.3%	5.2%	9.6%	9.9%	8.4%	8.1%	7.9%
Financials	8.9%	4.0%	2.5%	3.5%	3.6%	2.2%	0.2%	-1.6%	0.0%	0.7%	3.6%	3.1%	4.1%	1.3%	1.8%	2.1%	3.7%
Health Care	8.1%	9.5%	6.9%	6.0%	-2.1%	1.5%	0.7%	2.6%	-0.9%	0.6%	2.9%	3.6%	2.7%	-2.4%	-3.4%	-8.1%	-6.6%
Industrials	-0.7%	-1.7%	-1.8%	-2.2%	0.9%	0.6%	1.5%	2.8%	4.9%	6.1%	9.1%	8.8%	7.8%	2.9%	0.3%	-2.9%	-4.8%
IT	16.8%	15.0%	14.9%	13.3%	13.8%	11.4%	9.3%	4.7%	4.1%	1.5%	-1.6%	-0.2%	3.1%	2.5%	1.5%	-2.9%	-5.6%
Materials	4.2%	6.6%	5.7%	7.1%	7.0%	5.6%	2.7%	-1.6%	-0.8%	-0.4%	1.5%	2.5%	4.0%	2.8%	1.0%	0.8%	2.8%
Telecom	-4.9%	0.4%	-1.6%	-2.8%	-5.1%	-4.1%	-2.9%	-2.6%	-0.7%	1.0%	1.6%	-0.3%	-1.4%	-3.1%	-4.0%	-6.2%	-4.8%
Utilities	0.5%	-1.9%	-0.8%	-0.1%	2.2%	2.1%	0.7%	-1.4%	0.0%	0.5%	-1.7%	-4.7%	-6.5%	-5.1%	-4.7%	-3.4%	-2.2%
MSCI EM	5.8%	4.2%	3.4%	3.4%	4.1%	3.5%	2.4%	0.8%	1.8%	2.2%	3.4%	3.3%	3.8%	1.5%	0.5%	-0.7%	-0.4%
MSCI EM Countries: Revisions Breadth - FY2, 3mma																	
	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
Brazil	4.9%	1.9%	2.2%	3.1%	5.5%	3.0%	1.0%	-1.5%	-1.4%	-2.6%	-1.9%	-1.1%	0.2%	0.0%	-0.7%	-2.1%	-3.8%
Chile	5.8%	3.3%	-3.1%	3.7%	1.9%	5.5%	4.2%	9.2%	9.4%	9.3%	7.6%	7.8%	6.6%	1.0%	0.0%	-1.5%	-3.2%
China	6.8%	4.7%	3.1%	2.4%	0.3%	-1.4%	-3.7%	-3.0%	0.2%	2.3%	5.8%	4.2%	4.5%	2.0%	2.2%	2.8%	2.6%
Colombia	-4.0%	-10.4%	1.6%	0.1%	2.7%	0.4%	10.4%	7.8%	8.7%	5.1%	12.2%	10.2%	6.8%	3.6%	8.3%	10.8%	13.4%
Czech	1.2%	2.1%	0.7%	-4.2%	-10.5%	-8.3%	-2.7%	3.4%	2.0%	1.9%	0.0%	-4.1%	-5.3%	-9.8%	-8.5%	-8.4%	-1.8%
Egypt	-1.7%	-0.5%	-3.7%	-6.2%	-6.5%	-6.3%	-10.1%	-10.6%	-5.5%	-3.8%	-1.5%	-3.8%	-3.4%	-3.3%	-8.1%	-15.0%	-19.9%
Hungary	9.5%	1.6%	-2.1%	-0.5%	-5.9%	-3.2%	-4.8%	-2.3%	-3.5%	-6.9%	-9.7%	-4.5%	-1.7%	2.2%	-2.2%	-2.2%	-1.1%
India	6.9%	6.6%	6.0%	4.1%	2.5%	3.1%	3.2%	0.7%	0.5%	0.7%	2.5%	2.1%	1.5%	-5.8%	-6.4%	-7.5%	-1.9%
Indonesia	10.3%	9.6%	8.7%	11.2%	6.5%	7.3%	3.4%	3.8%	2.5%	2.1%	1.0%	1.0%	2.7%	3.2%	1.4%	-1.0%	-2.2%
Korea	5.0%	1.5%	0.6%	1.6%	8.0%	9.2%	9.5%	7.7%	7.5%	7.1%	6.3%	6.2%	5.6%	3.2%	2.0%	1.4%	1.4%
Malaysia	4.1%	4.4%	3.2%	4.0%	2.7%	2.7%	-0.1%	0.0%	3.7%	7.0%	8.4%	9.0%	9.0%	6.8%	3.3%	1.5%	0.9%
Mexico	3.1%	-1.7%	-0.2%	-3.2%	1.0%	-2.4%	0.9%	-5.8%	-4.9%	-8.8%	-8.6%	-9.0%	-5.7%	-0.7%	-1.5%	-4.4%	-5.4%
Peru	12.0%	17.8%	10.2%	8.8%	7.2%	2.8%	8.1%	1.4%	6.5%	4.6%	19.8%	17.1%	24.4%	8.7%	4.8%	-8.7%	-7.4%
Philippines	6.6%	7.7%	5.7%	4.4%	4.5%	4.1%	4.9%	1.1%	1.5%	-1.3%	-2.0%	-2.4%	-2.3%	-1.5%	-4.8%	-3.3%	-2.0%
Poland	6.9%	9.1%	4.5%	4.7%	-1.1%	0.7%	0.7%	1.7%	0.9%	1.9%	2.9%	2.1%	4.4%	3.8%	2.2%	-1.6%	-2.1%
Russia	3.1%	5.3%	7.2%	9.2%	6.9%	1.4%	-2.8%	-8.1%	-6.9%	-6.9%	-1.6%	-0.2%	4.0%	3.4%	4.4%	2.2%	0.7%
South Africa	-5.6%	-2.8%	-1.3%	0.8%	-0.1%	-2.5%	-4.2%	-6.5%	-8.9%	-8.7%	-4.7%	-1.1%	-1.2%	-0.2%	-0.6%	-0.6%	-1.2%
Taiwan	12.3%	9.9%	9.0%	7.8%	9.4%	5.6%	3.8%	-1.1%	1.1%	1.8%	3.1%	5.3%	7.2%	4.5%	2.6%	-2.0%	-4.9%
Thailand	4.2%	7.2%	6.8%	9.7%	10.2%	5.9%	2.3%	-0.2%	5.8%	7.7%	10.6%	10.2%	12.1%	9.2%	7.0%	6.4%	8.8%
Turkey	5.7%	3.9%	3.1%	3.0%	3.1%	5.6%	6.0%	3.1%	-0.2%	-1.0%	-4.4%	-5.5%	-4.9%	-2.4%	-2.3%	-5.1%	-6.8%
MSCI EM	5.8%	4.2%	3.4%	3.4%	4.1%	3.5%	2.4%	0.8%	1.8%	2.2%	3.4%	3.3%	3.8%	1.5%	0.5%	-0.7%	-0.4%

Source: MSCI, Factset, IBES, Morgan Stanley Research. Data as of May 2, 2011

Difference in Asia Pacific Operating Margins Between Periods of Rising Inflation* and Long Run Median (Period 1999-2010) for Sectors and Countries

- Materials, Industrials and Telecoms tend to have operating margins above own long-run average levels during periods of rising inflation. Utilities, Consumer Discretionary and Financials** tend to have operating margins below own long-run average levels during periods of rising inflation.
- Indonesia, Australia, and Malaysia (all economies with high resource weighting) tend to have operating margins above own long-run average levels during periods of rising inflation. Thailand, Taiwan, and China (all resource importers) tend to have operating margins below own long-run average level during periods of rising inflation.

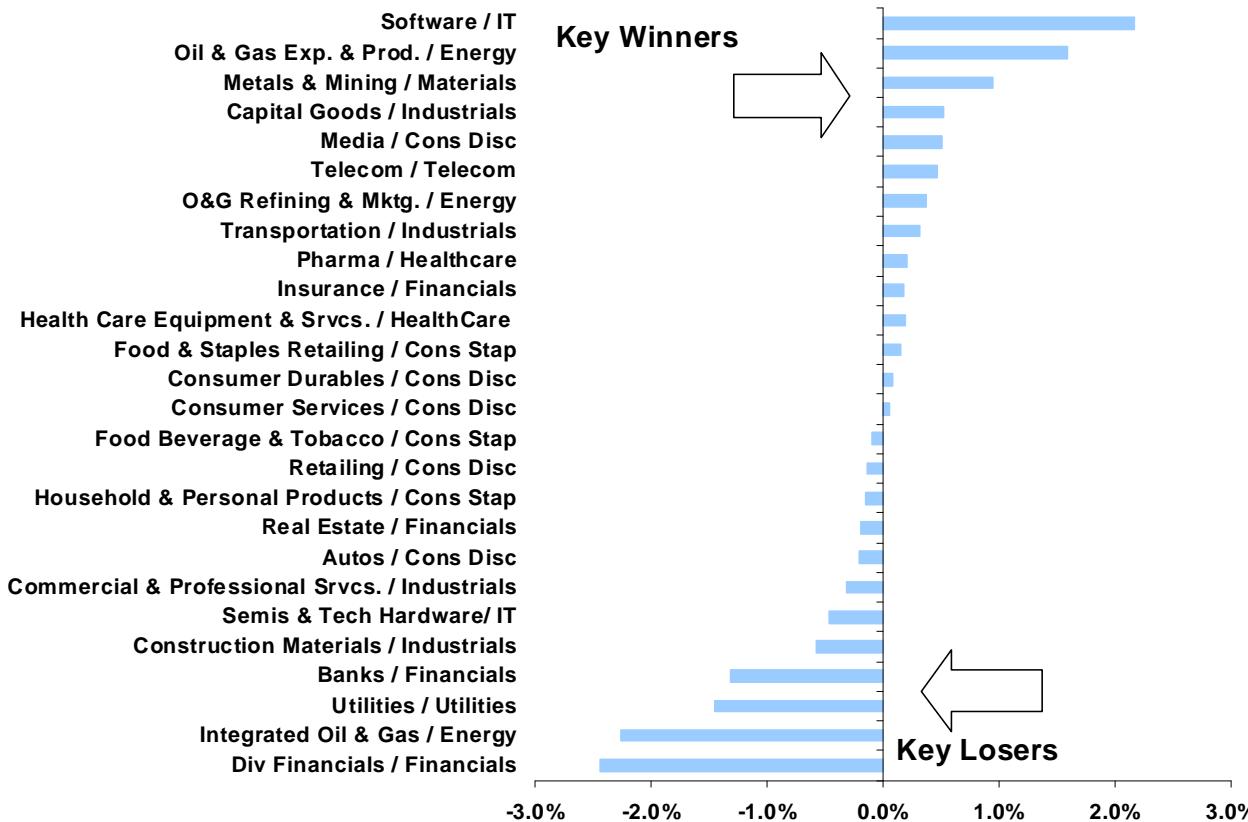


* Rising Inflation cycles of 12 month each starting from troughs in Mar-01, Nov-02, Aug-04, Jun-07 and Aug-09. Current inflation acceleration phase dated as starting in Sep-10. **For Financials we have considered the difference in ROE

Source: MSCI, Factset, Morgan Stanley Research

Difference in Asia-Pacific Operating Margins Between Periods of Rising Inflation* and Long-Run Median (Period 1999-2010, Industry Groups)

- We calculate average operating margins for five cycles of rising inflation period versus respective long-run median operating margins for Pan-Asian industry groups ex financials.
- Key Winners: Software Services, Upstream Oil and Gas, Metals and Mining and Capital Goods.
- Key Losers: Diversified Financials, Integrated Oil & Gas, Utilities and Banks.

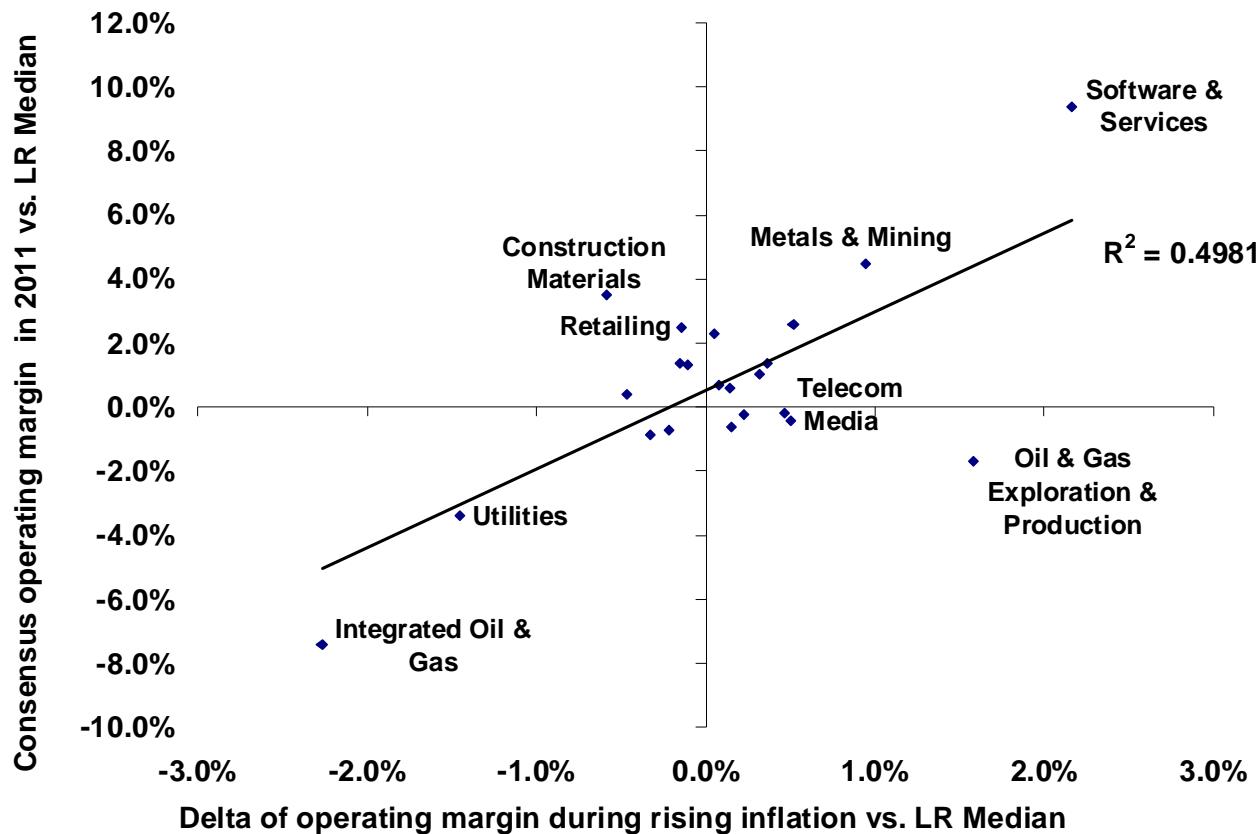


- * Rising Inflation cycles of 12 months each starting from troughs in Mar-01, Nov-02, Aug-04, Jun-07 and Aug-09. Current inflation acceleration phase (not included) dated as starting in Sep-10. For Financials we have considered the difference in ROE.

Source: MSCI, Factset, Morgan Stanley Research

In Some Industries Consensus Expectations for Operating Margin Delta Differ with Trends in Previous Cycles

- We find a strong relationship between bottom-up consensus expectations for margin increase by industry and historical experience during accelerating inflation (R-squared 0.4981).
- In oil & gas exploration and production analysts may not be bullish enough based on past margin trends. Meanwhile, in retailing and construction materials they may be too optimistic.

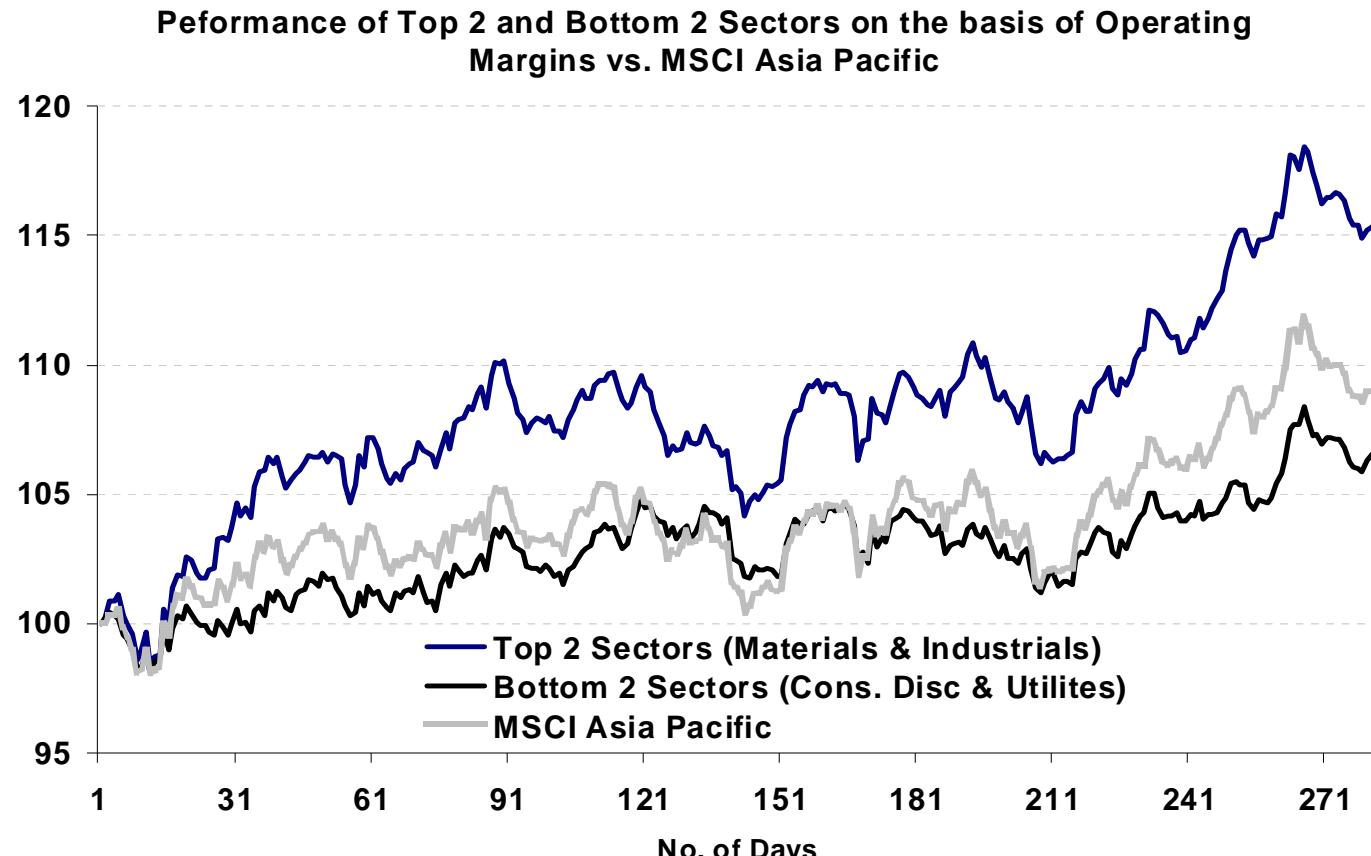


• * Rising Inflation cycles of 12 months each starting from troughs in Mar-01, Nov-02, Aug-04, Jun-07 and Aug-09. Current inflation acceleration phase (not included) dated as starting in Sep-10.

Source: MSCI, Factset, Morgan Stanley Research

Sharp Differential in Sector Relative Performance in Previous Inflation Surges

- Top two sectors are Materials and Industrials, while bottom two Sectors are Utilities and Consumer Discretionary.
- Energy exploration & production performs better within the Energy sector than downstream refining and integrated producers. Within IT, software performs better than hardware. Within financials Diversified Financials is the worst performer, while insurance is the best performer.

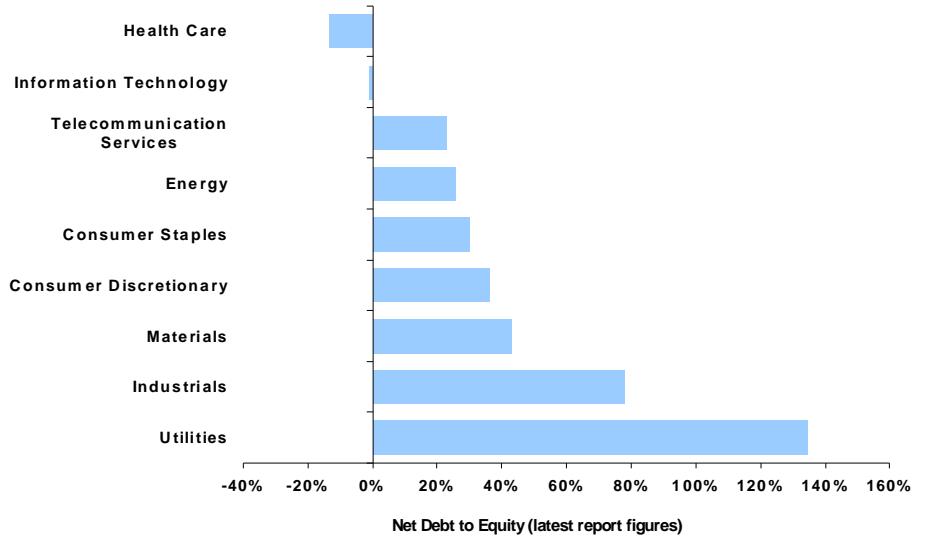
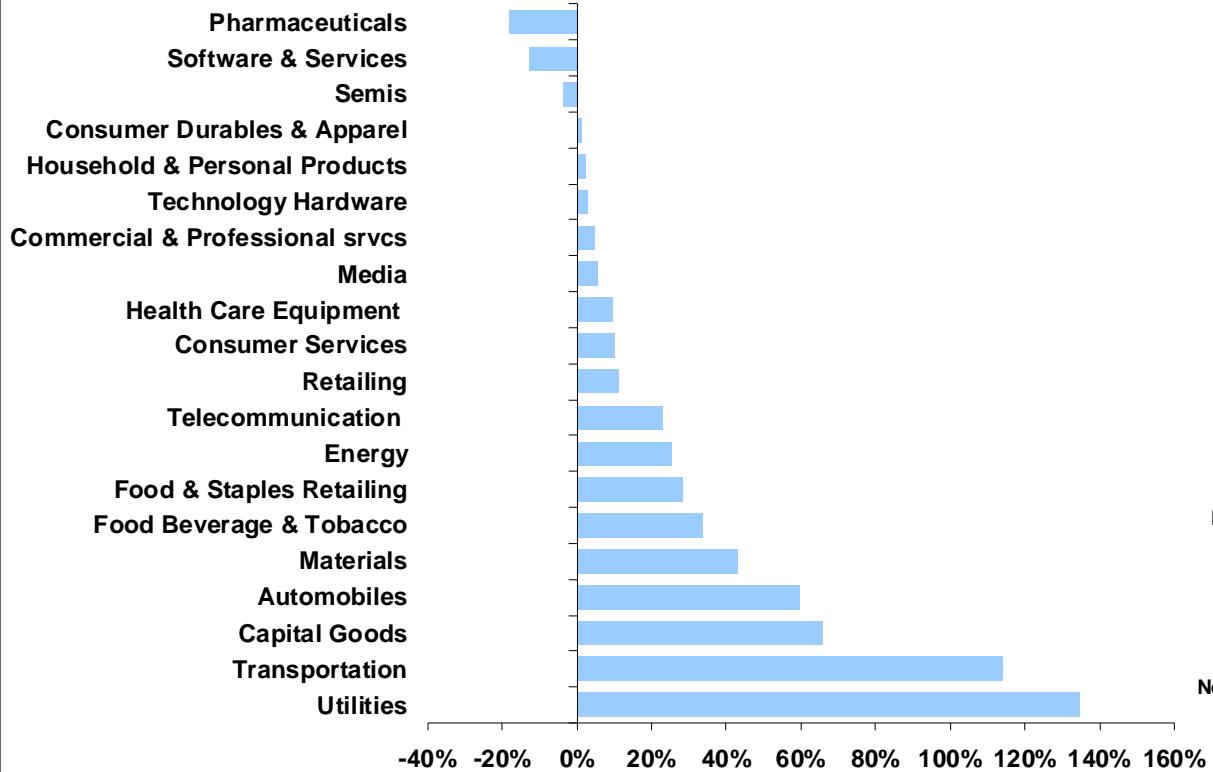


Source: MSCI, Factset, Morgan Stanley Research. * Rising Inflation cycles of 12 months each starting from troughs in Mar-01, Nov-02, Aug-04, Jun-07 and Aug-09. Current inflation acceleration phase dated as starting in Sep-10.

Asia Pacific Net Debt to Equity Using Latest Reported Figures

- Sectors with high gearing will be worst affected in a rising interest rate environment, due to higher borrowing costs for companies.

- We notice utilities scores poorly on both operating margins and net gearing ratio



• Source: Worldscope, Factset, MSCI, Morgan Stanley Research.

Evidence for Reversal in Country and Sector Level Relative Performance Once Inflation Peaks

Commodity producers do well until inflation peaks: Australia and Indonesia (commodity producers) typically outperform during periods of accelerating inflation but less well once it has peaked. The inverse has applied for commodity importers, such as Philippines. In this cycle, country relative performance differed from previous average relationships early on but has converged to historical norms more recently.

Energy & Materials outperform until inflation peaks: Energy and Materials typically outperform during periods of accelerating inflation but underperform once it has peaked. Consumer Discretionary, Financials, Telecoms and IT typically underperform during periods of accelerating inflation. Financials and Telecoms outperform once it has peaked. In this cycle, sector relative performance has broadly been in line with historical norms more recently.

Countries	Weights	Ranks based on average performance of last 5 periods of accelerating inflation				Ranks based on average performance of current cycle			Ranks based on average performance post inflation peak			
		1M	3M	6M	12M	1M	3M	6M	1M	3M	6M	12M
Australia	16.7%	7	3	4	5	4	5	2	8	8	12	
China	11.7%	6	1	6	8	2	11	10	5	13	2	
Hong Kong	5.4%	9	7	10	9	8	9	7	6	7	8	
India	4.8%	3	4	3	4	13	10	12	4	3	4	
Indonesia	1.6%	2	2	1	1	6	12	11	3	9	7	
Japan	43.5%	11	13	12	13	9	2	1	9	2	6	
Korea	9.1%	5	6	8	3	12	3	5	12	11	11	
Malaysia	1.9%	12	10	5	6	7	8	6	10	4	3	
New Zealand	0.2%	4	8	9	11	1	4	4	7	5	5	
Philippines	0.4%	10	11	7	12	11	13	13	2	1	1	
Singapore Free	3.2%	8	9	11	7	3	7	9	13	12	10	
Taiwan	7.6%	13	12	13	10	5	1	3	11	10	13	
Thailand	1.1%	1	5	2	2	10	6	8	1	6	9	

Sectors	Weights	Ranks based on average performance of last 5 periods of accelerating inflation				Ranks based on average performance during the current cycle			Ranks based on average performance post inflation peak		
		1M	3M	6M	12M	1M	3M	6M	1M	3M	6M
Cons. Disc.	12.7%	9	9	9	10	4	5	3	9	6	7
Cons. Stap.	5.9%	4	4	3	3	10	9	10	3	3	4
Energy	5.7%	1	1	1	1	1	1	2	6	9	9
Financials	29.5%	7	7	8	7	5	6	6	2	4	5
Health Care	3.3%	6	6	5	8	9	7	7	4	1	2
Industrials	14.5%	3	5	7	5	2	4	5	7	8	6
IT	14.3%	8	10	10	6	7	2	4	10	7	8
Materials	12.3%	2	2	4	2	3	3	1	8	10	10
Telecom	4.7%	10	8	6	9	8	8	8	1	5	3
Utilities	4.1%	5	3	2	4	6	10	9	5	2	1

- * Rising Inflation cycles of 12 months each starting from troughs in Mar-01, Nov-02, Aug-04, Jun-07 and Aug-09. Current inflation acceleration phase dated as starting in Sep-10. Post inflation peak cycles Oct-04, Jun-06 and Jul-08

Source: MSCI, Factset, Morgan Stanley Research

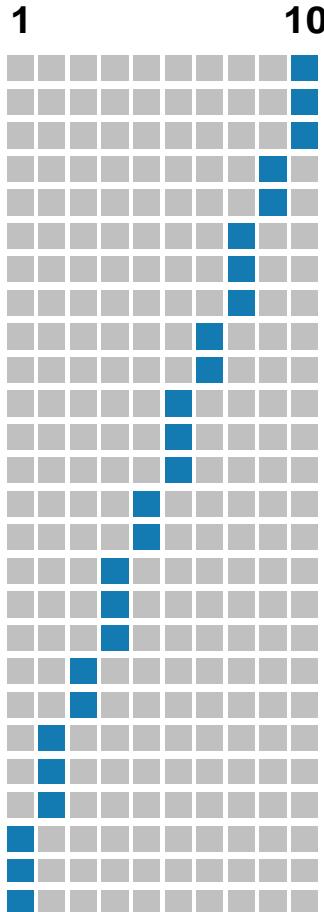
Evidence for Reversal of Industry Group Relative Performance Once Inflation Peaks

Industry Groups	Weights	Ranks based on average performance of last 5 periods of accelerating inflation				Ranks based on Average Performance during the current inflation period			Ranks based on average performance post inflation peak		
		1M	3M	6M	12M	1M	3M	6M	1M	3M	6M
Autos	6.7%	26	25	26	22	10	11	3	19	8	15
Banks	16.1%	16	21	18	14	13	17	16	22	22	24
Capital Goods	10.0%	8	9	16	10	8	7	5	25	25	21
Commercial & Professional Svcs.	0.5%	18	24	21	24	12	9	6	15	6	8
Consumer Durables & Apparel	2.2%	25	26	25	25	7	14	14	14	19	25
Consumer Services	1.1%	7	6	13	6	1	12	15	5	4	5
Diversified Financials	2.3%	27	19	22	26	3	3	9	27	24	27
Energy	5.6%	1	1	1	1	2	4	4	6	26	22
Food & Staples Retailing	2.1%	10	7	2	3	22	22	22	10	5	17
Food Beverage & Tobacco	2.7%	9	5	5	5	24	27	27	8	9	4
Health Care Equipment & Svcs.	0.6%	3	4	3	9	28	18	24	3	10	7
Household & Personal Products	0.7%	14	16	11	15	29	28	28	1	1	2
Insurance	3.8%	21	13	20	17	4	13	11	12	16	13
Chemicals	3.6%	5	11	17	7	6	2	1	26	21	20
Construction Materials	0.7%	6	3	4	4	26	25	26	24	23	9
Containers & Packaging	0.2%	20	10	9	16	14	15	12	13	7	12
Metals & Mining	6.8%	2	2	7	2	9	5	8	23	27	26
Paper & Forest Products	0.1%	17	23	24	27	23	29	29	16	17	19
Media	0.3%	4	12	15	13	25	20	19	9	11	14
Pharma	2.5%	19	20	14	21	17	16	17	2	3	3
Real Estate	5.5%	23	17	19	23	11	21	23	11	18	18
Retailing	1.5%	13	18	8	8	27	23	21	20	14	11
Telecom	4.6%	24	22	12	18	20	6	7	18	12	6
Transportation	3.0%	11	14	10	19	21	24	18	17	13	10
Utilities	3.5%	15	8	6	12	15	19	20	4	2	1
Semis/Tech Hardware	10.8%	22	27	27	20	19	26	25	21	20	23
Software Svcs.	2.5%	12	15	23	11	18	8	10	7	15	16

- Energy and Metals & Mining typically outperform during periods of accelerating inflation but underperform once it has peaked.
- Consumer Staples outperforms Household & Personal Products during periods of accelerating inflation.
- In this cycle, sector relative performance has broadly been in line with historical norms more recently.

• * Rising Inflation cycles of 12 months each starting from troughs in Mar-01, Nov-02, Aug-04, Jun-07 and Aug-09. Current inflation acceleration phase dated as starting in Sep-10.

Industry Group	Rank
Oil & Gas Exploration & Production	1
Software & Services	2
Metals & Mining	3
Media	4
Pharmaceuticals Biotechnology & Life Sciences	5
Food & Staples Retailing	6
Health Care Equipment & Services	7
Oil & Gas Refining & Marketing	8
Insurance	9
Consumer Services	10
Telecommunication Services	11
Retailing	12
Household & Personal Products	13
Consumer Durables & Apparel	14
Capital Goods	15
Food Beverage & Tobacco	16
Real Estate	17
Semiconductors & Semiconductor Equipment	18
Commercial & Professional Services	19
Construction Materials	20
Automobiles & Components	21
Banks	22
Transportation	23
Integrated Oil & Gas	24
Diversified Financials	25
Utilities	26



- The rankings on this chart are based on the following: a) operating margin delta during inflation versus long-run median, b) net debt-to-equity, and c) 12-month performance during periods of accelerating inflation.
- Well-placed companies using this approach are those with pricing power, positive operating margin delta during rising inflation, and low gearing. In particular, we highlight **Upstream Energy, Software, Metals & Mining and Media**.
- The potentially challenged in this environment are companies with low pricing power, especially due to government intervention, and high gearing, leading to high borrowing costs in a rising rate environment. In particular, we highlight **utilities, Diversified Financials, Integrated Oil & Gas, and Transportation**.

Stock Baskets: APxJ Winners & Losers in a Rising Inflationary Environment

Winners* (Bloomberg: MSNJIFOW for long exposure to stocks we expect to perform well in rising inflation)

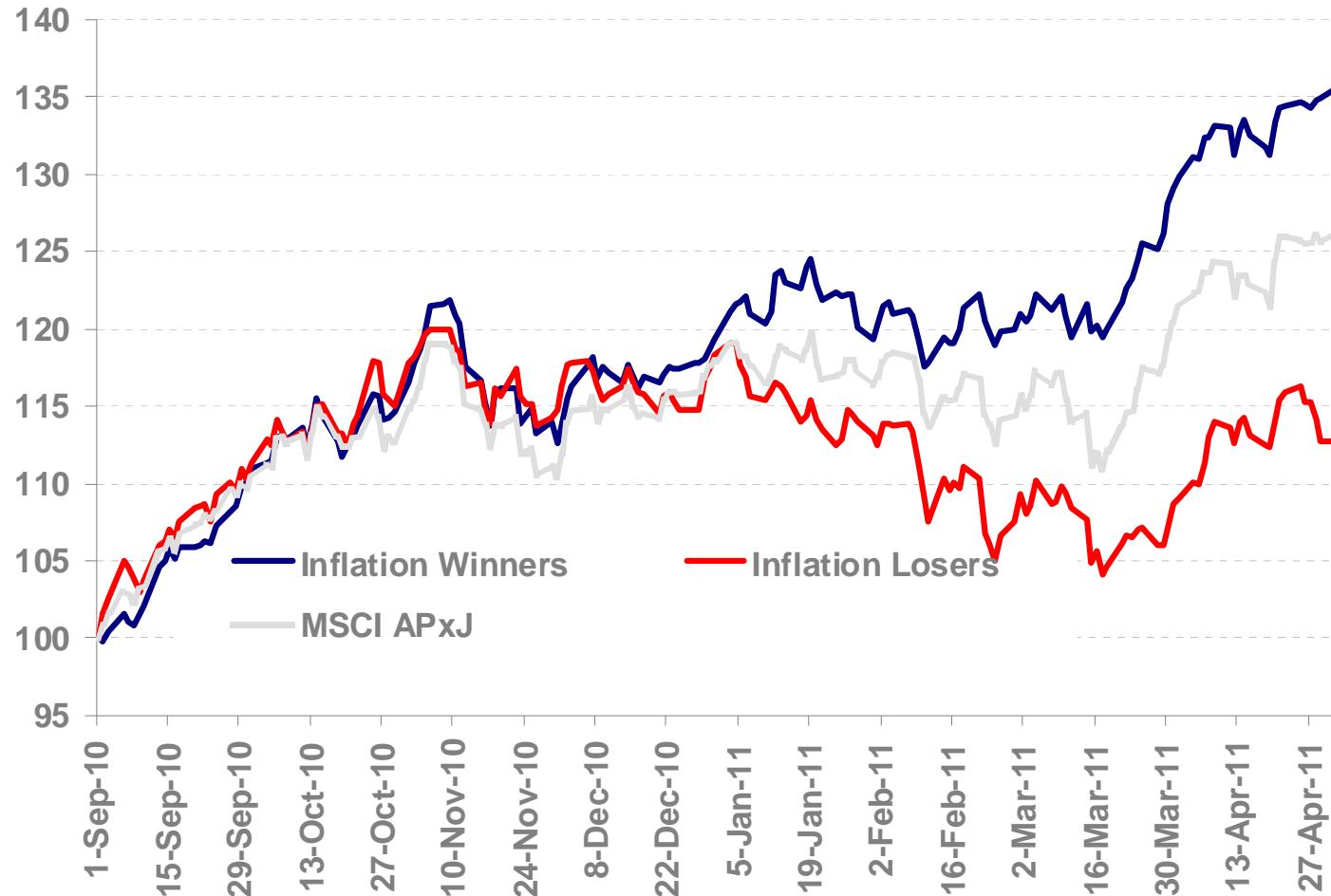
Company Name	Ticker	GICS Sector	MS Rating	Country	Mcap US\$ Bn	Curr	Latest Price	Price Target	Upside to PT	P/E		P/B		Net Debt/Equity		Morgan Stanley Analyst
										2010E	2011E	2010E	2011E	2010E	2011E	
Agricultural Bank of China Ltd	1288.HK	Financials	OW	China	190.7	HKD	4.56	5.3	16.9%	13.7	11.6	2.3	1.9	NA	NA	Liu, Minyan
BHP Billiton Plc	BHP.AX	Materials	OW	Australia	273.9	AUD	45.5	56.0	23.1%	13.9	12.3	NA	NA	NA	NA	Judd, Cameron
Cairn India Ltd.	CAIL.BO	Energy	OW	India	15.1	INR	352.8	429.0	21.6%	19.2	10.6	1.8	1.5	2.9%	-7.0%	Jaising, Vinay
China Yurun Food Group Ltd.	1068.HK	Cons Stap	OW	China	6.2	HKD	27.5	32	16.4%	21.3	18.0	3.5	3.0	-16.9%	-14.8%	Lou, Lillian
CNOOC	0883.HK	Energy	OW	China	110.0	HKD	19.28	22.5	16.7%	15.5	13.2	3.4	2.8	-18.6%	-30.2%	Tan, Wee-Kiat
DBS Group Holdings	DBSM.SI	Financials	OW	Singapore	29.3	SGD	14.86	17	17.7%	16	14.6	1.4	1.3	35.3%	32.9%	Lord, Nick
Far Eastone	4904.TW	Telecom	OW	Taiwan	4.9	TWD	43.35	55.0	26.9%	20.3	20.8	2.0	2.0	-10.7%	-15.7%	Yu, Gary
Focus Media	FMCN.O	Cons Disc	OW	China	5.3	USD	37.27	NA	NA	NA	NA	3.7	3.3	-51.2%	-55.5%	Ji, Richard
Formosa Plastics Corp.	1301.TW	Materials	OW	Taiwan	24.8	TWD	116	120.0	3.4%	16.2	13.8	2.7	2.6	-9.9%	-10.4%	Chen, Jeremy
Fubon Financial Holdings	2881.TW	Financials	OW	Taiwan	12.6	TWD	42.2	44.5	5.5%	18.7	14.2	1.6	1.5	-40.8%	-39.2%	Choi, Lily
HSBC Holdings	0005.HK	Financials	OW	Hong Kong	192.3	HKD	84.35	100.0	18.6%	17.0	12.3	1.4	1.3	5.2%	4.7%	Agarwal, Anil
Hyundai Mobis	012330.KS	Cons Disc	OW	S. Korea	33.2	KRW	363000	485000	33.6%	19.5	16.1	3.5	2.7	-19.7%	-15.3%	Park, Sangkyoo
Infosys Technologies	INFY.BO	IT	OW	India	37.6	INR	2910.8	3630.0	24.7%	31.1	25.9	6.3	5.2	-58.6%	-61.2%	Khare, Vipin
M1 Limited	MONE.SI	Telecom	OW	Singapore	1.8	SGD	2.37	3.0	26.6%	17.2	15.8	7.0	6.5	101.1%	82.4%	Killa, Navin
Petronas Chemicals Group Berhad	PCGB.KL	Materials	OW	Malaysia	19.5	MYR	7.22	7.6	5.1%	15.9	11.7	NA	NA	NA	NA	Jaising, Vinay
PT Indo Tambangraya Megah Tbk	ITMG.JK	Energy	OW	Indonesia	6.2	IDR	47150	64000.0	35.7%	39.3	14.4	8.2	6.4	-40.9%	-44.4%	Tan, Wee-Kiat
Sun Pharmaceutical Industries	SUN.BO	Health Care	OW	India	10.5	INR	448.1	492.0	9.8%	31.4	25.0	5.3	4.5	-49.6%	-54.5%	Baisiwal, Sameer
Trina Solar	TSL.N	IT	OW	China	2.2	USD	28.09	35.3	25.7%	8.9	9.4	1.7	1.4	-22.5%	-10.3%	Gupta, Sunil
Whitehaven Coal Limited	WHC.AX	Energy	OW	Australia	3.2	AUD	6.08	7.5	23.8%	58.7	24.5	2.8	2.5	-13.3%	-25.7%	Judd, Cameron

Losers* (Bloomberg: MSNJIFUW for long exposure to stocks we expect to perform poorly in rising inflation)**

Company Name	Ticker	GICS Sector	MS Rating	Country	Mcap US\$ Bn	Curr	Latest Price	Price Target	Upside to PT	P/E		P/B		Net Debt/Equity		Morgan Stanley Analyst
										2010E	2011E	2010E	2011E	2010E	2011E	
Asustek Computer Inc.	2357.TW	IT	EW	Taiwan	5.8	TWD	263	270.0	2.7%	10.4	11.3	1.5	1.4	-30.5%	-39.9%	Chen, Grace
Besunyen	0926.HK	Cons Stap	OW	China	0.6	HKD	2.63	3.2	21.7%	59.8	16.6	1.7	1.9	-67.4%	-44.5%	Li, Bin
China Airlines	2610.TW	Industrials	UW	Taiwan	2.8	TWD	17.45	13.3	-23.8%	5.7	9.2	1.6	1.4	258.2%	212.0%	Lim, Chin
China CITIC Bank Corp Ltd	0988.HK	Financials	EW	China	28.0	HKD	5.57	6.3	12.6%	9.6	8.7	1.5	1.3	NA	NA	Liu, Minyan
China Petroleum & Chemical Corp.	0386.HK	Energy	OW	China	86.1	HKD	7.71	10.0	29.7%	10.2	9.1	1.4	1.2	41.5%	32.5%	Tan, Wee-Kiat
Country Garden Holdings	2007.HK	Financials	UW	China	6.6	HKD	3.12	2.4	-23.1%	10.8	9.0	1.9	1.7	46.6%	67.4%	Ching, Coral
Dongfeng Motor Group	0489.HK	Cons Disc	EW	China	13.5	HKD	12.16	14	11.0%	9.1	9.8	2.4	1.9	-45.6%	-49.1%	Zhu, Kate
EVA Airways	2618.TW	Industrials	UW	Taiwan	2.8	TWD	26	20	-23.1%	4.9	11.1	2.7	2.5	373.6%	312.2%	Lim, Chin
Far Eastern Department Store	2903.TW	Cons Disc	EW	Taiwan	2.2	TWD	52	31.7	-39.0%	20.9	19.4	2.6	2.4	23.5%	17.3%	Chen, Jeremy
Hindustan Petroleum	HPCL.BO	Energy	OW	India	2.9	INR	381.55	567.0	48.6%	13.4	10.9	1.1	1.0	82.2%	65.2%	Jaising, Vinay
Hindustan Unilever	HLL.BO	Cons Stap	UW	India	13.4	INR	272.3	223.0	-18.1%	23.0	21.7	25.0	22.5	-130.2%	-138.1%	Shah, Nillai
Hon Hai Precision	2317.TW	IT	EW	Taiwan	35.5	TWD	106	110.0	3.8%	13.7	11.7	1.9	1.7	4.7%	5.9%	Lu, Jasmine
Huaneng Power	0902.HK	Utilities	EW	China	6.8	HKD	4.35	5.1	16.1%	15.5	14.1	1.0	0.9	226.6%	253.7%	Lee, Simon
IDFC	IDFC.BO	Financials	EW	India	4.6	INR	135.4	175.0	29.2%	21.1	18.6	2.0	1.7	NA	NA	Agarwal, Anil
Korea Electric Power	015760.KS	Utilities	EW	S. Korea	16.5	KRW	26650	30100.0	12.9%	-280.3	47.7	0.4	0.4	91.0%	102.3%	Lee, Simon
Li Ning	2331.HK	Cons Disc	EW	China	1.9	HKD	13.62	16.8	23.3%	14.3	16.2	3.6	3.0	-40.0%	-50.4%	Lin, Robert
PT Bank Danamon Indonesia	BDMN.JK	Financials	EW	Indonesia	6.2	IDR	6100	5000	-18.0%	15	11.7	2.9	2.6	4.1%	3.8%	Lord, Nick
True Corporation	TRUE.BK	Telecom	UW	Thailand	1.9	THB	4.9	2.3	-52.7%	21.6	8.3	8.0	5.5	NA	NA	Yu, Gary

* Winner and Loser stocks were identified using evidence from current and prior inflation cycles, our proprietary survey data and the insights of Morgan Stanley strategy and sector teams on business models and pricing power. **A third basket Bloomberg: MSNJIFU2 is a shortable subset of Basket MSNJIFUW. Please contact your MS sales representative for more detail. For valuation methodology and risks associated with any price targets above, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock. Source: Company data, Morgan Stanley Research (E) estimates. Please note that all important disclosures including personal holding disclosures and Morgan Stanley disclosures for stocks under coverage appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosures. Share prices as of May 2, 2011.

Performance of Winners and Losers* vs. MSCI APxJ During Current Inflation Cycle



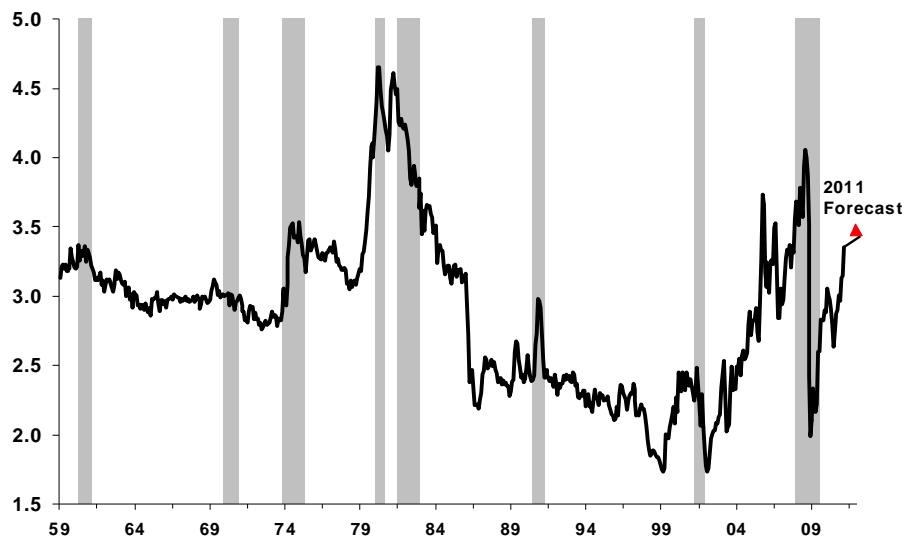
* Average Performance of Winner and Loser stocks (identified using evidence from current and prior inflation cycles, our proprietary survey data and the insights of MS strategy and sector teams on business models and pricing power). Data as of May 2, 2011

Source: MSCI, Factset, Morgan Stanley Research

Rising Oil Prices a Risk for US Consumer

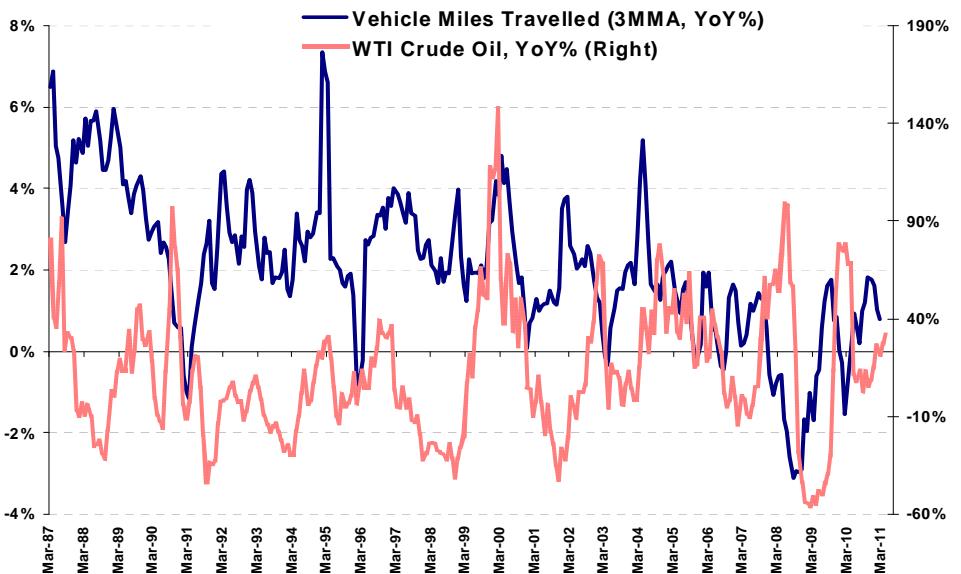
- Surge in energy prices would threaten the US consumer and the economy if it were large, sudden and lasting.
- Every penny increase in gasoline prices costs consumers \$1.3 billion and US\$10 would reduce US GDP growth forecast (currently 3.5%) by 30 bps.

Gasoline Spend as % of US Disposable Income vs US recessions



Source: Haver, US Economics Team. Morgan Stanley Research. *Forecast based on current level of gasoline consumption and using MS US\$100/bbl WTI forecast for 2011. Shaded bars represent recessions.

US Travel in Million of Vehicles Miles vs Oil price



Source: US Dept of Transportation, DataStream, Morgan Stanley Research.

Monetary Policy Tightening

- Higher nominal and real rates tend to act as a headwind to equities, if not something worse. We are entering the more dangerous late cycle phase of the rate hike cycle. Quantitative restrictions on lending and other measures are also being deployed.

Quantitative Tightening so Far

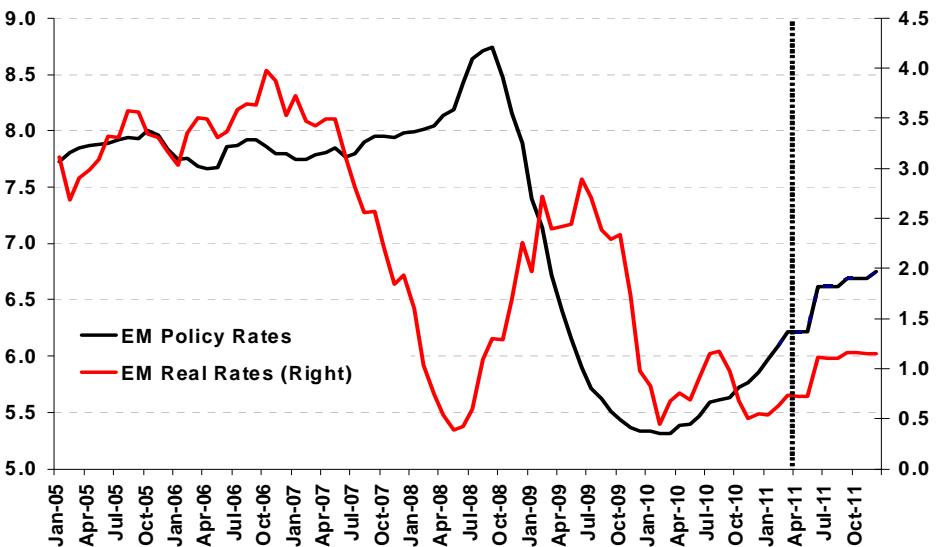
	FX Interventions	FX reserves increase since trough*	Capital Controls	RRR hikes	Open market operations	Policy rate hikes (bp)
China	Yes	51.5%	Yes	450	Yes	75
India	Yes	13.1%		100	Yes	200
Brazil	Yes	54.2%	Yes	NA	Yes	300
Russia	Yes	21.9%		300	Yes	25
Turkey^	Yes	26.5%		800	Yes	-75

*Trough for China in Oct-08, India/Brazil in Feb-09, Russia in Mar-09 and Turkey in Apr-09

[^]Turkey FX interventions are not direct interventions but daily pre-announced FX purchases

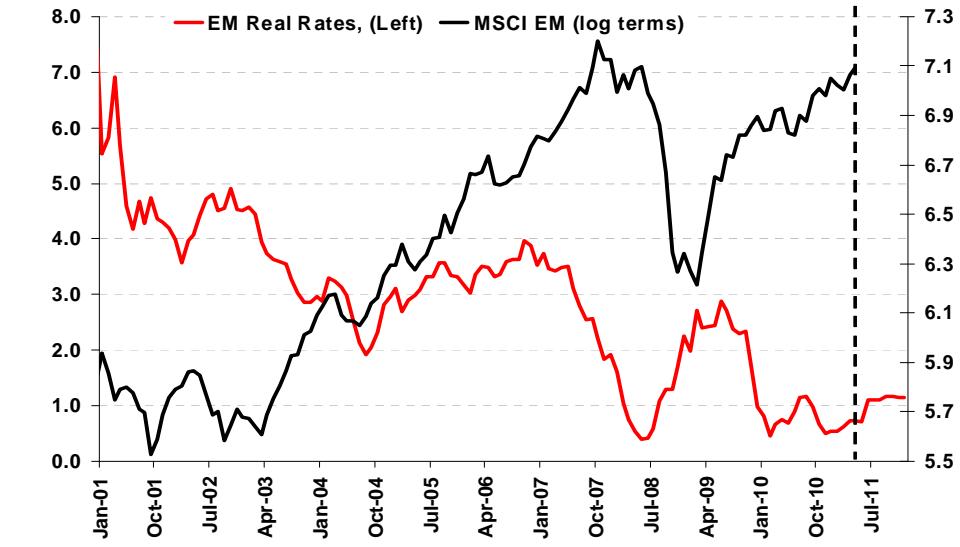
Source: DataStream, Haver, Bloomberg, Morgan Stanley Research. Data as of April, 2011

MSCI EM Policy Rates *(Nominal and Real)



Source: DataStream, MSCI, Factset, Morgan Stanley Research. * GDP Weighted

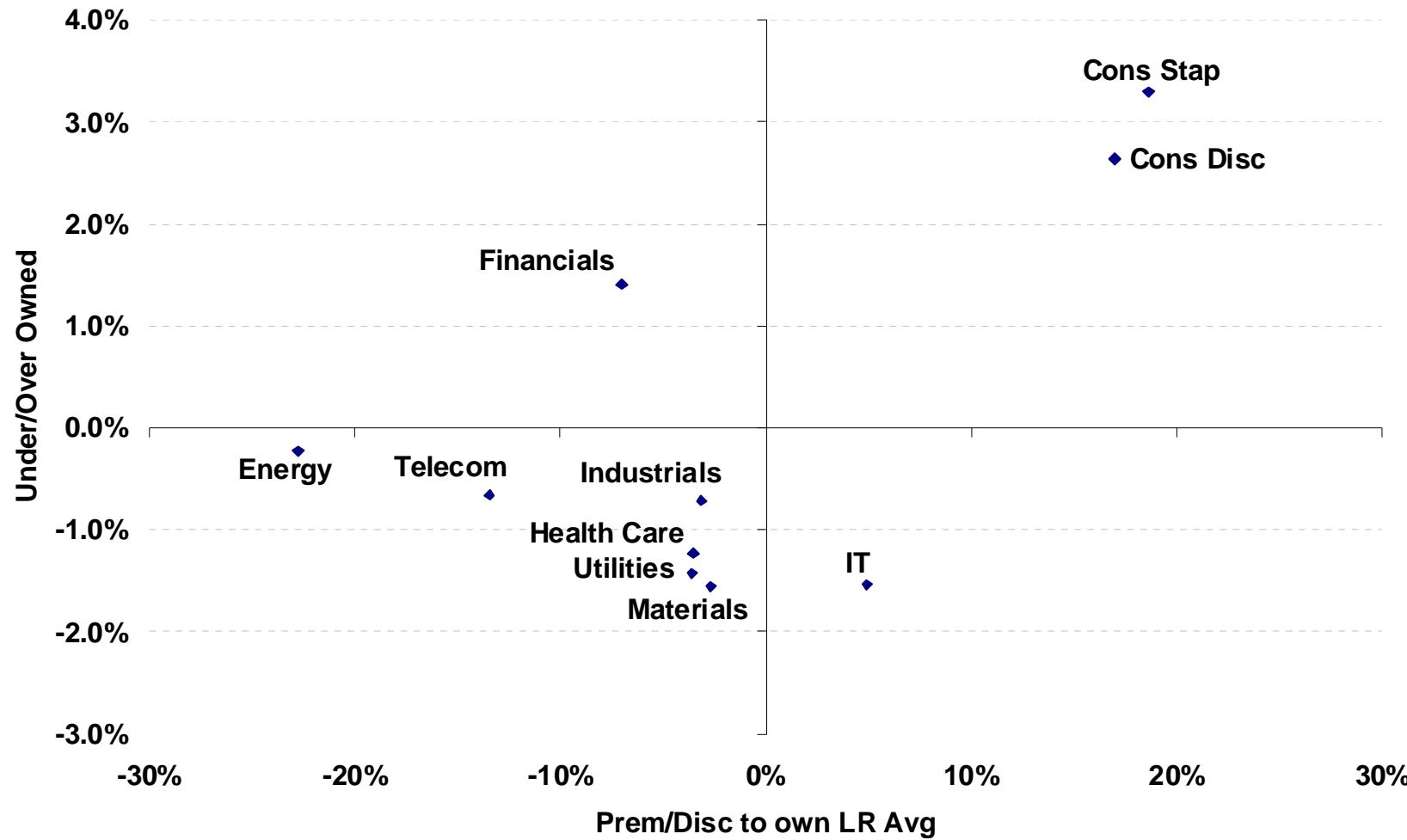
MSCI EM Real Rates vs. MSCI EM



Source: DataStream, Haver, Bloomberg, Morgan Stanley Research. Data as of April, 2011

GEMs Fund Sector Positioning vs. Shiller P/E valuations

**GEMs Fund Sector Positioning Relative to Its Weighting in MSCI EM vs. Shiller P/E
Premium/Discount to its Own Five-year Average**



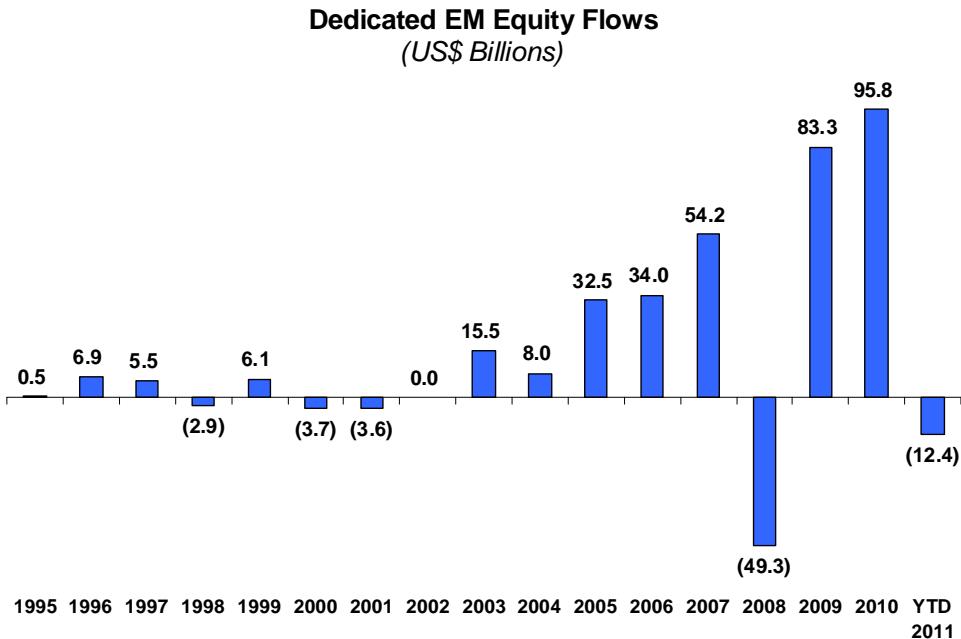
Source: EPFR, MSCI, Factset, Morgan Stanley Research. Data as of May 2, 2011

Jonathan Garner: +852 2848 7288, jonathan.garner@morganstanley.com (for enquiries or requests please email gemstratrequest@morganstanley.com)

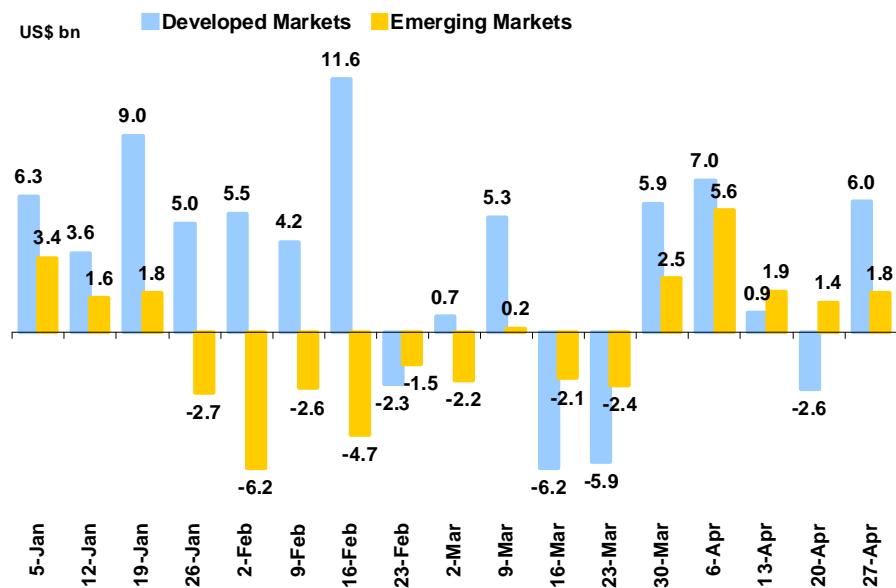
Flows to Asia/EM equity fund have become more volatile recently

- Dedicated EM Funds recorded record inflow of \$94bn in 2010. This is the largest annual inflow received by EM funds in any year. EM funds reported positive flow for 29 consecutive weeks in 2010, a record.
- Asia/EM equities reported an outflow of US\$12.4bn on a YTD basis. However, DM equities received an inflow of US\$57.8 (YTD). This represents a major shift away from the pattern seen throughout 2009 and 2010 of steady inflows into Asia / EM equities and outflow from DM equities.

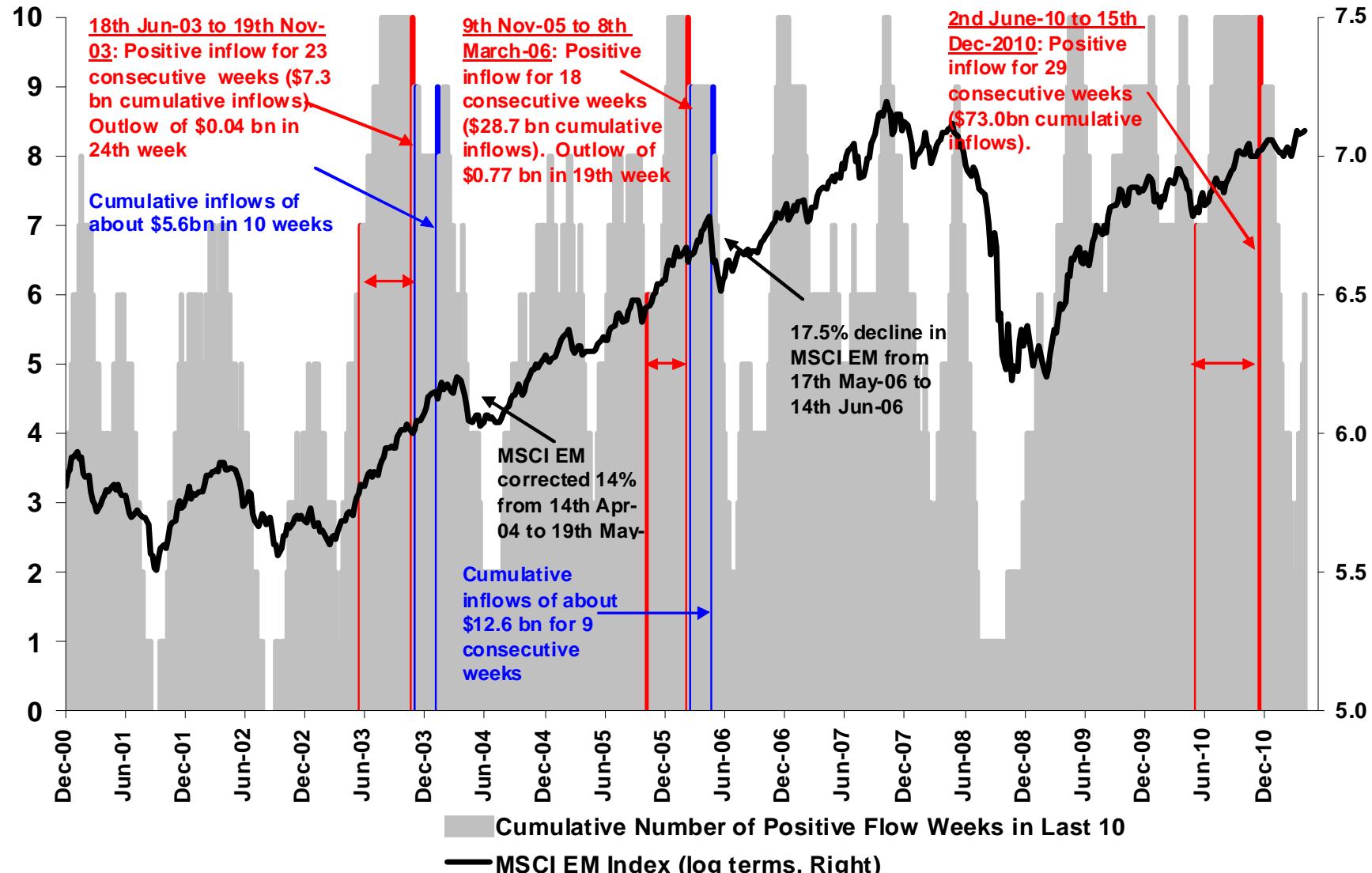
Annual Flows to dedicated EM Funds



Reversal of Pattern of inflows in 2011



Dedicated EM Funds: 6/10 weeks of positive flows currently



China, Russia and Malaysia are our Key OWs; Mexico, India and Thailand are key UWs

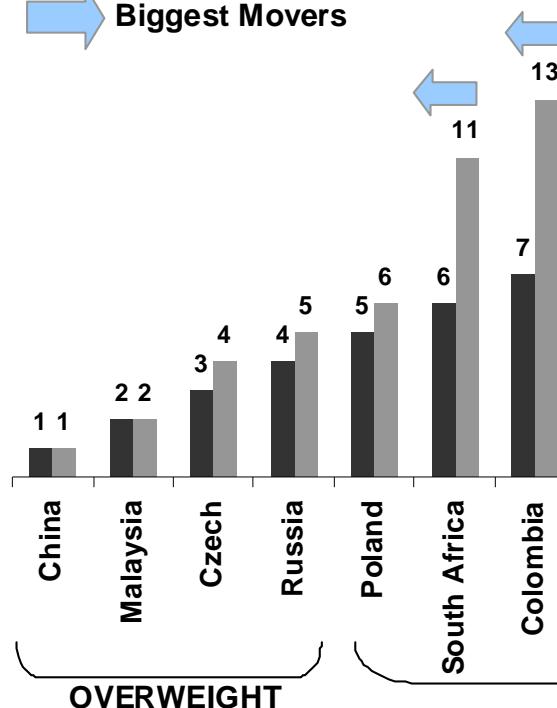
GEM Strategy Country Model – Summary Changes in Country Rankings

Country rankings: the lower the ranking,
the better the score in the model

Current Ranking

Prior Ranking

Biggest Movers



We Score Countries on 16 Variables within the Four Major Blocks

GEM Strategy Country Model - Overall Rankings and Scores

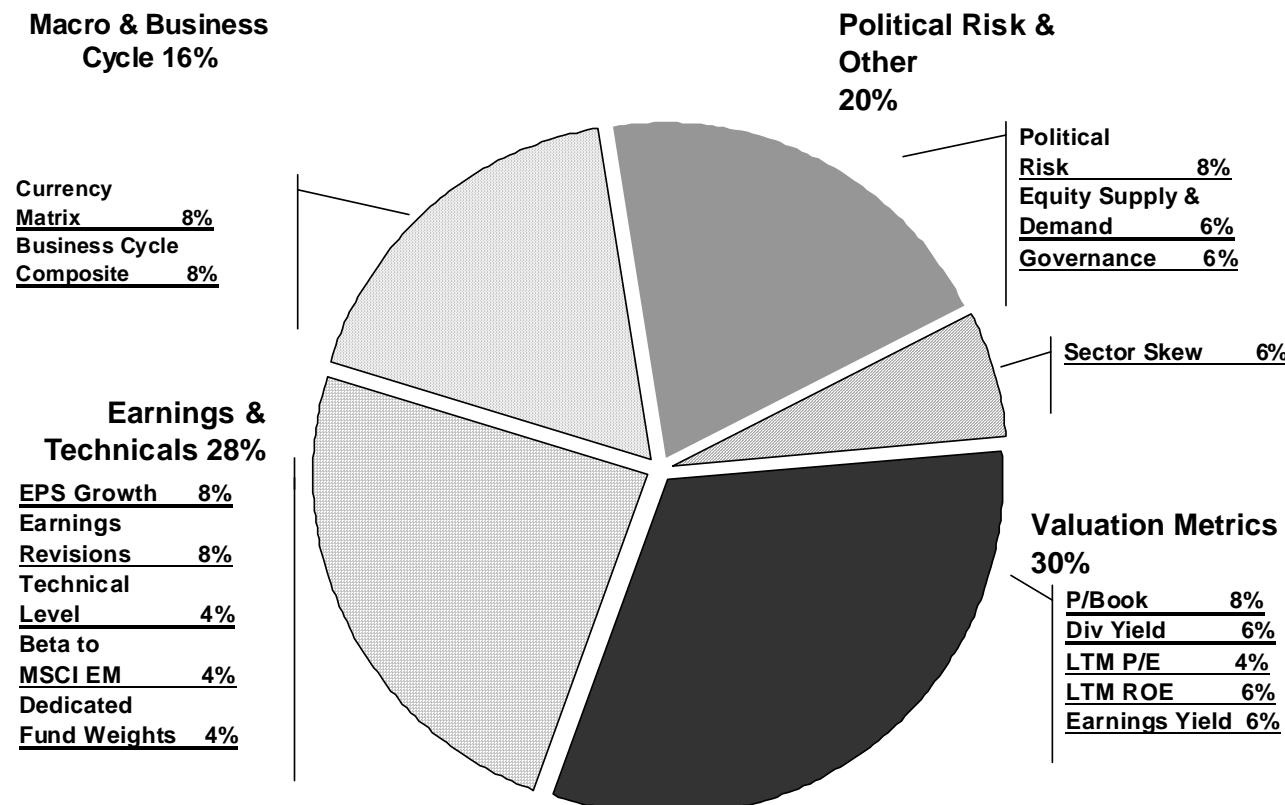
Country	MSCI EM Weight	VALUATIONS					32%		EARNINGS AND TECHNICALS					24%		MACRO		18%		POLITICAL RISK & OTHER			20%		SECTOR	6%	Final Rank
		8%	6%	4%	6%	8%	8%	6%	4%	0%	6%	10%	8%	8%	6%	6%	6%	6%	100%	8%	6%	6%	6%	100%	Final	Rank	
China	17.68%	5	7	3	5	5	6	2	10	9	3	3	7	12	14	10	7	6.50	1								
Malaysia	2.86%	14	5	16	10	14	13	8	12	19	18	2	6	4	3	4	16	9.24	2								
Czech	0.37%	9	1	4	3	7	19	9	15	18	17	9	11	2	11	2	20	9.28	3								
Russia	7.10%	3	12	2	14	2	2	13	18	1	13	20	2	14	13	16	1	9.56	4								
Poland	1.73%	7	16	14	16	6	3	10	17	4	14	12	14	3	2	7	11	9.64	5								
South Africa	7.19%	6	3	9	13	19	5	7	8	6	11	16	17	7	7	3	8	9.72	6								
Colombia	0.78%	16	14	18	9	20	1	3	4	14	6	13	5	13	8	9	4	9.76	7								
Korea	14.52%	12	19	8	11	3	4	4	19	13	8	15	16	5	4	8	14	9.86	8								
Egypt	0.33%	1	2	1	19	1	20	19	1	20	4	4	9	20	20	20	9	10.14	9								
Brazil	15.86%	2	6	5	17	15	14	11	6	3	1	19	19	9	10	5	5	10.36	10								
Indonesia	2.43%	20	10	17	2	11	11	12	14	10	10	5	10	10	9	14	13	10.90	11								
Taiwan	10.90%	13	8	10	8	9	16	18	13	17	2	17	13	6	6	6	15	10.96	12								
Turkey	1.48%	8	9	6	12	16	18	16	3	8	5	10	4	15	16	13	10	11.10	13								
Philippines	0.56%	17	4	15	6	4	17	5	9	16	9	1	12	18	17	18	18	11.12	14								
India	7.34%	10	13	12	15	12	9	15	5	2	20	6	15	11	5	12	12	11.36	15								
Peru	0.54%	15	17	7	1	10	8	20	2	5	7	18	8	17	12	19	3	11.54	16								
Chile	1.55%	18	20	11	4	13	12	14	7	15	15	14	20	1	1	1	19	11.68	17								
Hungary	0.44%	4	18	13	20	17	15	6	16	12	16	11	3	8	19	15	6	12.02	18								
Thailand	1.82%	19	15	19	7	8	7	1	20	11	12	7	18	19	18	17	2	12.26	19								
Mexico	4.38%	11	11	20	18	18	10	17	11	7	19	8	1	16	15	11	17	13.00	20								

Source: Morgan Stanley Research

The Five Major Components of Our Country Quants Analysis

- Our process comprises five major blocks of analysis: Valuations (30%); earnings revisions and technical indicators (28%); political / governance risks and equity supply / demand balance (20%); currency and business cycle (16%); and sector skew (6%). Variables were scored across several dimensions.

Country Model Framework – Weights for Five Major Components and Variables



Morgan Stanley Global Emerging Markets Focus List – Alphabetically Sorted

Data as of: 2-May-11																
Company Name	Ticker	Rating	Country	GICS Sector	Mkt Cap USD bn	Date Added	Total US\$ Return Since Added	Latest Price	Target Price	Currency	Target Price Upside, %	2011e DY, %	Morgan Stanley P/E 2010e	Morgan Stanley P/E 2011e	Analyst	
Agricultural Bank of China Limited	1288.HK	OW	China	Financials	190.7	08/27/10	29.9%	X	4.56	5.33	HKD	16.9%	3.9%	11.7x	9.9x	Liu, Minyan
America Movil	AMX.N	OW	Mexico	Telecom	113.6	02/01/07	36.9%	56.56	67.00	USD	18.5%	1.1%	14.3x	13.5x	Leonard, Jennifer	
Axiata Group Berhad	AXIA.KL	OW	Malaysia	Telecom	14.1	03/14/11	5.3%	4.93	5.80	MYR	17.6%	3.0%	16.0x	13.5x	Killa, Navin	
Cairn India Ltd.	CAIL.BO	OW	India	Energy	15.1	08/25/09	50.9%	X	352.80	429.00	INR	21.6%	2.5%	15.8x	8.7x	Jaising, Vinay
China Shenhua Energy	1088.HK	OW	China	Energy	92.1	08/02/10	20.3%	35.95	48.00	HKD	33.5%	2.5%	15.9x	13.9x	Tan, Wee-Kiat	
CNOOC	0883.HK	OW	China	Energy	110.0	08/25/09	88.2%	X	19.28	22.50	HKD	16.7%	3.1%	13.3x	13.5x	Tan, Wee-Kiat
Far Eastone	4904.TW	OW	Taiwan	Telecom	4.9	04/20/11	1.9%	X	43.35	55.00	TWD	26.9%	5.5%	16.0x	16.4x	Yu, Gary
Formosa Plastics Corporation	1301.TW	OW	Taiwan	Materials	24.8	11/22/10	37.4%	X	116.00	120.00	TWD	3.4%	5.9%	15.7x	13.3x	Chen, Jeremy
Garanti Bank	GARAN.IS	OW	Turkey	Financials	22.0	02/17/11	9.3%	X	7.98	9.90	TRY	24.1%	2.3%	10.7x	10.6x	Stoklosa, Magdalena
Larsen & Toubro	LART.BO	OW	India	Industrials	20.9	05/18/09	37.3%	1,537.50	2,268.00	INR	47.5%	1.0%	21.0x	16.9x	Soni, Akshay	
Mobile TeleSystems	MBT.N	OW	Russia	Telecom	20.6	03/14/11	3.5%	21.47	22.00	USD	2.5%	5.2%	14.8x	11.5x	Tiron, Cesar	
Mr Price Group	MPCJ.J	OW	South Africa	Cons. Disc.	2.6	11/22/10	13.0%	X	6,720.00	6,900.00	ZAc	2.7%	4.4%	19.2x	15.9x	Pretorius, Danie
Petrobras	PBR.N	OW	Brazil	Energy	242.7	07/16/09	-1.8%	37.21	50.00	USD	34.4%	2.7%	12.1x	11.1x	Daripa, Subhajit	
Petronas Chemicals Group Berhad	PCGB.KL	OW	Malaysia	Materials	19.5	01/13/11	23.6%	X	7.22	7.59	MYR	5.1%	4.6%	15.1x	11.1x	Jaising, Vinay
PGN	PGAS.JK	OW	Indonesia	Utilities	11.5	09/20/10	9.3%	4,125.00	4,822.00	IDR	16.9%	3.9%	15.6x	13.3x	Lee, Simon	
Rosneft	ROSNq.L	OW	Russia	Energy	85.7	03/14/11	0.2%	8.93	9.50	USD	6.4%	1.2%	8.2x	7.6x	Thomas, Matthew	
Samsung Electronics	005930.KS	OW	S. Korea	IT	129.7	04/15/10	14.7%	938,000	1,210,000	KRW	29.0%	1.3%	8.6x	9.2x	Han, Keon	
Sberbank	SBER.RTS	OW	Russia	Financials	78.9	06/10/10	58.6%	X	3.66	4.30	USD	17.6%	1.9%	13.9x	8.0x	Stoklosa, Magdalena
Taiwan Glass Corp.	1802.TW	OW	Taiwan	Industrials	3.2	11/30/10	39.8%	X	45.95	48.30	TWD	5.1%	0.4%	18.6x	14.2x	Chen, Jeremy
Vale	VALE.N	OW	Brazil	Materials	162.9	06/10/10	26.2%	32.86	46.00	USD	40.0%	2.1%	9.9x	6.3x	De Alba, Carlos	

NA = Not available, e = Morgan Stanley Research estimates, OW = Overweight, EW = Equal-weight, UW = Underweight. Source: ModelWare, Morgan Stanley Research. Data as of May 02, 2011. The US\$ total return of the Morgan Stanley GEM Equity Strategy Focus List since inception on December 31, 2006 is 50.28% (MSCI EM index total return 52.70%). This assumes the focus list constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI EM index since inclusion in the Focus List. Please note that all important disclosures regarding these stocks, including personal holdings disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosure. For valuation methodology and risks associated with price targets mentioned, please refer to the latest relevant research on these stocks, which is available through your sales representative; Client Link at www.morganstanley.com; or other electronic systems. ++ Ratings and price targets for these companies have been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Morgan Stanley Asia Pac ex Japan Focus List – Alphabetically sorted

Data as of: 2-May-11																
Company Name	Ticker	Rating	Country	GICS Sector	Mkt Cap USD bn	Date Added	Total US\$ Return Since Added	Latest Price	Target Price	Currency	Target Price Upside, %	2011e DY, %	Morgan Stanley P/E 2010e	Morgan Stanley P/E 2011e	Analyst	
Agricultural Bank of China Limited	1288.HK	OW	China	Financials	190.7	08/27/10	29.9%	X	4.6	5.3	HKD	16.9%	3.9%	11.7x	9.9x	Liu, Minyan
Axiata Group Berhad	AXIA.KL	OW	Malaysia	Telecom	14.1	03/14/11	5.3%	4.9	5.8	MYR	17.6%	3.0%	16.0x	13.5x	Killa, Navin	
BHP Billiton Plc	BHP.AX	OW	Australia	Materials	273.9	03/14/11	14.3%	X	45.5	56.0	AUD	23.1%	1.9%	11.3x	10.0x	Judd, Cameron
Cairn India Ltd.	CAIL.BO	OW	India	Energy	15.1	08/25/09	50.9%	X	352.8	429.0	INR	21.6%	2.5%	15.8x	8.7x	Jaising, Vinay
CFS Retail Property Trust	CFX.AX	OW	Australia	Financials	5.9	10/17/10	8.3%	1.8	2.2	AUD	22.6%	7.2%	14.8x	NA	Pirenc, Lou	
China Shenhua Energy	1088.HK	OW	China	Energy	92.1	08/02/10	20.3%	36.0	48.0	HKD	33.5%	2.5%	15.9x	13.9x	Tan, Wee-Kiat	
China Unicom	0762.HK	OW	China	Telecom	49.0	02/28/11	21.9%	X	15.9	17.5	HKD	10.2%	0.7%	82.9x	73.2x	Killa, Navin
CNOOC	0883.HK	OW	China	Energy	110.0	07/16/09	108.9%	X	19.3	22.5	HKD	16.7%	3.1%	13.3x	11.3x	Tan, Wee-Kiat
Far Eastone	4904.TW	OW	Taiwan	Telecom	4.9	04/20/11	1.9%	X	43.4	55.0	TWD	26.9%	5.5%	16.0x	16.4x	Yu, Gary
Formosa Plastics Corporation	1301.TW	OW	Taiwan	Materials	24.8	11/22/10	37.4%	X	116.0	120.0	TWD	3.4%	5.9%	15.7x	13.3x	Chen, Jeremy
Foster's Group	FGL.AX	OW	Australia	Consumer Staples	11.8	02/10/11	7.1%	5.6	7.0	AUD	25.7%	4.9%	16.0x	14.9x	Kierath, Thomas	
Larsen & Toubro	LART.BO	OW	India	Industrials	20.9	05/18/09	37.3%	1,537.5	2,268.0	INR	47.5%	1.0%	21.0x	16.9x	Soni, Akshay	
Petronas Chemicals Group Berhad	PCGB.KL	OW	Malaysia	Materials	19.5	01/13/11	23.6%	X	7.2	7.6	MYR	5.1%	4.6%	15.1x	11.1x	Jaising, Vinay
PGN	PGAS.JK	OW	Indonesia	Utilities	11.5	09/20/10	9.3%	4,125.0	4,822.0	IDR	16.9%	3.9%	15.6x	13.3x	Lee, Simon	
POSCO	005490.KS	OW	S. Korea	Materials	34.3	01/19/10	-15.2%	475,000	630,500	KRW	32.7%	2.1%	8.8x	8.4x	Spencer, Charles	
Samsung Electronics	005930.KS	OW	S. Korea	IT	129.7	04/15/10	14.7%	938,000	1,210,000	KRW	29.0%	1.3%	8.6x	9.2x	Han, Keon	
Shinhan Financial Group	055550.KS	OW	S. Korea	Financials	24.0	05/19/10	34.5%	52,400	68,000	KRW	29.8%	1.9%	10.7x	8.3x	Seok, Joon	
Sino Biopharmaceutical	1177.HK	OW	China	Health Care	1.8	03/14/11	4.8%	2.9	4.3	HKD	50.9%	2.0%	24.4x	24.7x	Wu, Sean	
Taiwan Glass Corp.	1802.TW	OW	Taiwan	Industrials	3.2	11/30/10	39.8%	X	46.0	48.3	TWD	5.1%	0.4%	18.6x	14.2x	Chen, Jeremy
Vedanta	VED.L	OW	India	Materials	11.5	06/10/10	21.0%	2,325.0	3,300.0	GBp	41.9%	1.4%	14.6x	7.6x	Ravi, Ephrem	

NA = Not available. OW = Overweight, EW = Equal-weight, UW = Underweight. Source: ModelWare, Morgan Stanley Research. Data as of May 2, 2011. The US\$ total return of the Morgan Stanley APxJ Equity Strategy Focus List since inception on 23rd April 2009 is 87.20% (MSCI APxJ index total return 97.84%). This assumes the focus list constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. (X) indicates stock has outperformed MSCI APxJ index since inclusion in the Focus List. Please note that all important disclosures regarding these stocks, including personal holdings disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosure. For valuation methodology and risks associated with price targets mentioned, please refer to the latest relevant research on these stocks, which is available through your sales representative; Client Link at www.morganstanley.com; or other electronic systems. ++ Ratings and price targets for these companies have been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Valuation Appendix

MSCI EM Country & Sector P/E & Earnings Growth Breakdown (Bottom-up / US\$ / Calendarised) *

MSCI EM Country	MSCI Weight	Consensus US\$ P/E				MS US\$ P/E				Consensus US\$ EPS Growth			MS US\$ EPS Growth		
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2010	2011	2012	2010	2011	2012
China	17.1%	19.0x	13.7x	11.7x	10.2x	19.0x	14.2x	11.9x	9.9x	38.9%	16.4%	15.3%	33.9%	19.4%	19.9%
Korea	15.2%	22.1x	13.7x	10.7x	8.8x	22.1x	12.8x	10.4x	8.4x	60.9%	28.4%	21.3%	72.0%	23.5%	23.6%
Taiwan	11.3%	31.3x	17.1x	14.7x	11.7x	31.3x	17.2x	14.5x	11.7x	82.5%	16.4%	25.8%	81.6%	18.9%	24.1%
India	7.0%	26.6x	20.3x	16.6x	14.4x	26.6x	20.1x	15.9x	13.4x	30.7%	22.7%	15.1%	32.2%	26.6%	18.5%
Malaysia	2.8%	26.2x	18.7x	14.8x	12.5x	26.2x	18.2x	14.5x	12.3x	39.8%	26.6%	18.8%	43.6%	25.8%	17.6%
Indonesia	2.5%	25.8x	18.7x	15.9x	14.3x	25.8x	18.5x	15.4x	13.9x	37.9%	17.6%	11.5%	39.8%	19.7%	11.2%
Thailand	1.8%	22.1x	15.2x	13.2x	12.5x	22.1x	16.1x	13.5x	13.0x	45.5%	14.7%	5.8%	37.2%	18.8%	4.4%
Philippines	0.6%	21.5x	18.1x	15.8x	13.7x	21.5x	18.1x	15.8x	13.7x	19.3%	14.1%	15.7%	19.3%	14.1%	15.7%
EM ASIA	58.2%	23.1x	15.4x	12.7x	10.7x	23.1x	15.2x	12.5x	10.4x	50.0%	20.8%	18.7%	51.2%	21.5%	20.9%
Brazil	15.3%	17.8x	12.9x	11.3x	10.3x	17.8x	15.6x	13.1x	11.4x	38.0%	14.1%	10.4%	14.7%	18.6%	15.3%
Mexico	4.3%	22.6x	23.4x	16.9x	14.2x	22.6x	22.3x	16.7x	14.3x	-3.6%	38.9%	18.6%	1.3%	33.3%	17.5%
Chile	1.6%	27.0x	20.8x	18.5x	17.0x	27.0x	20.5x	18.4x	16.5x	29.7%	12.8%	8.5%	31.5%	11.8%	11.1%
Colombia	0.8%	32.3x	23.5x	18.4x	16.2x	32.3x	23.6x	18.2x	16.0x	37.5%	27.7%	13.5%	36.9%	29.9%	13.5%
Peru	0.5%	20.9x	16.4x	11.5x	10.0x	20.9x	16.5x	11.5x	10.0x	27.4%	42.5%	14.7%	26.2%	43.9%	14.6%
LATAM	22.5%	19.4x	14.9x	12.6x	11.3x	19.4x	17.0x	14.1x	12.2x	30.4%	17.9%	11.5%	13.8%	21.2%	15.3%
South Africa	7.6%	25.0x	17.0x	13.3x	12.6x	25.0x	17.9x	14.1x	13.4x	47.0%	27.2%	6.3%	39.0%	27.5%	5.3%
Russia	7.1%	13.1x	9.4x	7.3x	6.7x	13.1x	9.3x	7.3x	6.8x	39.0%	28.6%	9.2%	40.7%	27.6%	7.0%
Turkey	1.5%	13.2x	11.3x	10.9x	9.9x	13.2x	11.1x	10.8x	9.9x	16.3%	4.3%	10.2%	18.9%	2.5%	9.1%
Poland	1.8%	18.8x	16.0x	13.3x	12.0x	18.8x	16.9x	13.4x	11.6x	17.6%	20.0%	11.1%	11.6%	26.0%	15.4%
Egypt	0.3%	11.2x	9.4x	10.3x	8.0x	11.2x	9.8x	10.2x	7.6x	18.3%	-8.1%	27.8%	13.4%	-3.7%	35.0%
Czech Republic	0.4%	12.8x	13.0x	15.1x	13.8x	12.8x	13.3x	14.0x	13.5x	-1.6%	-14.1%	9.2%	-4.3%	-5.1%	4.1%
Hungary	0.5%	15.0x	15.3x	12.8x	10.8x	15.0x	14.7x	16.1x	11.7x	-1.9%	19.6%	18.6%	1.8%	-8.4%	37.6%
Morocco	0.2%	17.7x	15.8x	14.6x	13.6x	17.7x	15.8x	14.3x	13.1x	12.1%	8.4%	7.6%	11.9%	10.5%	9.0%
EMEA	19.3%	16.7x	12.4x	10.1x	9.2x	16.7x	12.6x	10.2x	9.5x	35.0%	23.1%	9.0%	32.6%	23.1%	8.1%
MSCI EM	100%	20.6x	14.6x	12.1x	10.5x	20.6x	15.0x	12.3x	10.5x	41.6%	20.7%	14.9%	37.7%	21.8%	16.8%

MSCI EM Sector	MSCI Weight	Consensus US\$ P/E				MS US\$ P/E				Consensus US\$ EPS Growth			MS US\$ EPS Growth		
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2010	2011	2012	2010	2011	2012
Financials	24.5%	20.1x	14.6x	11.7x	10.1x	20.1x	14.7x	11.9x	10.0x	38.3%	24.5%	15.7%	36.8%	24.1%	18.5%
Materials	14.9%	25.2x	15.6x	11.2x	10.1x	25.2x	18.2x	12.3x	10.5x	61.5%	39.7%	11.0%	38.2%	47.8%	17.4%
Energy	15.0%	13.2x	10.8x	9.4x	8.6x	13.2x	11.4x	9.5x	8.6x	22.8%	15.0%	8.5%	15.7%	20.0%	10.9%
IT	12.8%	28.3x	15.1x	13.8x	10.8x	28.3x	14.5x	13.5x	10.8x	86.8%	9.5%	28.5%	94.7%	7.4%	25.6%
Telecom	7.3%	16.7x	14.1x	12.6x	11.6x	16.7x	14.0x	12.7x	11.8x	18.3%	11.8%	9.2%	18.9%	10.6%	7.8%
Industrials	7.3%	28.3x	15.8x	13.4x	11.4x	28.3x	15.8x	13.4x	11.2x	78.3%	18.4%	17.7%	78.8%	18.3%	19.3%
Cons Stap	6.6%	29.2x	21.8x	19.5x	16.7x	29.2x	22.6x	19.6x	16.5x	33.7%	12.1%	16.9%	29.4%	15.0%	19.1%
Cons Disc	7.3%	25.0x	16.9x	13.2x	11.1x	25.0x	16.0x	12.9x	10.8x	48.0%	27.9%	19.3%	56.0%	24.7%	18.8%
Utilities	3.4%	16.8x	14.9x	13.2x	11.5x	16.8x	14.8x	13.2x	11.8x	13.1%	12.6%	15.1%	13.6%	12.4%	11.2%
Health Care	0.9%	31.1x	23.8x	20.4x	17.8x	31.1x	23.2x	20.2x	17.5x	30.7%	16.3%	14.9%	34.1%	14.8%	15.6%

FactSet, MSCI, Morgan Stanley Research. * Model converts EPS for individual securities into US\$ and aggregates data at the country level. Consensus data is used for estimates for non-covered companies. Data as of May 2, 2011

MSCI EM Country & Sector P/B and ROE Breakdown (Bottom-up / US\$ / Calendarised) *

MSCI EM Country	MSCI Weight	Consensus US\$ P/B				MS US\$ P/B				Consensus US\$ ROE				MS US\$ ROE			
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
China	17.1%	2.7x	2.3x	2.0x	1.7x	2.7x	2.3x	1.9x	1.6x	14.3%	16.5%	16.7%	16.9%	14.3%	16.3%	16.4%	16.5%
Korea	15.2%	2.3x	1.9x	1.6x	1.3x	2.3x	1.8x	1.5x	1.2x	10.4%	13.6%	14.5%	14.3%	10.4%	13.7%	14.0%	14.1%
Taiwan	11.3%	2.5x	2.3x	2.0x	1.8x	2.5x	2.3x	2.0x	1.8x	8.1%	13.4%	13.3%	15.1%	8.1%	13.2%	13.7%	15.2%
India	7.0%	3.8x	3.2x	2.7x	2.4x	3.8x	3.2x	2.7x	2.4x	14.2%	15.5%	16.4%	16.9%	14.2%	15.7%	16.8%	17.7%
Malaysia	2.8%	2.9x	2.6x	2.2x	1.8x	2.9x	2.6x	2.2x	1.9x	11.3%	13.8%	14.6%	14.8%	11.3%	14.3%	15.1%	15.1%
Indonesia	2.5%	6.1x	4.5x	3.9x	3.4x	6.1x	4.4x	3.7x	3.3x	23.8%	24.3%	24.2%	23.9%	23.8%	23.7%	24.1%	23.7%
Thailand	1.8%	3.2x	2.6x	2.3x	2.2x	3.2x	2.6x	2.3x	2.2x	14.4%	17.3%	17.3%	17.6%	14.4%	16.3%	16.9%	17.2%
Philippines	0.6%	3.1x	2.9x	2.6x	2.2x	3.1x	2.9x	2.6x	2.2x	14.2%	16.3%	16.3%	16.3%	14.2%	16.3%	16.3%	16.3%
EM ASIA	58.2%	2.7x	2.3x	2.0x	1.7x	2.7x	2.3x	1.9x	1.6x	11.9%	14.9%	15.4%	15.7%	11.9%	14.9%	15.2%	15.6%
Brazil	15.3%	2.6x	1.9x	1.7x	1.6x	2.6x	2.0x	1.9x	1.7x	14.6%	14.7%	15.2%	15.3%	14.6%	13.1%	14.1%	15.1%
Mexico	4.3%	2.9x	2.9x	2.6x	2.4x	2.9x	3.0x	2.7x	2.4x	12.8%	12.4%	15.4%	16.7%	12.8%	13.3%	15.9%	17.1%
Chile	1.6%	3.3x	3.1x	2.7x	2.6x	3.3x	3.1x	2.7x	2.6x	12.4%	15.0%	14.6%	15.3%	12.4%	15.0%	14.9%	15.5%
Colombia	0.8%	3.1x	2.9x	2.4x	2.2x	3.1x	2.9x	2.5x	2.2x	9.7%	12.2%	13.3%	13.5%	9.7%	12.1%	13.8%	13.8%
Peru	0.5%	5.5x	4.2x	3.6x	3.1x	5.5x	4.2x	3.5x	3.0x	26.6%	25.5%	30.9%	30.4%	26.6%	25.3%	30.8%	30.3%
LATAM	22.5%	2.7x	2.1x	1.9x	1.8x	2.7x	2.3x	2.1x	1.9x	14.1%	14.4%	15.3%	15.6%	14.1%	13.3%	14.6%	15.6%
South Africa	7.6%	3.3x	2.8x	2.3x	2.3x	3.3x	2.8x	2.4x	2.4x	13.1%	16.3%	17.5%	18.2%	13.1%	15.4%	17.2%	17.8%
Russia	7.1%	1.4x	1.4x	1.1x	1.0x	1.4x	1.4x	1.2x	1.0x	10.9%	14.7%	15.6%	14.9%	10.9%	14.8%	15.8%	14.8%
Turkey	1.5%	2.4x	2.0x	1.7x	1.6x	2.4x	2.0x	1.7x	1.6x	17.9%	17.4%	16.1%	16.1%	17.9%	17.7%	16.1%	15.9%
Poland	1.8%	2.1x	2.0x	1.8x	1.6x	2.1x	2.0x	1.9x	1.6x	11.3%	12.3%	13.8%	13.5%	11.3%	11.7%	13.9%	14.1%
Egypt	0.3%	1.5x	1.4x	1.2x	1.1x	1.5x	1.3x	1.2x	1.1x	13.6%	14.6%	11.8%	13.2%	13.6%	13.2%	11.3%	13.9%
Czech Republic	0.4%	2.7x	2.5x	2.5x	2.3x	2.7x	2.5x	2.5x	2.3x	21.2%	19.5%	16.7%	16.8%	21.2%	19.0%	17.7%	17.0%
Hungary	0.5%	1.8x	1.6x	1.6x	1.4x	1.8x	1.6x	1.5x	1.4x	12.3%	10.7%	12.6%	13.2%	12.3%	10.8%	9.6%	12.0%
Morocco	0.2%	5.6x	4.4x	4.1x	3.9x	5.6x	4.4x	4.1x	3.9x	31.7%	27.5%	28.1%	28.7%	31.7%	27.6%	28.5%	29.3%
EMEA	19.3%	2.0x	1.9x	1.6x	1.4x	2.0x	1.9x	1.6x	1.5x	12.2%	15.1%	15.9%	15.6%	12.2%	14.8%	15.8%	15.5%
MSCI EM	100%	2.6x	2.2x	1.9x	1.6x	2.6x	2.2x	1.9x	1.6x	12.4%	14.9%	15.5%	15.7%	12.4%	14.5%	15.2%	15.6%
MSCI EM Sector	MSCI Weight	Consensus US\$ P/B				MS US\$ P/B				Consensus US\$ ROE				MS US\$ ROE			
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Financials	24.5%	2.4x	2.0x	1.8x	1.6x	2.4x	2.0x	1.8x	1.6x	12.0%	14.0%	15.1%	15.5%	12.0%	13.9%	14.9%	15.5%
Materials	14.9%	2.9x	2.4x	2.0x	1.7x	2.9x	2.6x	2.2x	1.9x	11.4%	15.2%	17.7%	17.2%	11.4%	14.1%	17.7%	18.1%
Energy	15.0%	1.9x	1.6x	1.4x	1.2x	1.9x	1.6x	1.4x	1.2x	14.2%	14.7%	14.9%	14.4%	14.2%	13.9%	14.6%	14.3%
IT	12.8%	3.2x	2.6x	2.2x	1.8x	3.2x	2.5x	2.1x	1.7x	11.2%	17.3%	16.0%	17.0%	11.2%	17.0%	15.4%	16.2%
Telecom	7.3%	2.7x	2.4x	2.2x	2.0x	2.7x	2.4x	2.2x	1.9x	16.4%	16.8%	17.1%	17.2%	16.4%	16.9%	16.9%	16.5%
Industrials	7.3%	2.5x	2.2x	1.9x	1.6x	2.5x	2.2x	1.9x	1.6x	8.8%	13.9%	14.1%	14.4%	8.8%	13.9%	13.9%	14.3%
Cons Stap	6.6%	4.5x	3.6x	3.2x	2.9x	4.5x	3.7x	3.2x	2.9x	15.4%	16.6%	16.2%	17.1%	15.4%	16.5%	16.1%	17.4%
Cons Disc	7.3%	3.6x	3.0x	2.5x	2.1x	3.6x	2.9x	2.4x	2.0x	14.5%	18.0%	18.6%	18.9%	14.5%	17.9%	18.3%	18.3%
Utilities	3.4%	1.4x	1.3x	1.2x	1.1x	1.4x	1.3x	1.2x	1.1x	8.3%	8.6%	8.9%	9.5%	8.3%	8.7%	8.8%	9.1%
Health Care	0.9%	5.6x	3.8x	3.2x	2.8x	5.6x	4.0x	3.4x	3.0x	18.1%	16.0%	15.8%	15.7%	18.1%	17.4%	16.8%	17.3%

FactSet, MSCI, Morgan Stanley Research. * Model converts EPS for individual securities into US\$ and aggregates data at the country level. Consensus data is used for estimates for non-covered companies. Data as of May 2, 2011

MSCI APxJ Country & Sector P/E and Earnings Growth Breakdown (Bottom-up / US\$ / Calendarised) *

MSCI APxJ Country	MSCI Weight	Consensus US\$ P/E				MS US\$ P/E				Consensus US\$ EPS Growth			MS US\$ EPS Growth		
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2010	2011	2012	2010	2011	2012
Australia	26.4%	24.1x	18.5x	15.2x	13.1x	24.1x	18.5x	15.2x	13.1x	30.4%	21.1%	16.4%	30.4%	21.1%	16.4%
China	17.7%	19.0x	13.7x	11.7x	10.2x	19.0x	14.2x	11.9x	9.9x	38.9%	16.4%	15.3%	33.9%	19.4%	19.9%
Korea	15.7%	22.1x	13.7x	10.7x	8.8x	22.1x	12.8x	10.4x	8.4x	60.9%	28.4%	21.3%	72.0%	23.5%	23.6%
Taiwan	11.6%	31.3x	17.1x	14.7x	11.7x	31.3x	17.2x	14.5x	11.7x	82.5%	16.4%	25.8%	81.6%	18.9%	24.1%
Hong Kong	8.1%	22.5x	16.7x	14.2x	15.1x	22.5x	16.7x	14.2x	15.1x	34.6%	17.5%	-5.7%	34.6%	17.5%	-5.7%
India	7.2%	26.6x	20.3x	16.6x	14.4x	26.6x	20.1x	15.9x	13.4x	30.7%	22.7%	15.1%	32.2%	26.6%	18.5%
Singapore	5.2%	21.2x	16.7x	14.6x	12.5x	21.2x	16.7x	14.6x	12.5x	26.5%	14.6%	17.1%	26.5%	14.6%	17.1%
Malaysia	2.9%	26.2x	18.7x	14.8x	12.5x	26.2x	18.2x	14.5x	12.3x	39.8%	26.6%	18.8%	43.6%	25.8%	17.6%
Indonesia	2.5%	25.8x	18.7x	15.9x	14.3x	25.8x	18.5x	15.4x	13.9x	37.9%	17.6%	11.5%	39.8%	19.7%	11.2%
Thailand	1.8%	22.1x	15.2x	13.2x	12.5x	22.1x	16.1x	13.5x	13.0x	45.5%	14.7%	5.8%	37.2%	18.8%	4.4%
Philippines	0.6%	21.5x	18.1x	15.8x	13.7x	21.5x	18.1x	15.8x	13.7x	19.3%	14.1%	15.7%	19.3%	14.1%	15.7%
New Zealand	0.3%	19.2x	18.2x	16.0x	13.1x	19.2x	18.2x	16.0x	13.1x	5.5%	14.0%	21.9%	5.5%	14.0%	21.9%
MSCI APxJ	100%	23.1x	16.3x	13.5x	11.6x	23.1x	16.2x	13.4x	11.4x	42.3%	20.3%	16.3%	43.1%	20.7%	17.7%

MSCI APxJ Country	MSCI Weight	Consensus US\$ P/E				MS US\$ P/E				Consensus US\$ EPS Growth			MS US\$ EPS Growth		
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2010	2011	2012	2010	2011	2012
Financials	33.9%	20.2x	15.8x	13.0x	11.4x	20.2x	15.9x	13.1x	11.2x	27.9%	21.4%	14.6%	27.4%	21.3%	16.8%
Materials	14.2%	27.2x	17.2x	13.1x	11.2x	27.2x	17.0x	12.6x	10.5x	58.3%	31.4%	17.2%	59.7%	35.0%	20.3%
IT	13.1%	29.0x	15.3x	13.9x	10.8x	29.0x	14.7x	13.6x	10.8x	89.3%	10.2%	29.1%	97.5%	8.2%	26.2%
Industrials	9.4%	27.9x	15.8x	12.8x	11.7x	27.9x	16.0x	12.8x	11.7x	76.1%	24.1%	8.7%	74.2%	24.9%	9.4%
Energy	7.9%	23.1x	16.5x	13.5x	12.1x	23.1x	17.0x	13.4x	11.3x	39.7%	21.9%	11.8%	36.1%	26.2%	19.4%
Cons Disc	7.2%	25.6x	17.2x	13.6x	11.5x	25.6x	16.2x	13.3x	11.2x	49.2%	25.9%	18.9%	57.8%	22.0%	18.8%
Cons Stap	5.8%	25.4x	19.2x	17.6x	15.1x	25.4x	19.8x	17.5x	15.0x	31.8%	9.5%	16.5%	28.2%	13.0%	17.0%
Telecom	4.5%	14.4x	13.4x	12.5x	11.3x	14.4x	13.5x	12.5x	11.5x	7.1%	7.8%	10.7%	7.0%	7.3%	9.5%
Utilities	2.6%	20.6x	18.1x	15.5x	13.3x	20.6x	18.1x	15.7x	14.2x	13.5%	16.8%	16.5%	13.4%	15.4%	11.0%
Health Care	1.4%	30.8x	24.6x	21.9x	18.5x	30.8x	24.5x	21.7x	18.3x	25.3%	12.0%	18.7%	25.6%	12.7%	19.1%

FactSet, MSCI, Morgan Stanley Research. * Model converts EPS for individual securities into US\$ and aggregates data at the country level. Consensus data is used for estimates for non-covered companies. Data as of May 2, 2011.

MSCI APxJ Country & Sector P/B and ROE Breakdown (Bottom-up / US\$ / Calendarised) *

MSCI APxJ Country	MSCI Weight	Consensus US\$ P/B				MS US\$ P/B				Consensus US\$ ROE				MS US\$ ROE			
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Australia	26.4%	3.0x	2.5x	2.3x	2.0x	3.0x	2.5x	2.3x	2.0x	12.4%	13.3%	14.9%	15.3%	12.4%	13.3%	14.9%	15%
China	17.7%	2.7x	2.3x	2.0x	1.7x	2.7x	2.3x	1.9x	1.6x	14.3%	16.5%	16.7%	16.9%	14.3%	16.3%	16.4%	17%
Korea	15.7%	2.3x	1.9x	1.6x	1.3x	2.3x	1.8x	1.5x	1.2x	10.4%	13.6%	14.5%	14.3%	10.4%	13.7%	14.0%	14%
Taiwan	11.6%	2.5x	2.3x	2.0x	1.8x	2.5x	2.3x	2.0x	1.8x	8.1%	13.4%	13.3%	15.1%	8.1%	13.2%	13.7%	15%
Hong Kong	8.1%	1.9x	1.6x	1.5x	1.4x	1.9x	1.6x	1.5x	1.4x	8.5%	9.5%	10.5%	9.3%	8.5%	9.5%	10.5%	9%
India	7.2%	3.8x	3.2x	2.7x	2.4x	3.8x	3.2x	2.7x	2.4x	14.2%	15.5%	16.4%	16.9%	14.2%	15.7%	16.8%	18%
Singapore	5.2%	2.4x	2.0x	1.8x	1.5x	2.4x	2.0x	1.8x	1.5x	11.1%	12.2%	12.2%	12.4%	11.1%	12.2%	12.2%	12%
Malaysia	2.9%	2.9x	2.6x	2.2x	1.8x	2.9x	2.6x	2.2x	1.9x	11.3%	13.8%	14.6%	14.8%	11.3%	14.3%	15.1%	15%
Indonesia	2.5%	6.1x	4.5x	3.9x	3.4x	6.1x	4.4x	3.7x	3.3x	23.8%	24.3%	24.2%	23.9%	23.8%	23.7%	24.1%	24%
Thailand	1.8%	3.2x	2.6x	2.3x	2.2x	3.2x	2.6x	2.3x	2.2x	14.4%	17.3%	17.6%	14.4%	16.3%	16.9%	17%	
Philippines	0.6%	3.1x	2.9x	2.6x	2.2x	3.1x	2.9x	2.6x	2.2x	14.2%	16.3%	16.3%	14.2%	16.3%	16.3%	16%	
New Zealand	0.3%	2.2x	1.9x	1.8x	1.7x	2.2x	1.9x	1.8x	1.7x	11.2%	10.4%	11.3%	12.7%	11.2%	10.4%	11.3%	13%
MSCI APxJ	100%	2.69x	2.24x	1.97x	1.73x	2.69x	2.23x	1.94x	1.69x	11.6%	13.8%	14.6%	14.8%	11.6%	13.8%	14.5%	14.8%

MSCI APxJ Country	MSCI Weight	Consensus US\$ P/B				MS US\$ P/B				Consensus US\$ ROE				MS US\$ ROE			
		2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E	2009	2010E	2011E	2012E
Financials	33.9%	2.2x	1.8x	1.7x	1.5x	2.2x	1.9x	1.7x	1.5x	10.7%	11.6%	12.7%	13.1%	10.7%	11.7%	12.7%	13.1%
Materials	14.2%	3.6x	2.9x	2.4x	2.0x	3.6x	2.8x	2.4x	2.0x	13.4%	16.7%	18.6%	18.3%	13.4%	16.7%	18.9%	18.9%
IT	13.1%	3.1x	2.6x	2.2x	1.8x	3.1x	2.4x	2.1x	1.7x	10.8%	17.0%	15.8%	16.9%	10.8%	16.7%	15.2%	16.0%
Industrials	9.4%	2.4x	2.0x	1.8x	1.5x	2.4x	2.0x	1.8x	1.5x	8.7%	12.8%	13.8%	13.1%	8.7%	12.7%	13.7%	13.0%
Energy	7.9%	3.1x	2.5x	2.2x	1.9x	3.1x	2.5x	2.2x	1.9x	13.3%	15.2%	16.0%	15.9%	13.3%	14.9%	16.1%	16.5%
Cons Disc	7.2%	3.6x	2.9x	2.4x	2.0x	3.6x	2.7x	2.3x	1.9x	13.9%	16.7%	17.7%	17.6%	13.9%	16.7%	17.0%	16.8%
Cons Stap	5.8%	3.7x	3.0x	2.7x	2.4x	3.7x	3.1x	2.7x	2.4x	14.7%	15.5%	15.3%	15.8%	14.7%	15.5%	15.4%	15.9%
Telecom	4.5%	2.4x	2.1x	1.9x	1.8x	2.4x	2.1x	1.9x	1.7x	16.4%	15.9%	15.4%	15.5%	16.4%	15.8%	15.1%	14.8%
Utilities	2.6%	1.8x	1.6x	1.5x	1.4x	1.8x	1.6x	1.5x	1.4x	8.8%	9.0%	9.6%	10.2%	8.8%	8.9%	9.5%	9.7%
Health Care	1.4%	5.7x	4.5x	4.0x	3.5x	5.7x	4.5x	4.0x	3.5x	18.5%	18.4%	18.4%	19.0%	18.5%	18.5%	18.6%	19.2%

FactSet, MSCI, Morgan Stanley Research. * Model converts EPS for individual securities into US\$ and aggregates data at the country level. Consensus data is used for estimates for non-covered companies. Data as of May 2, 2011.



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(as of April 30, 2011)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1172	41%	470	48%	40%
Equal-weight/Hold	1158	41%	386	39%	33%
Not-Rated/Hold	114	4%	20	2%	18%
Underweight/Sell	384	14%	102	10%	27%
Total	2,828		978		

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1)212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0)20 7425 8000

Japan
4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008
Japan
Tel: +81 (0)3 5424 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200