

November 2011

Asia/GEMs Equity Strategy

AP Summit: Maintain Major OW Asia / EM equities

Equity Research
Asia /
Global Emerging
Markets

Asia/GEMs
Strategy



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

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+ = Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to NASD/NYSE restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

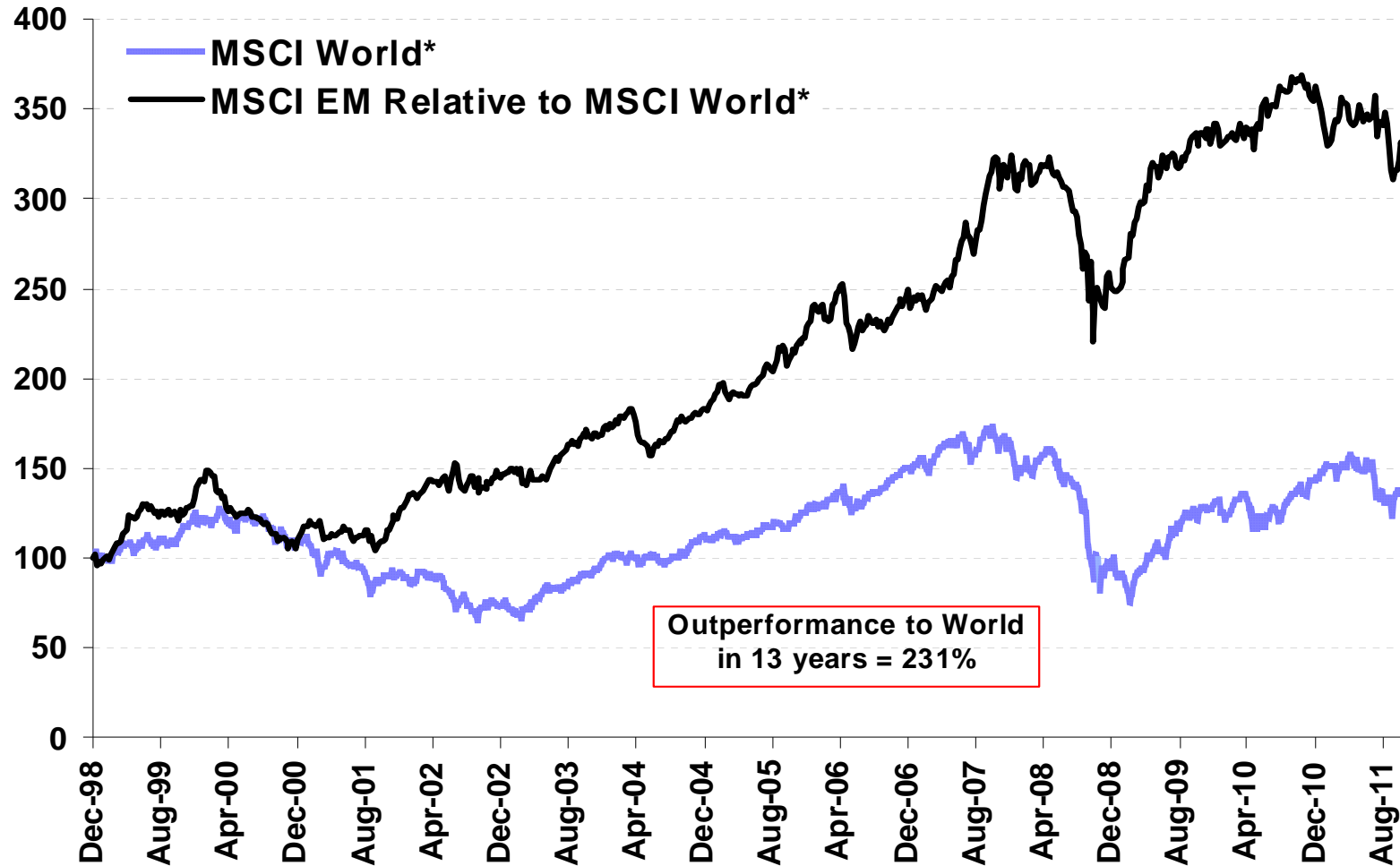
Maintain major OW Asia / EM equities

- **We maintain our major OW Asia / EM equities.** At 8% over benchmark, we are at our largest equities OW since April 2009.
- **Downside risks to global growth are evident, and Europe's sovereign crisis is unlikely to be resolved swiftly.** However, macro data for the US and China are far better than at the same stage in 2008. China data (PMI, electricity production, retail sales, property prices, industrial production) appear inconsistent with a hard landing.
- **EM is starting to demonstrate fiscal and monetary policy flexibility which will be supportive of growth.** Although we do not expect the same degree of easing as in late 2008 / early 2009, reduced inflationary pressures and weaker export data are opening the door to an easing cycle. Turkey, Brazil, Russia and Indonesia have already cut rates. China is undertaking a series of fiscal policy and regulatory changes designed to support consumption and reduce risks to the banking system.
- **Key valuation and sentiment indicators reached levels on October 4, 2011, that were not much above the October 2008 extremes. They back-test well for significant gains 6-12 months later. Recent events in EU give a second chance to buy.**
 - Forward P/E reached 7.8x (lowest 99th percentile over 20 yrs and versus 5.7x at the trough on 27th Oct 2008) and is now 9.6x
 - Historical P/B reached 1.34x (lowest 93rd percentile over 20 yrs and versus 1.15x at the trough in Oct 2008) and is now 1.57x
 - Equity risk premium to UST 10 yr reached 1155 bps (highest 99th percentile over 20 yrs and versus 1176 bps at the trough in Oct 2008) and is now 970bps.
 - Fund outflow weeks reached 10/10 (versus 9/10 at the trough in Oct 2008) now 7/10
 - Advance / decline ratio reached -43% (versus -82% at the trough in Oct 2008), now 7%
 - VIX reached 41 on Oct 4 (versus 80 at the trough in on Oct 27, 2008) and is now 35
- **Consensus earnings expectations** for 2011 and 2012 have fallen below our base case for the first time this year. Downward revisions breadth is at the most extreme since Q4 2008. All ten EM sectors have downward EPS revisions (a contrarian positive). Our Top-Down base case for MSCI EM is for EPS to rise 16.5% in 2011 and 11.5% in 2012.
- **Upside to our scenario weighted APxJ / EM Target Prices** are 39% and 38%, respectively, by end-2012. For EM, the market is priced closer to our Bear scenario (US\$92 EM EPS in 2012 and exit P/E of 11.8x), rather than our Base case (US\$108 and exit P/E of 14.2x in line with the 10-year average).

Maintain major OW Asia / EM equities

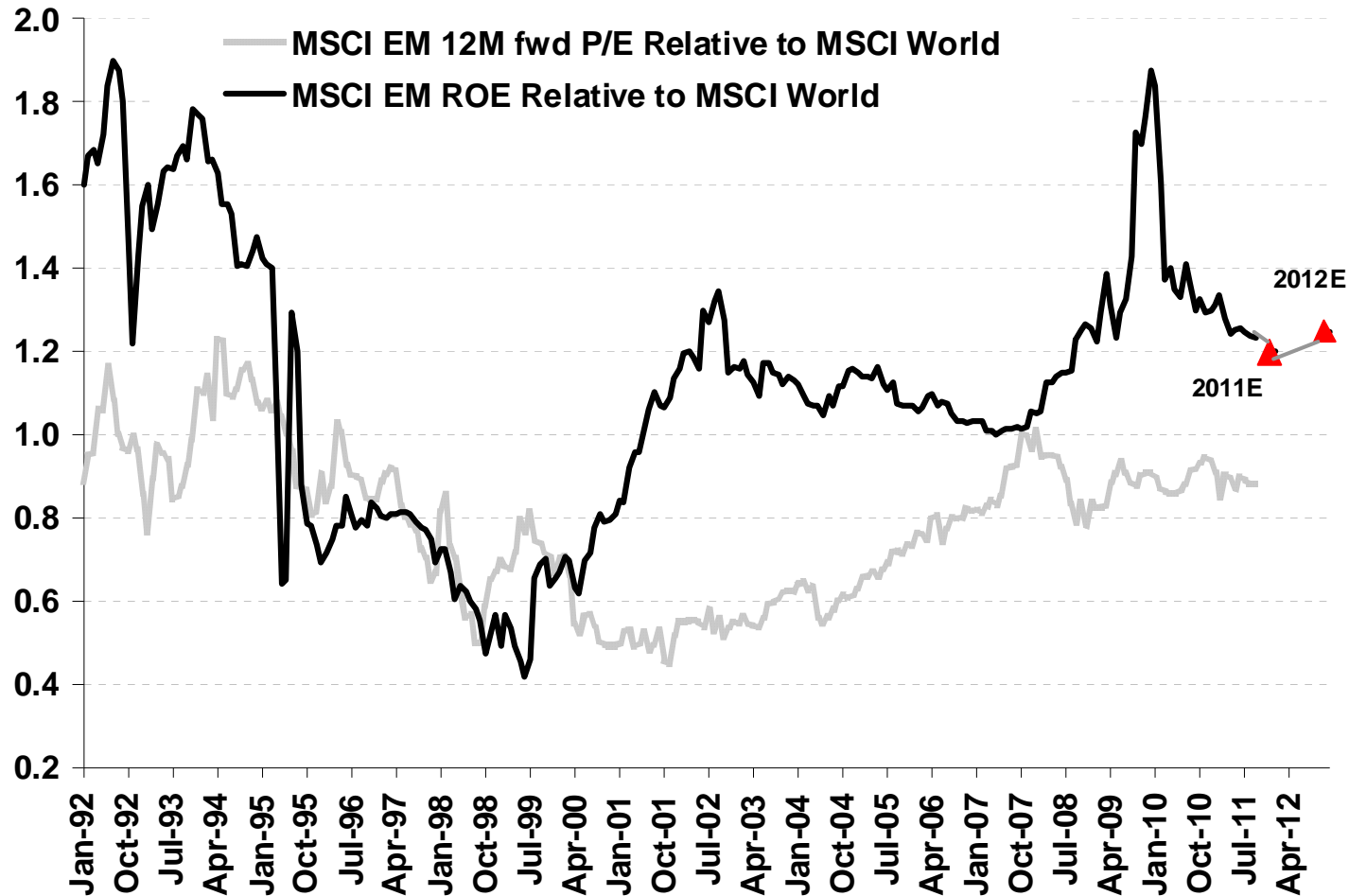
- If Oct 4 was the trough, the peak-to-trough decline of 31% compares with four previous bear market declines of 33% in the 1994/95 Tequila crisis, 58% in 1997/98, 54% in 2000/02 and 66% in 2007/08. Previous bear markets were all followed by earnings recessions (not our base case, although MSCI EM EPS fell sequentially from Aug 2011 to Oct 2011). In three of the four previous bear markets, the market troughed around the start of the earnings recession (the exception was in 1997/98).
- If Oct 4 was the trough, the bear phase would have lasted 155 days, versus a minimum 174 days in 1994/95 and maximum 589 days in 2000/02 in previous bear phases.
- If Oct 4 was the trough, a basket of EM currencies weighted by the MXEF index weightings would have fallen 8% in 34 days versus 19% in 111 days in the 2008 crisis.
- **EM to perform well versus DM:** Our conviction that EM equity will start to outperform DM equity again is high. In our base case, we expect EM ROE to remain at more than a 20% premium to DM through end-2012, yet EM currently trades at a forward P/E discount to DM of more than 12% and trailing P/B discount of 1.6%.
- **EM particularly cheap versus S&P 500.** MSCI EM is trading at an 18% discount to the S&P500 on consensus 12-month forward P/E and 12% on Shiller P/E.
- **Dividend Theme:** Continue to recommend the dividend theme and dividend growth stocks in APxJ and EM. The top quintile highest dividend yield stocks systematically outperform over the cycle while the lowest quintile dividend yield underperform.
- **Large Cap Theme:** Top 25 stocks by market capitalisation trade on P/B relative of 1.12x with trailing ROE relative of 1.55x. Low P/B relative has been associated with outperformance in the past.
- **Best Business Models v2 Theme:** Our Best Business Model v2 list identifies highest quality stocks in each of the 29 APxJ/EM industry groups. The selection process involved both quantitative (Return on Net operating Assets, Altman Z-scores) and qualitative aspects based on discussions with Morgan Stanley analysts (strength of the business model, management skills, etc.) See report: [Asia/GEMs Strategy: Asia Insight: Best Business Models v2 – Identifying Highest Quality stocks in APxJ/EM](#)
- **Key markets:** Country dispersion in valuations is unusually high. OW markets are China, Russia, S. Africa, Korea and Brazil. Key UW markets are Mexico, India, Taiwan and Chile.
- **Key Industry-groups:** Our new industry quant analysis leads us to OW Energy, Capital Goods, Real Estate, Materials, Semiconductors, and Automobile. Underweight: Media, Tech Hardware & Equipment, Household & Personal Products, Health Care Equip & Services, Food & Staples Retailing, and Transportations.

Conviction that EM will continue to outperform DM is intact



Source: MSCI, FactSet. Morgan Stanley Research, Data as of Nov 2, 2011. * Performance based on total return in US\$

EM ROE premium to Expand versus DM in 2012; Current Fwd P/E discount of 12%



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

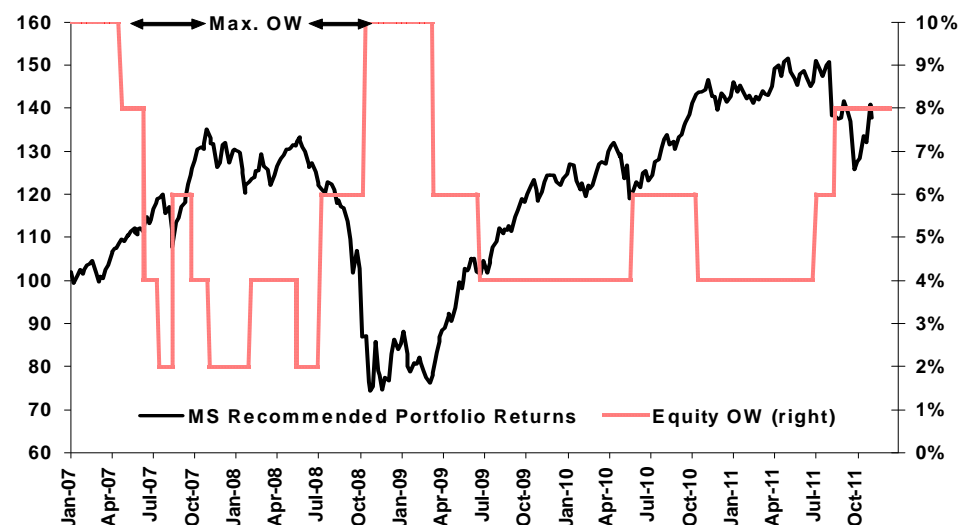
Maintain our Major OW Asia / EM Equities

- We maintain 8% OW on Asia / EM equities. This is our largest equities OW since April 2009 and compares with a pre-specified model maximum OW position of 10%.

MS Asia/GEMs Strategy Recommended Asset Allocation*

EM Asset Classes	14-Aug-11 Allocation	4-Jul-11 Allocation	Delta	Neutral EM Portfolio	MS Over (Under) Weight Relative to Neutral Portfolio
EM Equities	58%	56%	2%	50%	8%
USD & EUR EM Debt	20%	22%	-2%	25%	-5%
Local Currency EM Debt	20%	20%	0%	20%	0%
Cash	2%	2%	0%	5%	-3%

MS Recommended Equity Allocation vs. Multi-Asset Recommended Portfolio Returns*

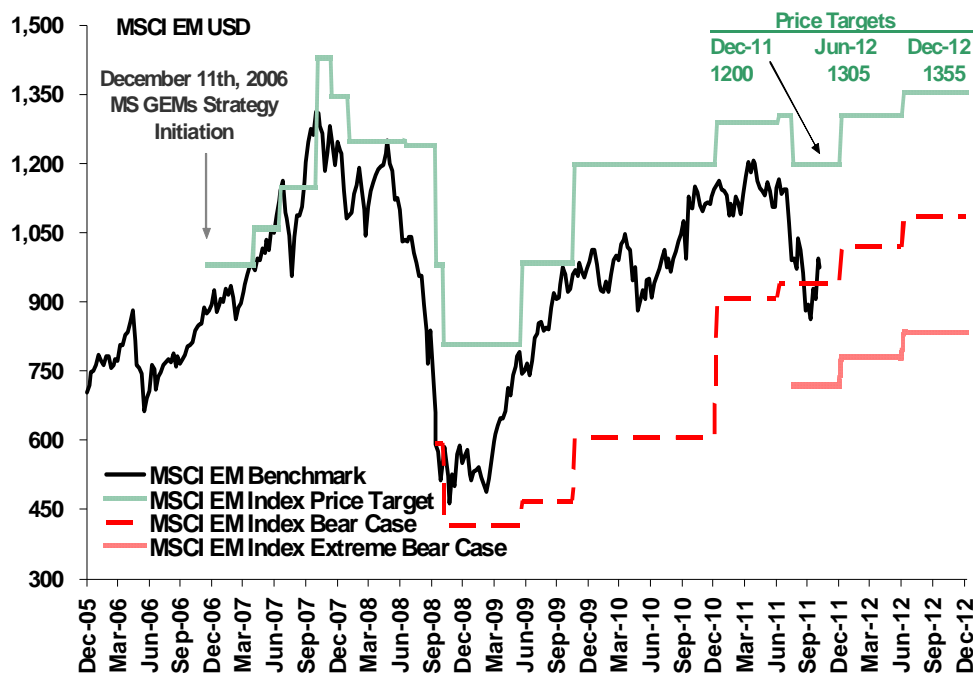


Source: MSCI, FactSet, Morgan Stanley Research. *Multi-asset portfolio represents a portfolio comprising MSCI EM Index, JPM EMBI+ Index, JPM GBI-EM Index & US\$ Cash. EMBI+ and GBI-EM are proxies for USD & EUR denominated EM Debt and Local Currency EM Debt respectively. Unaudited performance show that the MS recommended portfolio had a CAGR of 6.5% since Jan-07. Maximum OW (UW) position for any asset set at +10% (-10%). Data as of November 2, 2011

MSCI EM and APxJ Scenario-weighted Target Prices

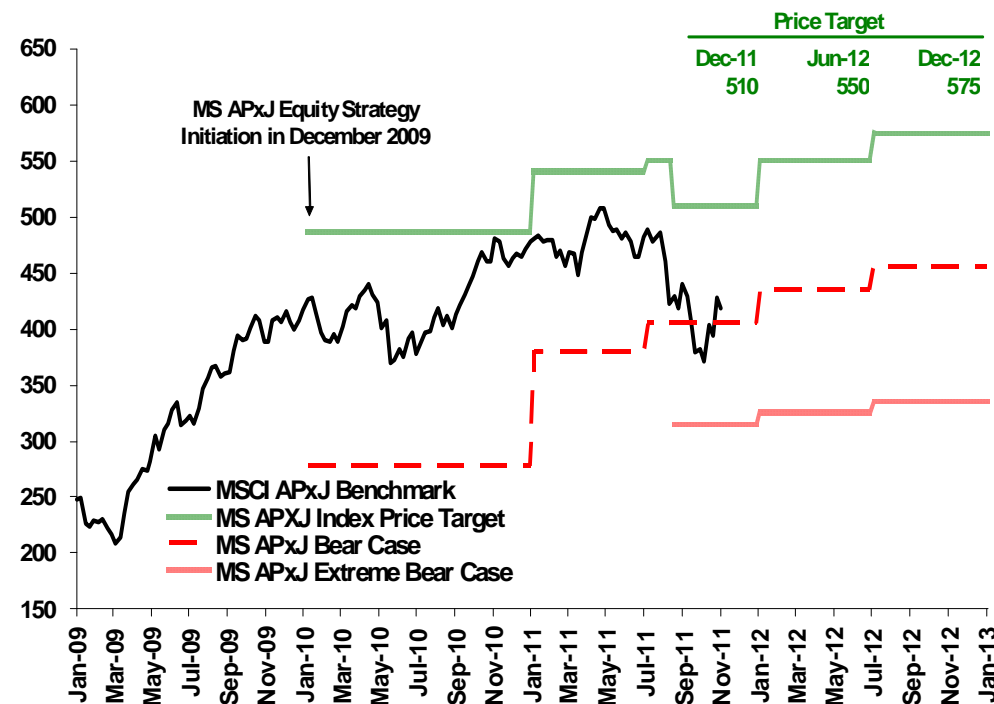
- There is 22-23% upside to our year end-2011 target prices and 32-34% upside for our mid-2012 target prices.

MSCI EM 2011 and 2012 Target Prices



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

MSCI APxJ 2011 and 2012 Target Prices



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

MS Macro Forecasts: GDP Growth & Inflation – EM GDP to grow 6.1% in 2012

Region / Country	Real GDP Growth (%)					CPI Headline Inflation (%)				
	2008	2009	2010	2011E	2012E	2008	2009	2010	2011E	2012E
Global Economy	2.6	-0.9	5.2	3.9	3.8	5.3	2.0	3.4	4.3	3.3
Industrial World	-0.1	-3.9	2.7	1.5	1.4	3.3	0.0	1.4	2.6	1.6
Developing World	5.8	2.5	8.0	6.4	6.1	7.8	4.4	5.6	6.0	5.0
US	-0.3	-3.5	3.0	1.9	2.0	3.8	-0.3	1.6	3.2	1.9
Euro Area	0.4	-4.1	1.7	1.7	0.5	3.3	0.3	1.6	2.4	1.7
Germany	0.8	-5.1	3.6	2.7	0.7	2.8	0.3	1.1	2.3	1.7
France	-0.2	-2.6	1.4	1.7	0.9	3.2	0.1	1.5	2.0	1.7
Japan	-1.2	-6.3	4.0	-0.6	1.3	1.5	-1.3	-1.0	-0.3	-0.9
UK	-0.1	-4.4	1.8	0.8	1.1	3.6	2.2	3.3	4.5	3.2
Asia ex-JP	7.0	6.3	9.7	7.6	7.3	6.4	2.4	5.1	5.5	4.2
China	9.6	9.2	10.4	9.0	8.7	5.9	-0.7	3.3	5.0	3.6
India	6.2	6.8	10.1	7.3	7.4	8.3	10.9	12.0	8.6	6.8
Korea	2.3	0.3	6.2	3.8	3.6	4.7	2.8	3.0	4.3	2.7
Taiwan	0.7	-1.9	10.9	4.2	3.6	3.5	-0.9	1.0	2.0	1.0
Indonesia	6.0	4.6	6.1	6.3	5.8	9.8	4.8	5.1	5.7	6.3
Malaysia	4.8	-1.6	7.2	4.7	4.0	5.4	0.6	1.7	3.3	2.4
Thailand	2.6	-2.4	7.8	4.5	4.0	5.5	-0.8	3.3	3.7	3.0
CEEMEA	4.0	-4.4	4.6	4.7	4.1	11.6	8.4	6.5	6.9	6.4
Russia	5.2	-7.8	4.0	4.7	5.2	14.1	11.7	6.9	8.6	7.2
Poland	5.2	1.6	3.8	4.0	3.2	4.3	3.4	2.6	4.2	2.8
Czech Republic	2.5	-4.0	2.1	1.8	1.5	6.4	1.0	1.5	1.8	2.8
Hungary	0.9	-6.7	1.2	1.3	1.2	6.1	4.2	4.9	4.0	3.3
Turkey	0.7	-4.8	8.9	6.6	3.0	10.4	6.3	8.6	6.2	7.7
Latin America	4.2	-2.0	6.3	4.4	3.6	7.7	6.3	6.3	6.7	6.1
Brazil	5.2	-0.6	7.5	3.7	3.5	5.7	4.9	5.0	6.6	5.7
Mexico	1.2	-6.2	5.4	3.7	3.2	5.1	5.3	4.2	3.5	3.4
Chile	3.7	-1.7	5.2	6.1	4.4	8.7	1.7	1.5	3.1	2.9
Peru	9.8	0.9	8.8	5.9	4.9	5.8	2.9	1.5	3.4	2.9
Colombia	3.5	1.5	4.3	4.7	4.1	7.0	4.2	2.3	3.3	2.9

Source: Morgan Stanley Research estimates. Global Economics and Europe Economics as of November 4, 2011

MSCI EM Scenario Analysis: Majority of the probability suggests upside in 2012

- IBES EPS Consensus forecasts for 2011 and 2012 are US\$93 and US\$104, respectively. They were US\$100 and US\$113 two months ago.
- MS Top-down weighted EPS forecasts for 2011 and 2012 are US\$94 and US\$101, respectively.

MSCI EM Scenario Analysis for 2011 & 2012

Scenarios 2011 & 2012 Outlook	2011 & 2012 Assigned Weight	MSCI EM Dec 2011E EPS	MSCI EM Dec 2012E EPS	Global Growth Outlook 2012	Trailing PE Assumptions*	Implied Total US\$ Return Upside (Dec 2011)	Implied Total US\$ Return Upside (Dec 2012)
Bull Scenario	5%	US\$ 105	US\$ 122	Acceleration in Global Economy	17.0x*	84%	117%
Base Scenario	55%	US\$97	US\$ 108	Sluggish DM at 1.5- 2.5% with EM around 6-7%	14.2x*	41%	60%
Bear Scenario	30%	US\$ 89	US\$ 92	DM Growth stalling 1-1.5% with EM around 4.5-5.5%	10.5x for 2011 and 11.8x for 2012*	-3%	14%
Extreme Bear Scenario	10%	US\$ 83	US\$ 78	DM renewed Recession. EM growth 3% or Lower	8.6x for 2011 and 10.5x for 2012*	-26%	-12%

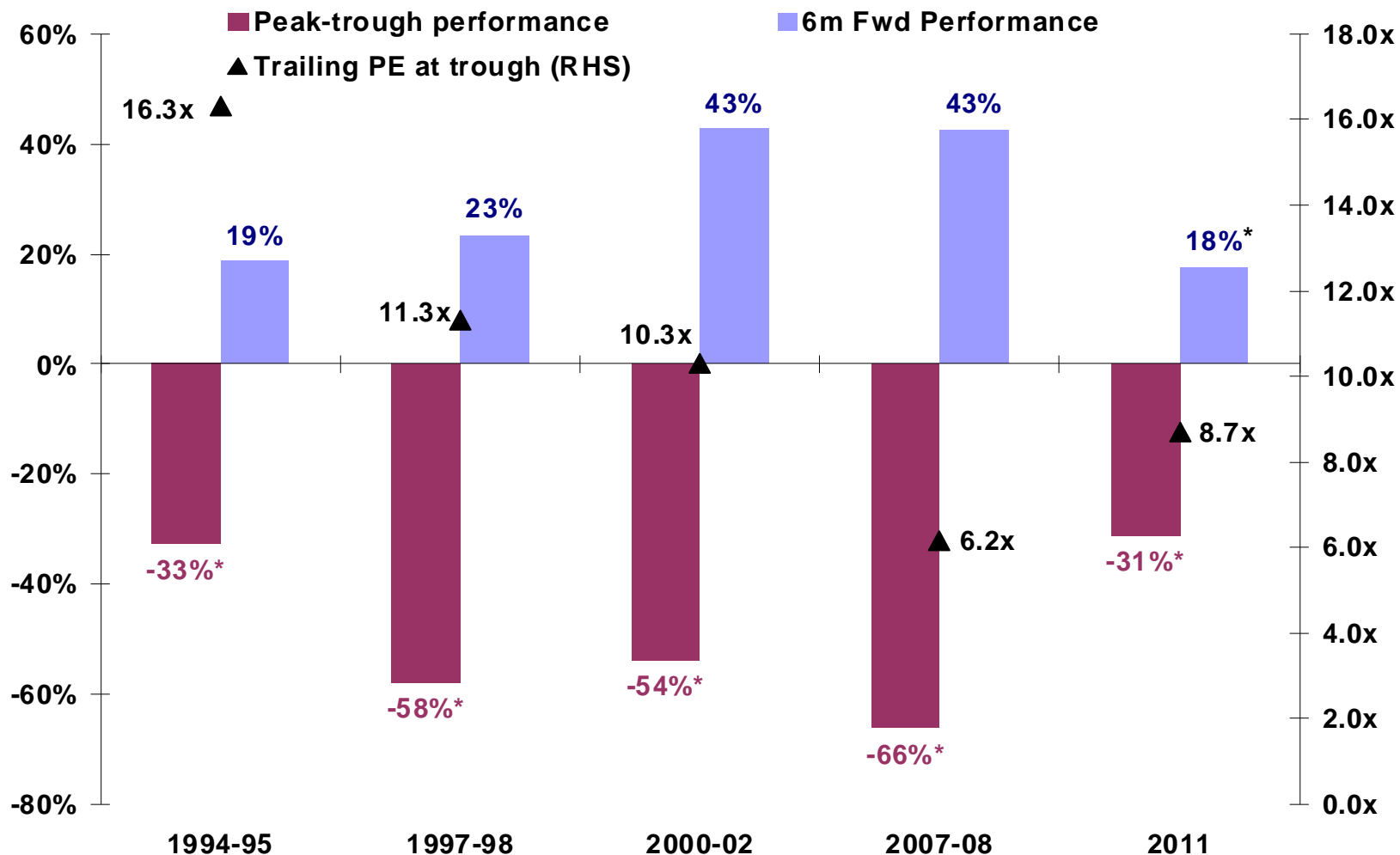
Source: MSCI, FactSet, Morgan Stanley Research. Data as of November 2, 2011. *Bull case assumes average of top 15 percentile of PE since the last 10 years. Base case is the average of the last 10 years. Bear case for 2011 assumes the average of bottom 15 percentile of last 10 years PE while 2012 is calculated based on the bottom 30 percentile. Extreme Bear case for 2011 assumes the average of bottom 5 percentile of last 10 years PE while 2012 is calculated based on the bottom 15 percentile.

MSCI EM Top-down scenarios: valuations and ROEs for 2011 & 2012

Scenarios 2011 Outlook	Assigned Weight	US\$ EPS Growth		Price / Earnings		Price / Book		Return on Equity		Dividend Yield	
		2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Bull Scenario	5%	26.0%	26.0%	9.3x	8.0x	1.53x	1.35x	16.4%	16.8%	3.3%	3.8%
Base Scenario	55%	16.5%	11.5%	10.1x	9.0x	1.54x	1.38x	15.3%	15.3%	3.1%	3.5%
Bear Scenario	30%	6.9%	-5.0%	11.0x	10.6x	1.56x	1.42x	14.2%	13.4%	3.0%	3.1%
Extreme Bear Scenario	10%	0.0%	-20.0%	11.7x	12.6x	1.57x	1.45x	13.4%	11.5%	2.8%	2.6%

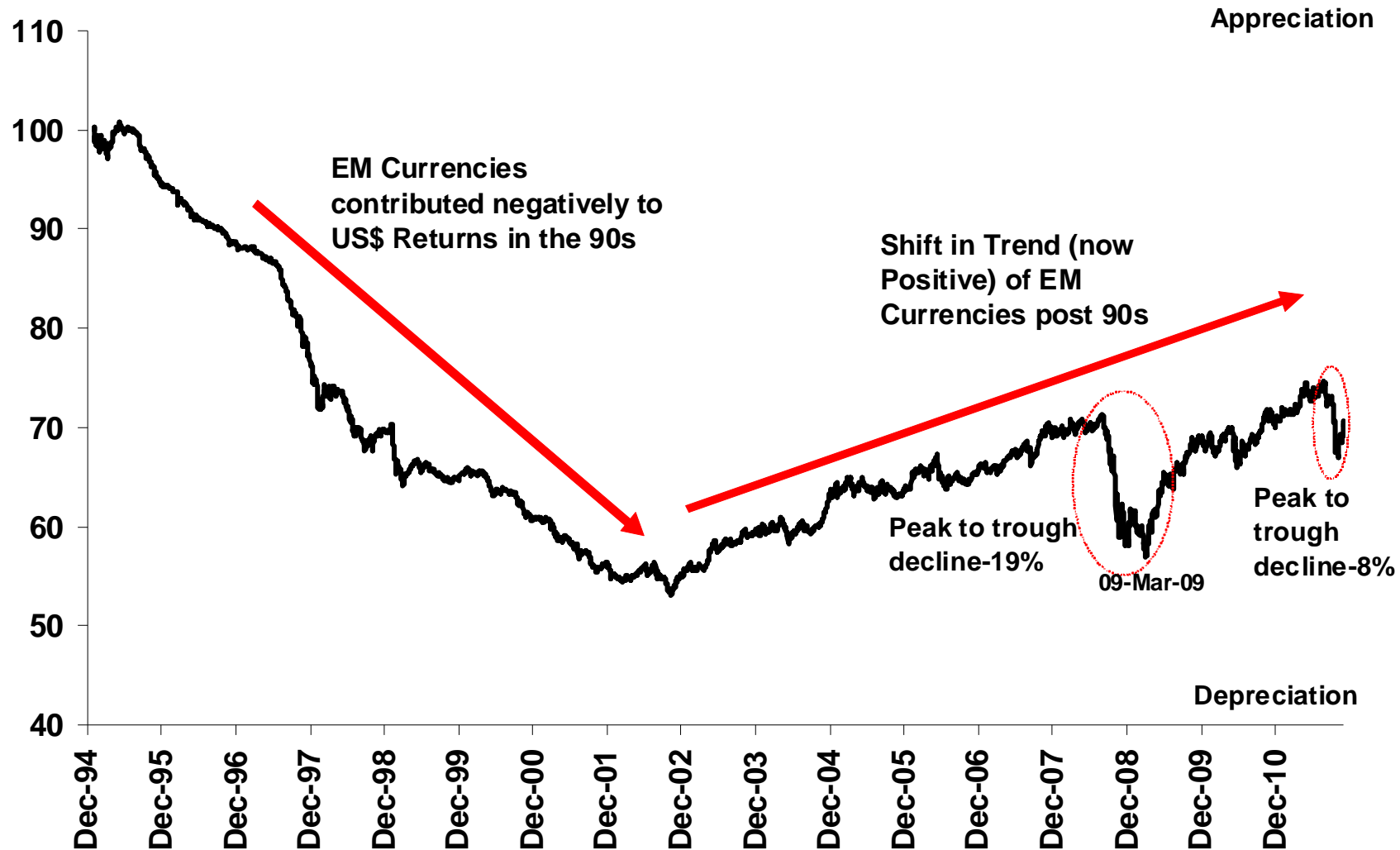
Source: MSCI, FactSet, Morgan Stanley Research. Data as of November 2, 2011

MSCI EM Peak-Trough performance in previous sell-offs*



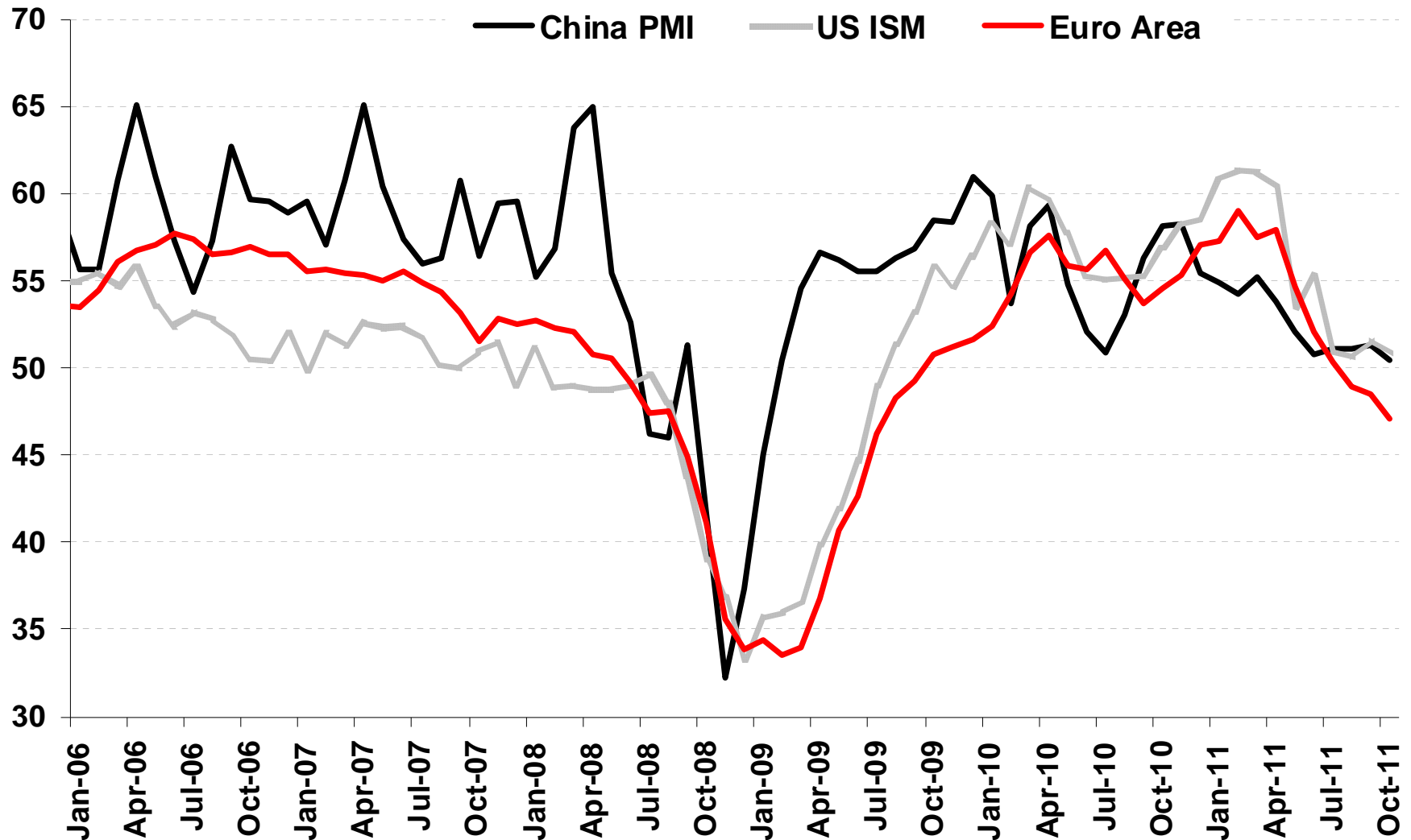
Source: MSCI, Factset, Morgan Stanley Research. *Trough dates taken as 9-Mar-95, 31-Aug-98, 21-Sept-01, 27-Oct-08, 4-Oct-11. * Performance data as of Nov 2, 2011 with trough date of Oct 4, 2011

EM Currencies* decline not extreme versus 2008/09 and starting to reverse



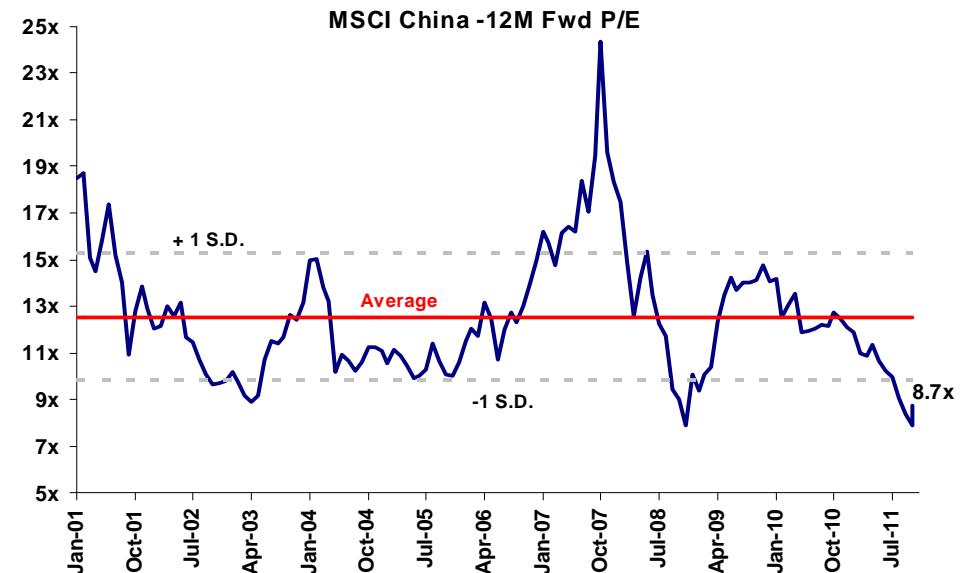
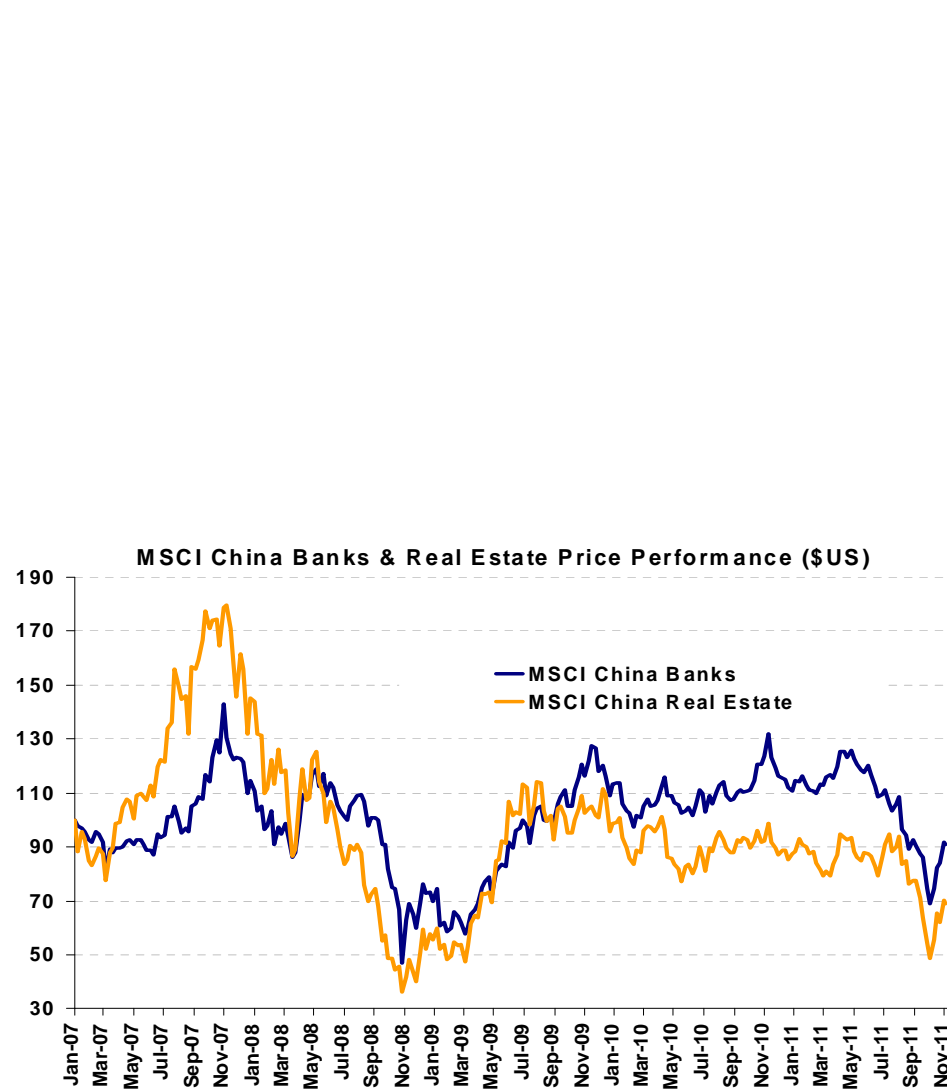
Source: MSCI, FactSet, *MSCI EM USD returns minus local currency returns, Morgan Stanley Research. Data as of November 2, 2011.

China and US PMI stable versus downward trend in Euro Area



Source: Haver, Morgan Stanley Research. Data as of end October, 2011

Key China asset prices show fear of hard landing



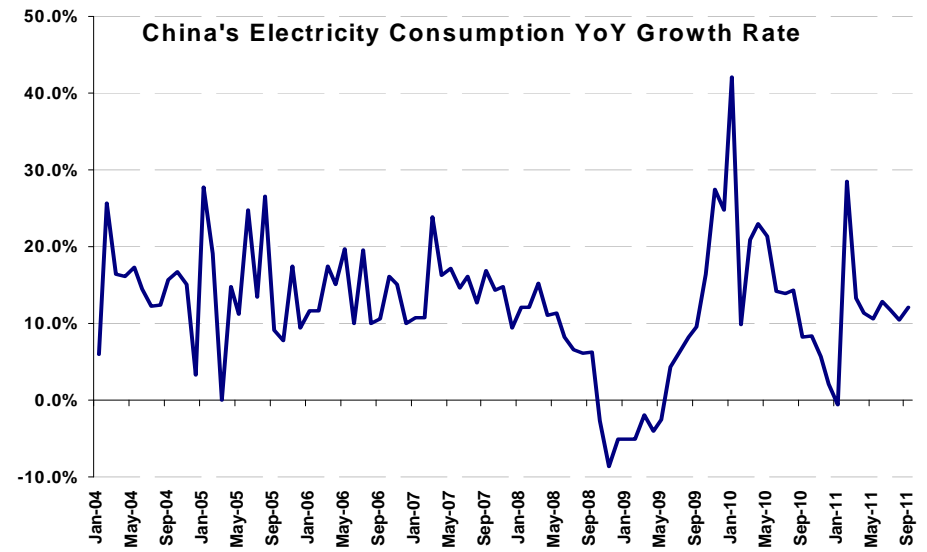
Source: Market1, Factset, IBES, CEIC, Morgan Stanley Research. Data as of November 2, 2011

China's Economy Appears Closer to Soft Landing than Hard Landing

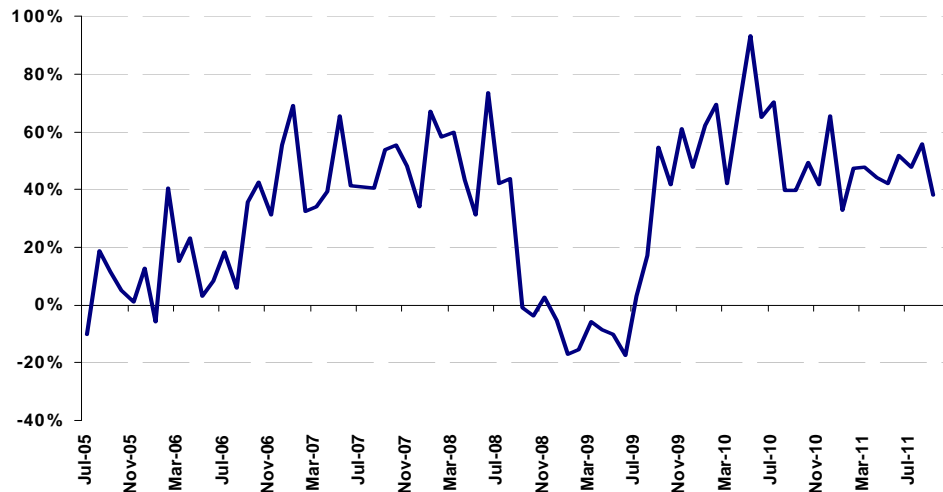
China's Money Supply (M2) YoY Growth Rate



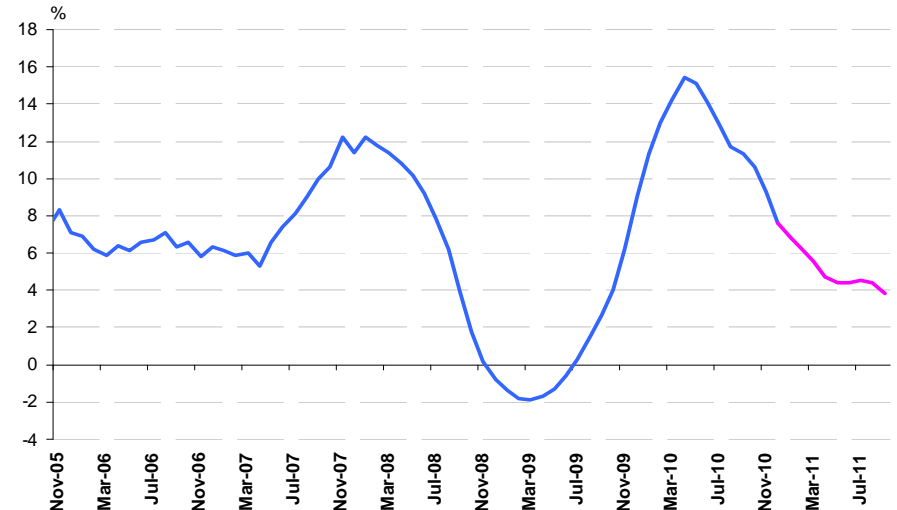
China's Electricity Consumption YoY Growth Rate



Macau Gaming Revenues YoY Growth Rate



China Residential Property Prices YoY Growth Rate *



Source: Bloomberg, CEIC, Morgan Stanley Research. Data as of Sep, 2011. * For China Residential Property Prices, we combine the YoY growth rate of the NBS national property price index that was discontinued in December 2010 with the simple average of the new property price series for 70 cities that has been released since January 2011.

China's Official Data Likely Understate Consumption Expenditure by at least US\$1.1 trn

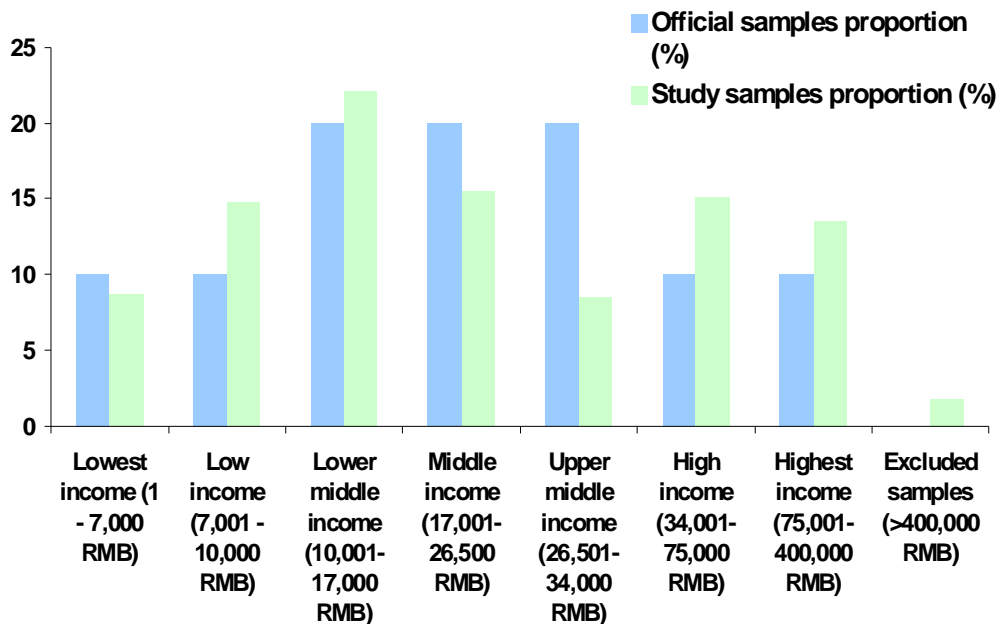
2009 Consumption Spending Per Capita (US \$)	China	US	US to China Official Ratio	Alternative Ratio	Alternative China
Food	426	4,236	10	10	424
Clothing	104	1,045	10	10	105
Household Durable Goods	68	3,331	49	14	238
Medicine & Medical Service	123	6,259	51	20	313
Transport & Communication	145	1,671	12	12	139
Recreation, Education & Cultural Services	126	2,754	22	16	172
Housing	80	5,132	64	16	321
Water, Electricity & Fuel	151	1,942	13	13	149
Financial and Insurance Services	48	2,640	56	20	132
Other	57	3,440	60	20	172
Total Consumption Spending Per Capita (US \$)	1,329	32,451	24	15	2,165
GDP per capita (US \$)	3,739	45,918	12	10	4,575
Total Consumption Spending (US \$ mns)	1,773,239	9,978,060			2,889,092
GDP (US \$ mns)	4,990,526	14,119,000			6,106,379
Total Consumption Spending / GDP	36%	71%			47%
Official Government Statistics vs Alternative Statistics					
Personal Consumption / GDP	35%	71%			47%
Government Consumption / GDP	13%	21%			11%
Gross Capital Formation / GDP	48%	11%			39%
Net Exports / GDP	4%	-3%			4%

Source: Haver, CEIC, Morgan Stanley Research

China's Urban Household Income Now US\$4.5trn – Can Support Global Growth

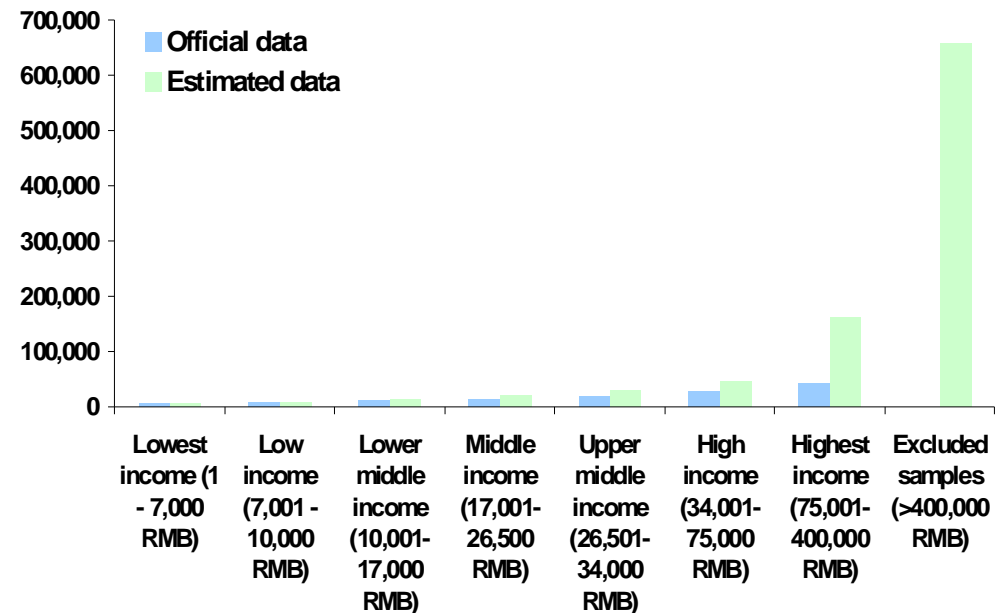
- Material understatement in the official Household Income data of both the number of households in the higher incomes groups and the average incomes for those households.

Comparison of official and sample distribution by income group in 2008



Source: Wang and Woo, "The Size and Distribution of Hidden Household Income in China. National Economic Research Institute, University of California Davis December 25, 2010

Comparison of official and estimated per capita urban income in 2008

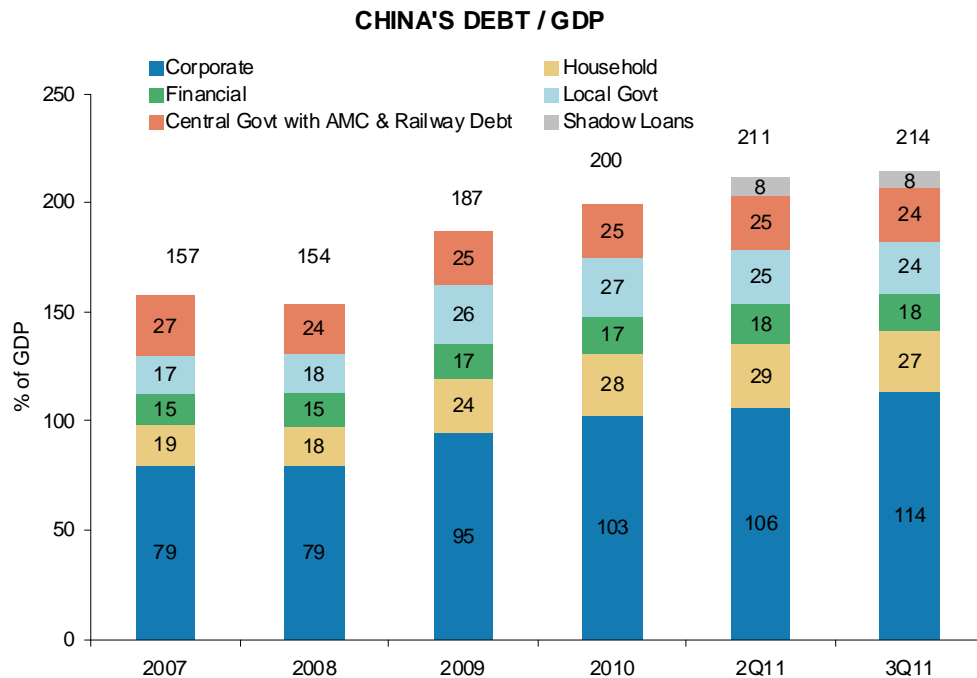


Source: Wang and Woo, "The Size and Distribution of Hidden Household Income in China. National Economic Research Institute, University of California Davis December 25, 2010

China – evolution of key nominal macro variables and asset prices

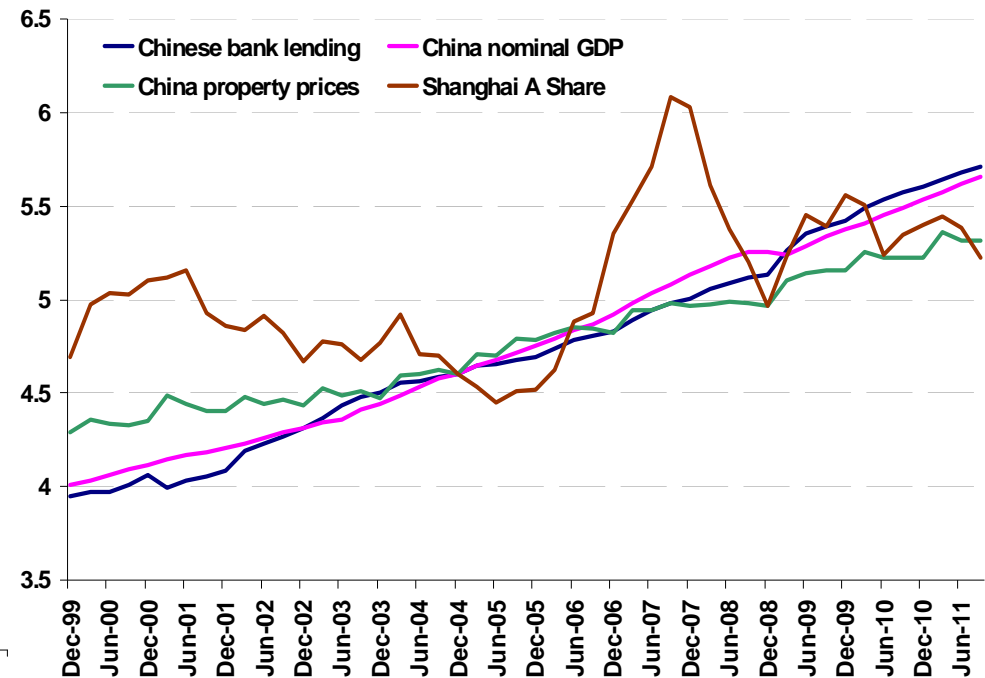
- Overall debt burden is not high for an economy growing at 10% per annum. But credit quality concerns remain.

China Debt Stock as a Percentage of Official GDP



Source: Morgan Stanley Asia Credit Research

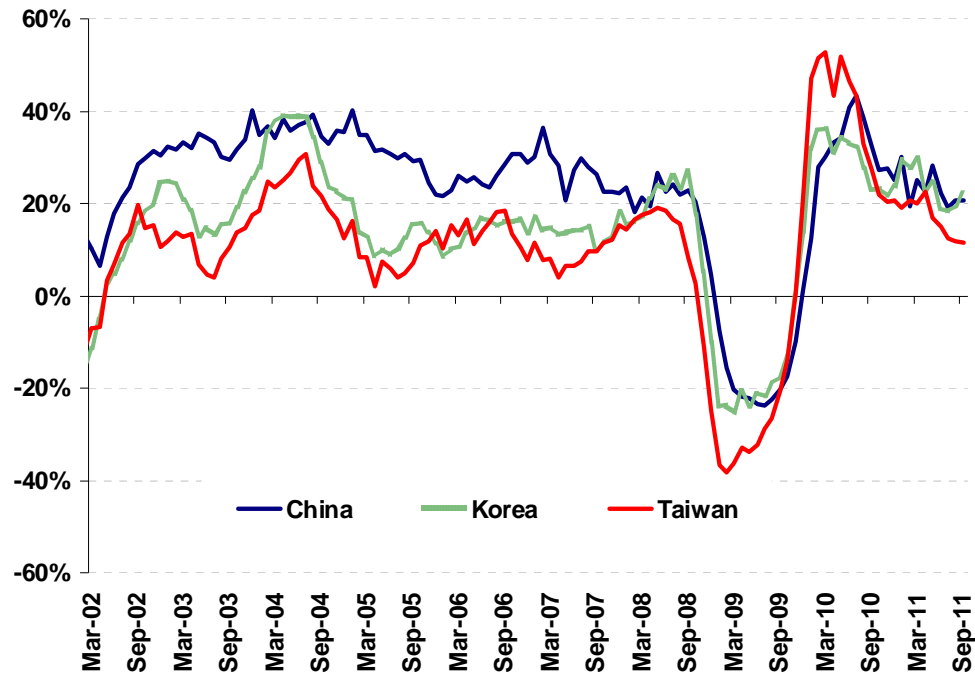
Chinese bank lending, property prices, nominal GDP and Shanghai A Share (rebased to December 2004 in log terms)



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

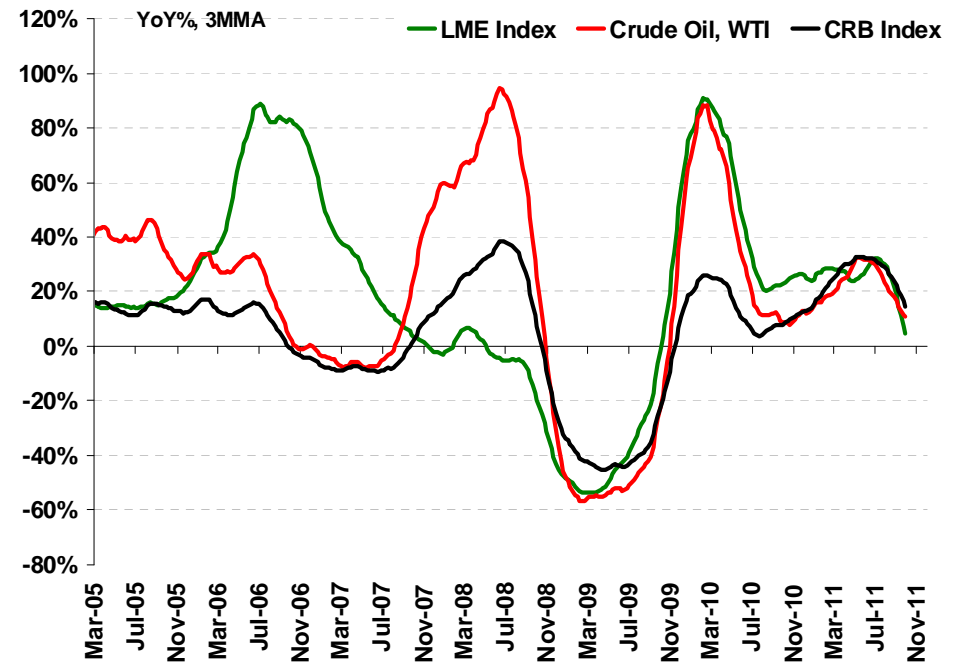
Asia exports and commodity prices – soft but not 2008

China, Korea, Taiwan exports



Source: CEIC, Morgan Stanley Research. Data as of September 2011

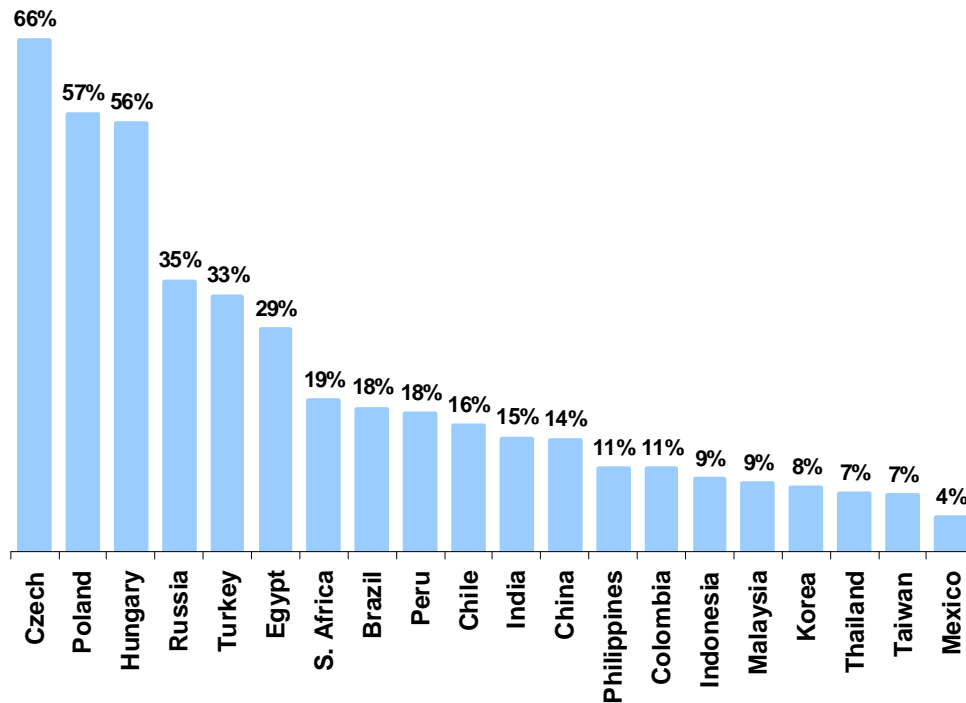
Commodity price trends



Source: CEIC, Morgan Stanley Research. Data as of September 2011

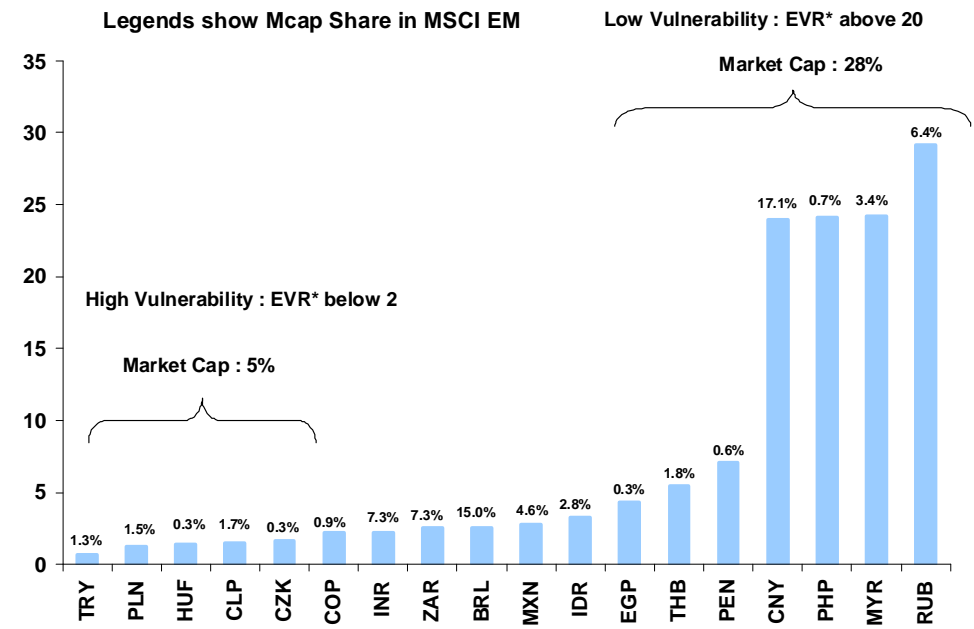
EU crisis impact – trade and funding linkages: Asia less at risk

Percentage of Exports to Euro Area



Source: CEIC, Morgan Stanley Research. Data as of May 2011

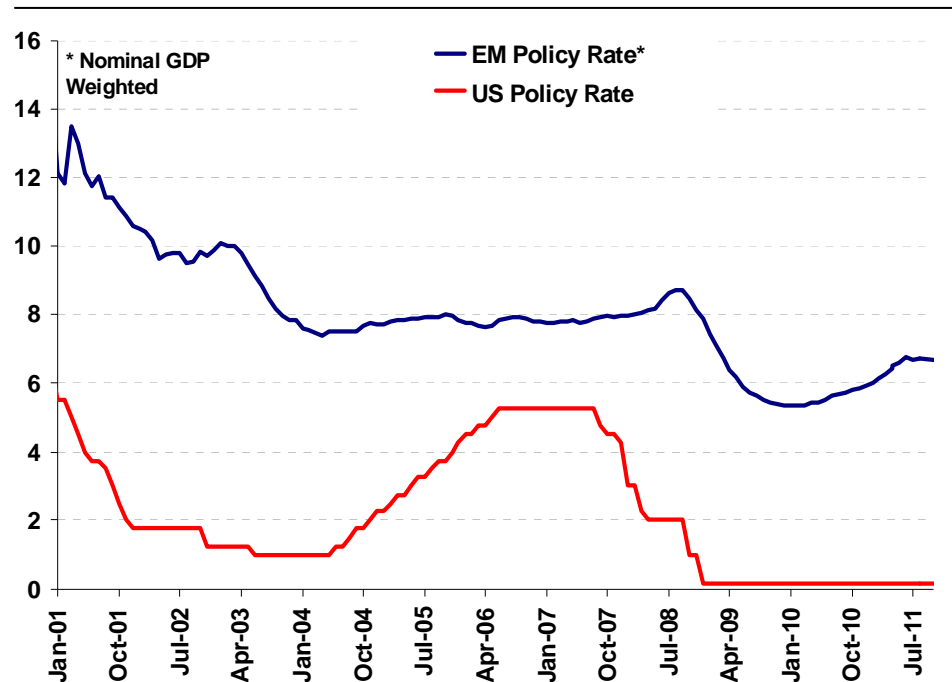
EM External Vulnerability Indicator



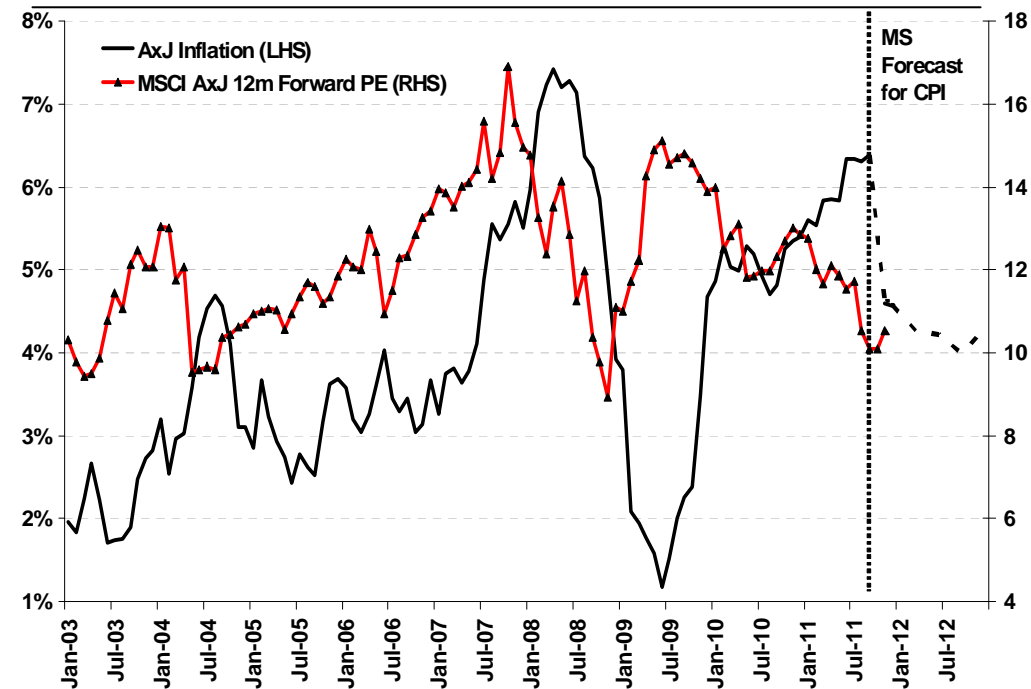
Source: Morgan Stanley. EVR is the ratio of liquid foreign assets of the central bank to the external funding needs to the entire economy for the next 12 months. $EVR = (June '11 FX reserves + 4Q10 liquid foreign claims of local banks) / (2011F C/A deficit + 4Q10 S-T ext debt + 12m forward amortization of m-t debt)$.

Asia / EM to Reduce Policy Rates as Inflation Falls – should re-rate the forward P/E

EM vs. US Policy Rates



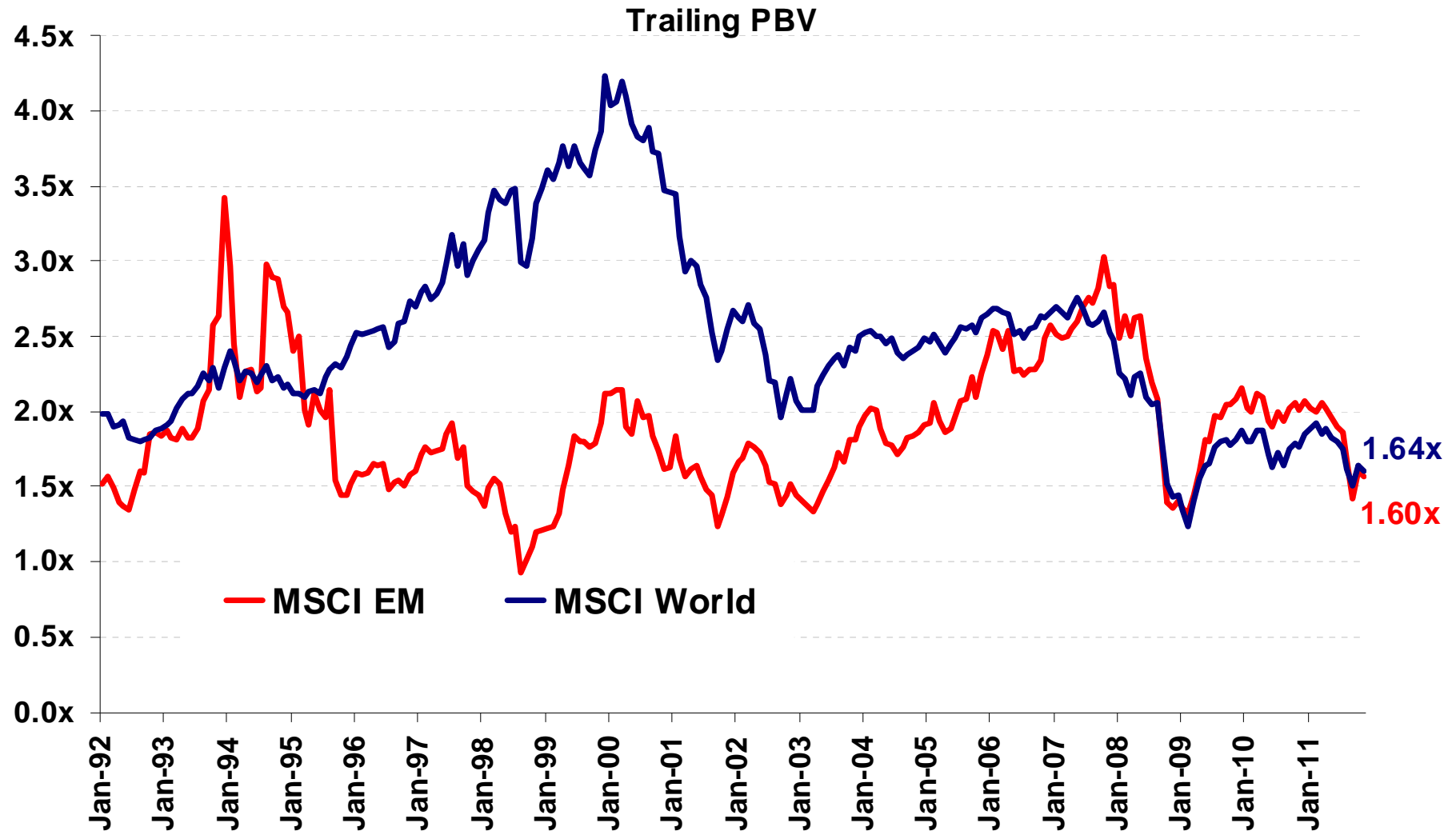
MSCI AxJ 12-month Forward P/E vs. AxJ CPI



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

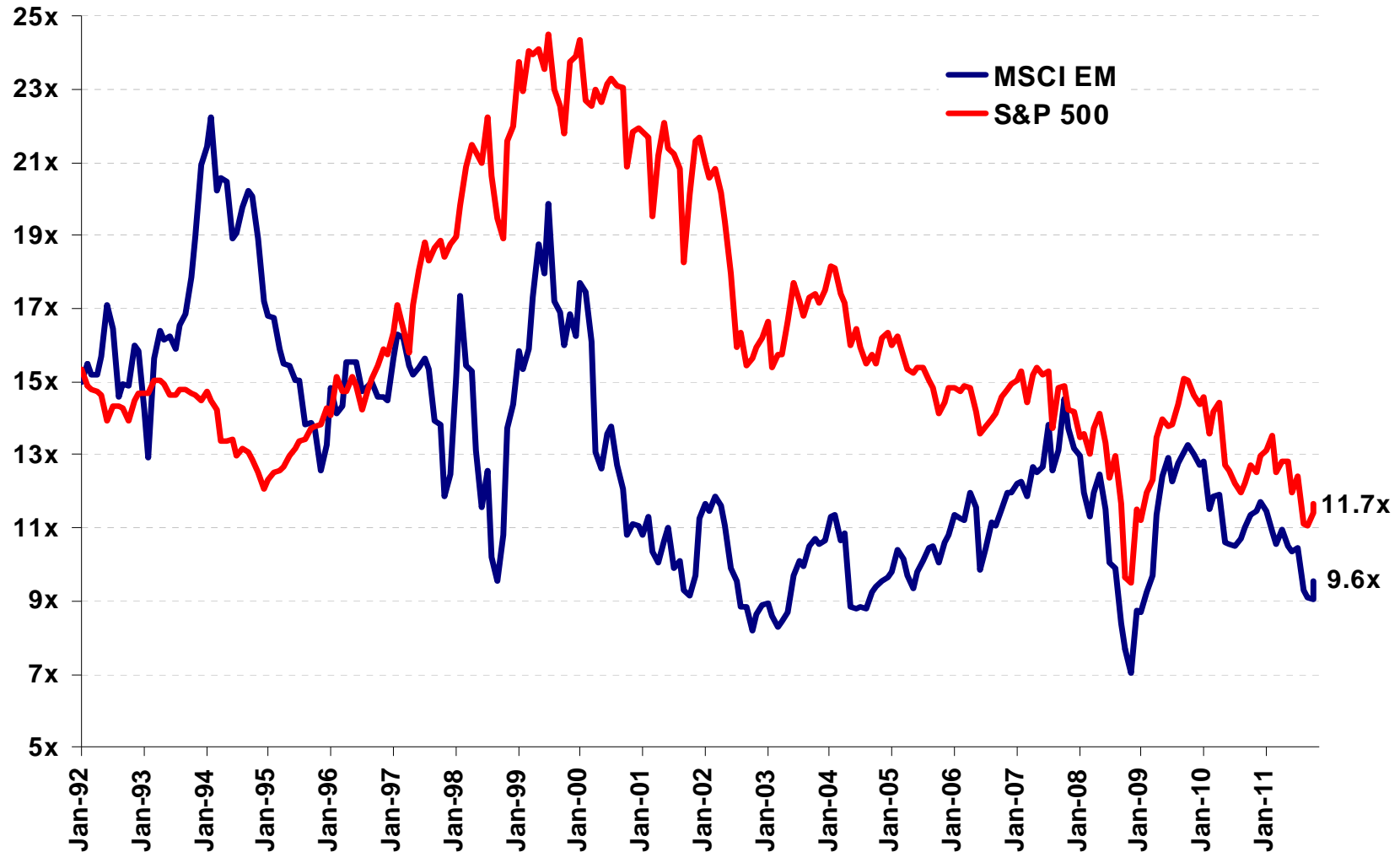
Source: MSCI, FactSet, Morgan Stanley Research. Fwc P/E data as of Nov 2, 2011

EM vs. DM: Trailing Price to Book



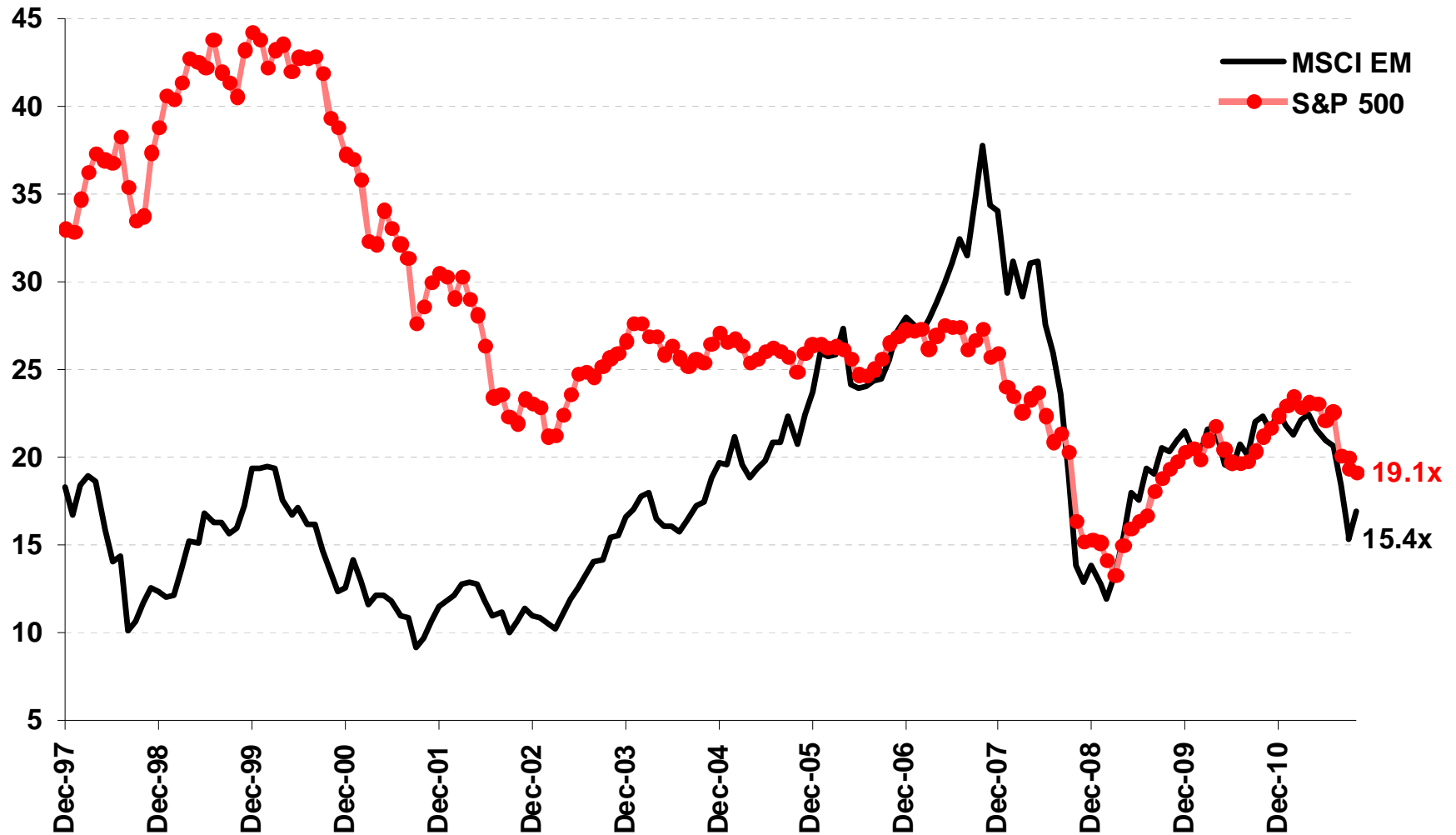
Source: FactSet, MSCI, Morgan Stanley Research. Data as of Nov 2, 2011.

MSCI EM 12m Fwd P/E trading at an 18% discount to S&P 500



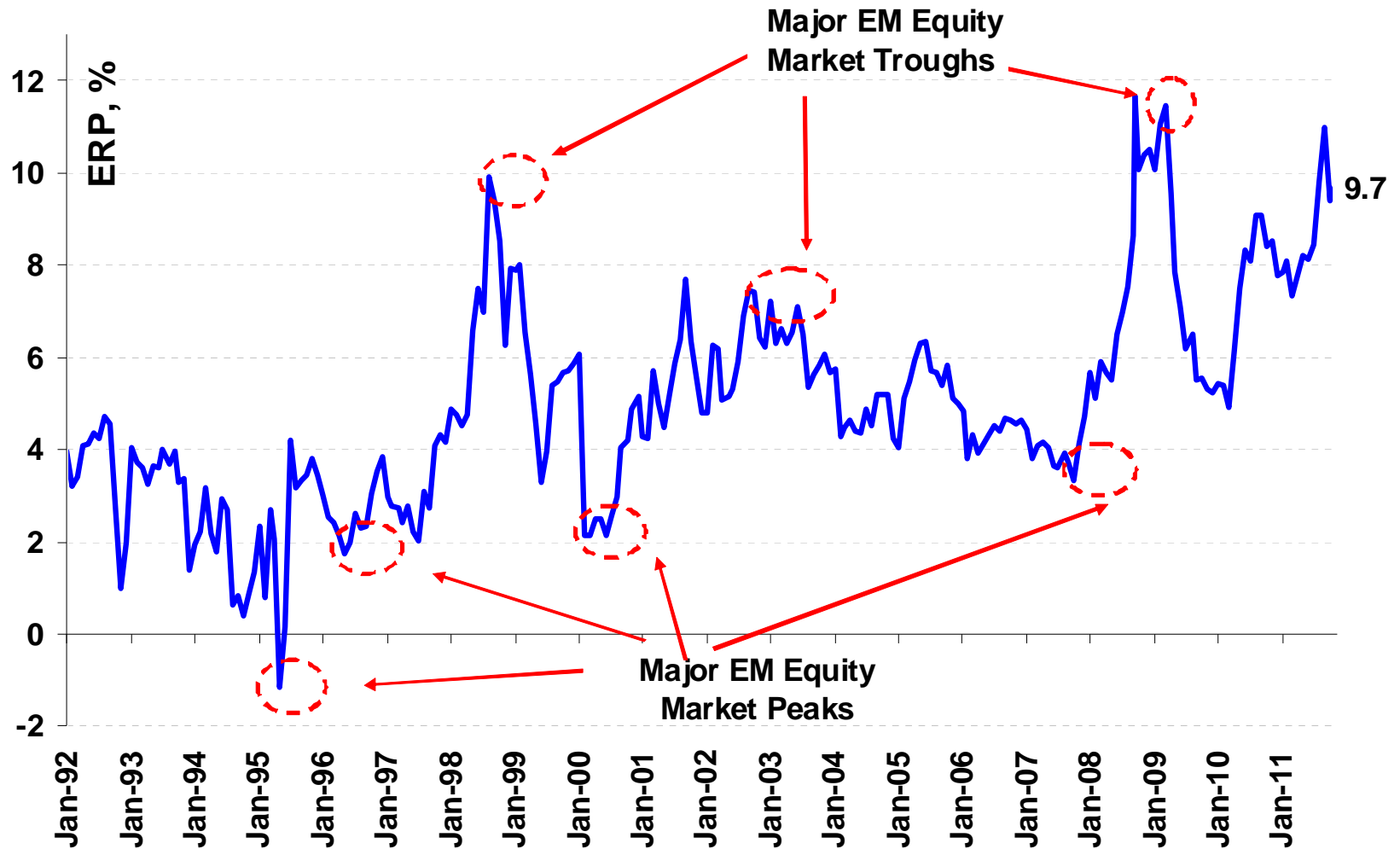
Source: MSCI, IBES, Morgan Stanley Research. Data as of Nov 2, 2011

MSCI EM Shiller P/E trading at a 12% discount to S&P 500



Source: MSCI, IBES, Robert Shiller – Yale University website, Morgan Stanley Research. Data as of November 2, 2011

Equity Risk Premium* to UST 10 yr is 970 bps currently



Source: MSCI, FactSet, Morgan Stanley Research. Data as of November 2, 2011. * We calculate the cost of equity using the three-stage Dividend discount model. Stage 1: Taking MSCI last-twelve-month trailing EPS as a base, we calculate the one and two-year forward forecast EPS using IBES consensus earnings growth estimates. Stage 2: We exponentially decline forecast earnings for subsequent years from year 3 to year 13. Stage 3: We assume terminal earnings growth from year 14. until terminal year 23. We then convert earnings streams to dividend streams using dividend payout ratio currently

Back-test on Current Valuation Metrics Suggests 6-12 Month Returns of 11-80%

- Considering the forward P/E, historical P/B and forward-looking ERP to the UST10yr, we find that returns have been significantly positive. They range from 11% to 47% six months out and 25% to 80% 12 months out.
- The hit ratios range from 75% to 100% depending on the valuation variable used.
- Our base case Target Price upsides are broadly consistent with these back tests.

Performance (Median)	USD Total Return Performance				
	1 month	3 month	6 month	9 month	12 month
Forward PE <9.55	4.0%	11.5%	23.5%	29.8%	42.5%
Price to Book < 1.57x	0.0%	4.0%	11.2%	21.1%	24.8%
ERP > 970 bps	7.0%	14.9%	46.5%	69.1%	79.9%

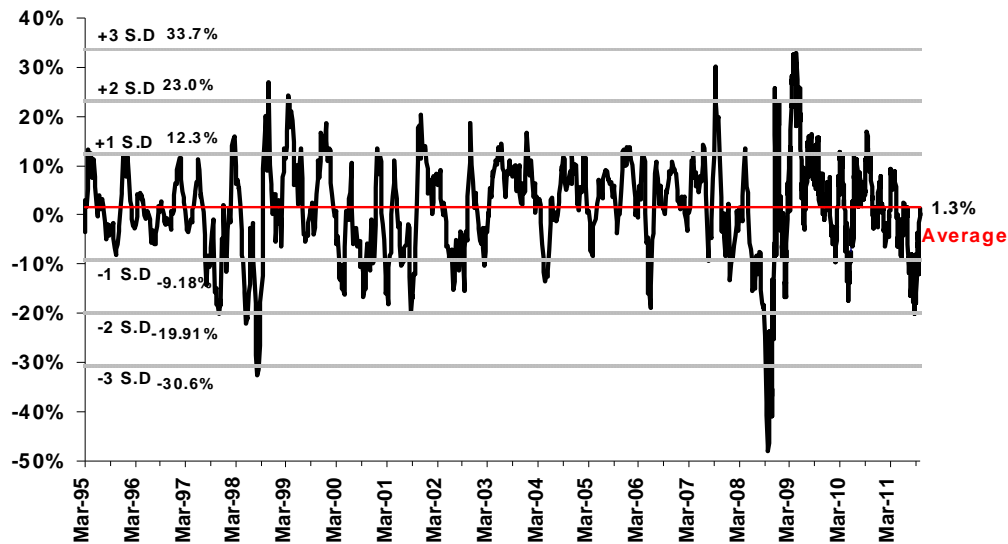
Hit Ratio	Percentage with Postive Returns				
	1 month	3 month	6 month	9 month	12 month
Forward PE <9.55	62.1%	75.9%	86.2%	89.7%	100.0%
Price to Book < 1.57x	57.7%	63.5%	75.0%	80.8%	84.6%
ERP > 970 bps	71.4%	85.7%	100.0%	100.0%	100.0%

Percentage of Total Observations	
Forward PE <9.55	14.9%
Price to Book < 1.57x	24.5%
ERP > 970 bps	4.2%

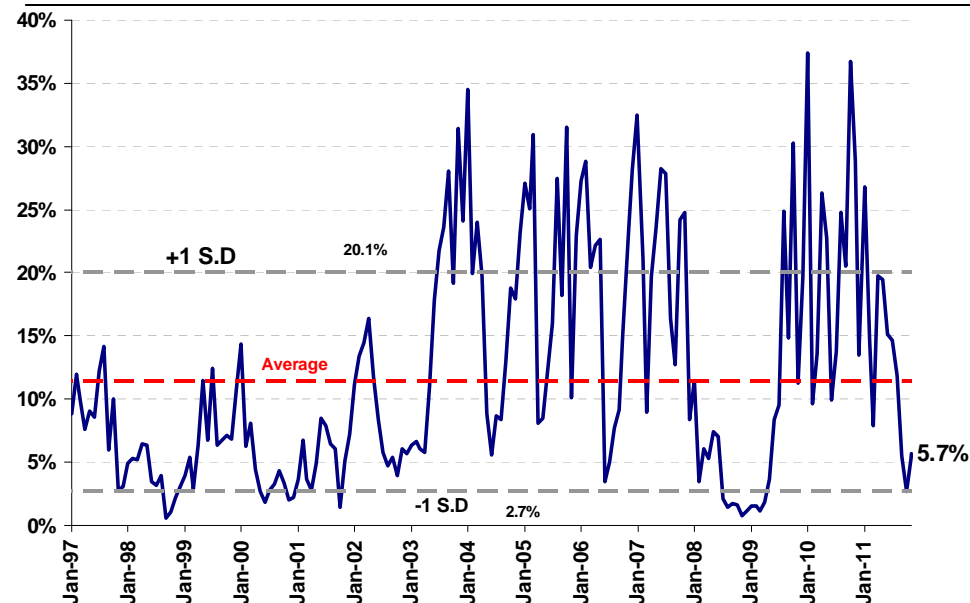
Source: Factset, Morgan Stanley Research. Data as of November 2, 2011

EM Technical Indicators Show Equities Heavily Oversold in Early October

MSCI EM Cumulative 50-day Performance

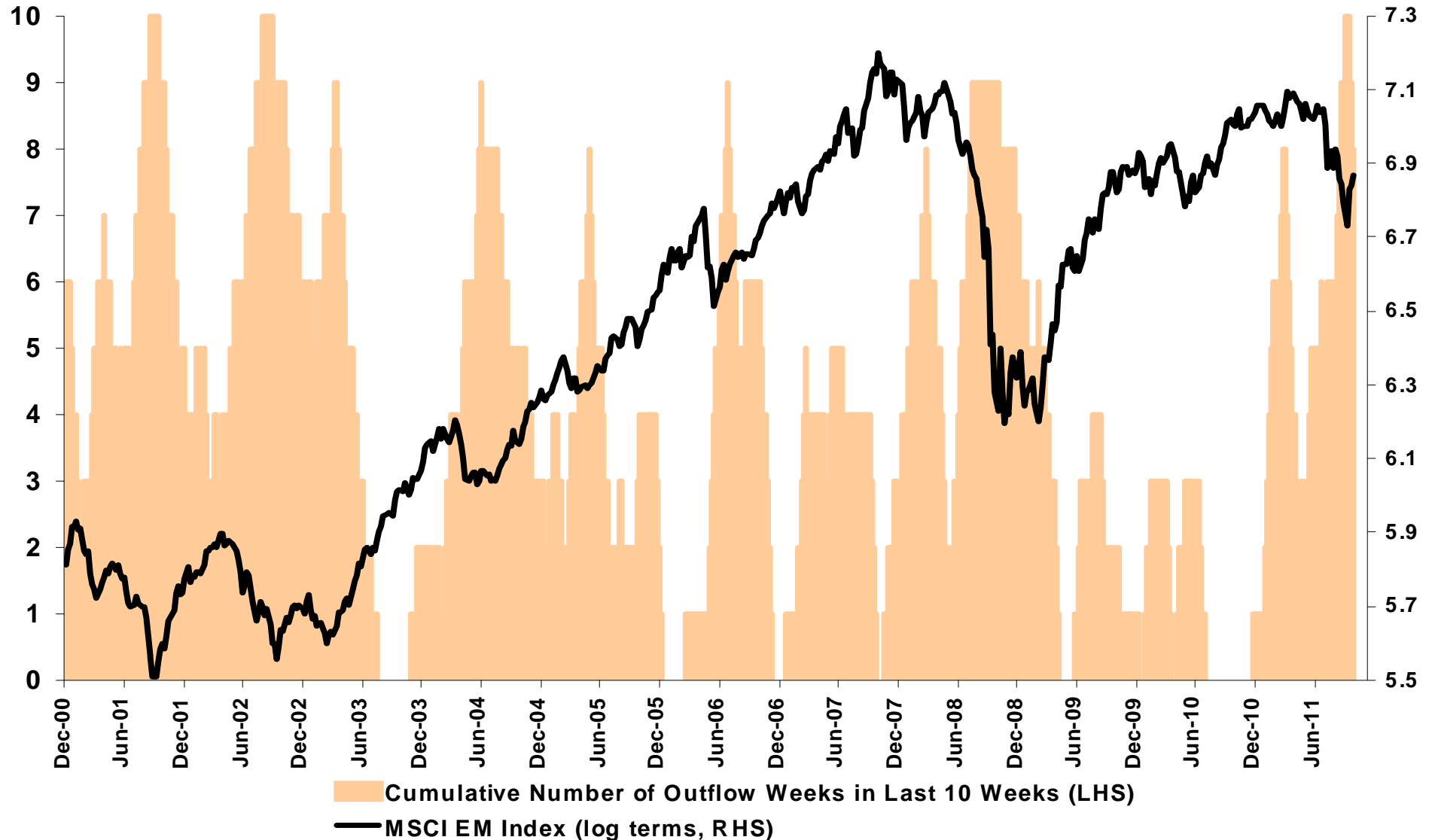


Companies Trading Within 5% of 52 week



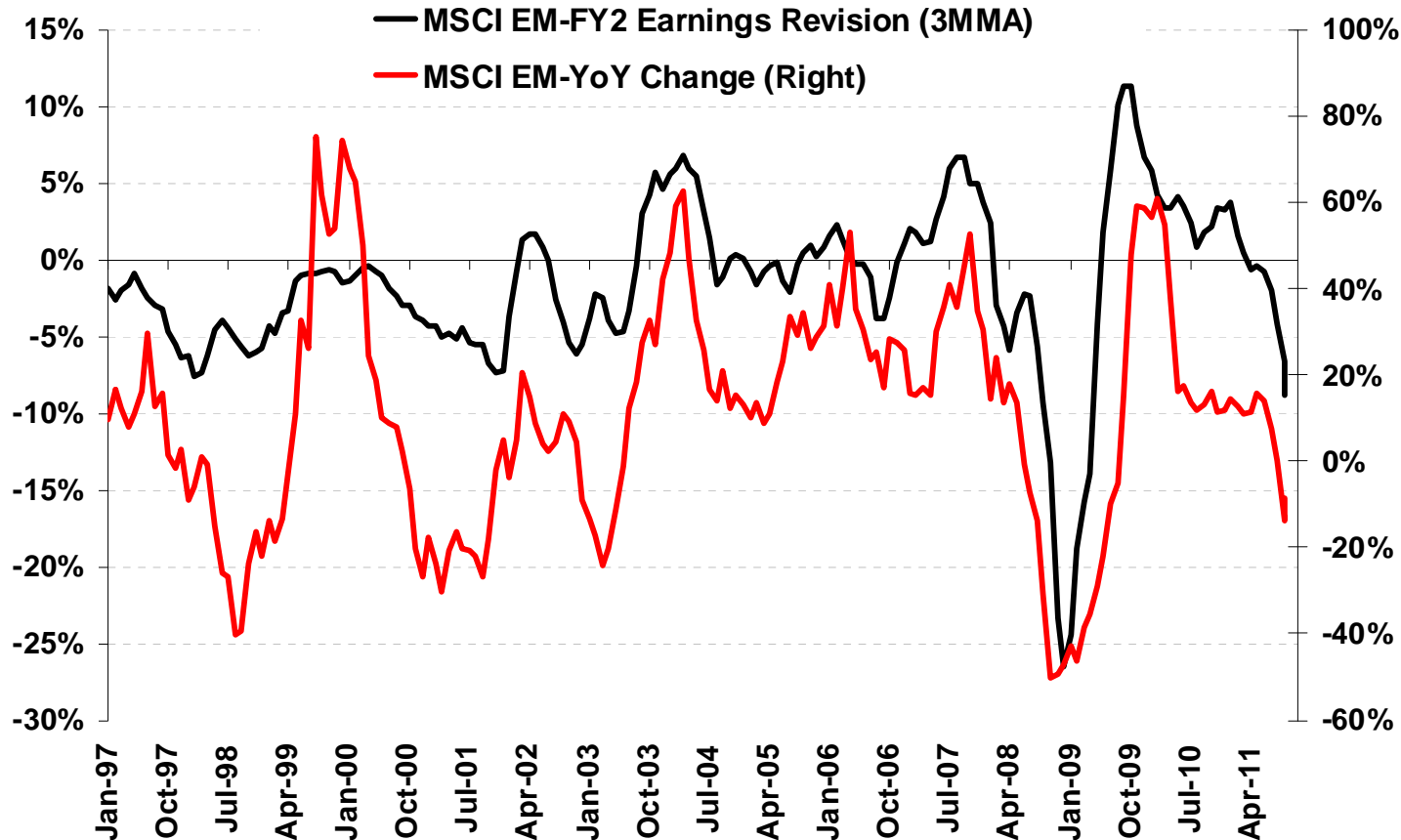
Source: Factset, Morgan Stanley Research. Data as of Nov 2, 2011

Persistent fund outflows coincide with market troughs



Source: EPFR, Morgan Stanley Research. Data as of Oct 26, 2011

FY2 Earnings Revision Breadth Has Been Falling



Source: Datastream, Morgan Stanley Research. Data as of Nov 2, 2011

Back-test on Current Technical Levels Suggest Further Upside Potential

Median Historical Returns for MSCI EM when Technical, Flows and Earnings Revisions reaches current level

Performance (Median)	USD Total Return Performance				
	1M	3M	6M	9M	12M
Cumulative 50 days Performance <1.3%*	1.0%	2.7%	4.1%	15.3%	17.4%
VIX >35**	2.5%	13.0%	35.7%	57.4%	65.5%
CBOE Equity Put call ratio >0.66**	1.5%	5.1%	14.5%	25.7%	31.1%
4 weeks cumulative flows as % of AUM <-0.4%**	2.4%	5.0%	11.7%	26.4%	28.7%
Cos. Trading with 5% of 52W high <5.7%***	0.0%	2.5%	4.4%	2.7%	11.8%
FY2 Earnings Revisions, 3MMA <-8.9%***	-0.4%	13.2%	45.1%	65.2%	77.3%

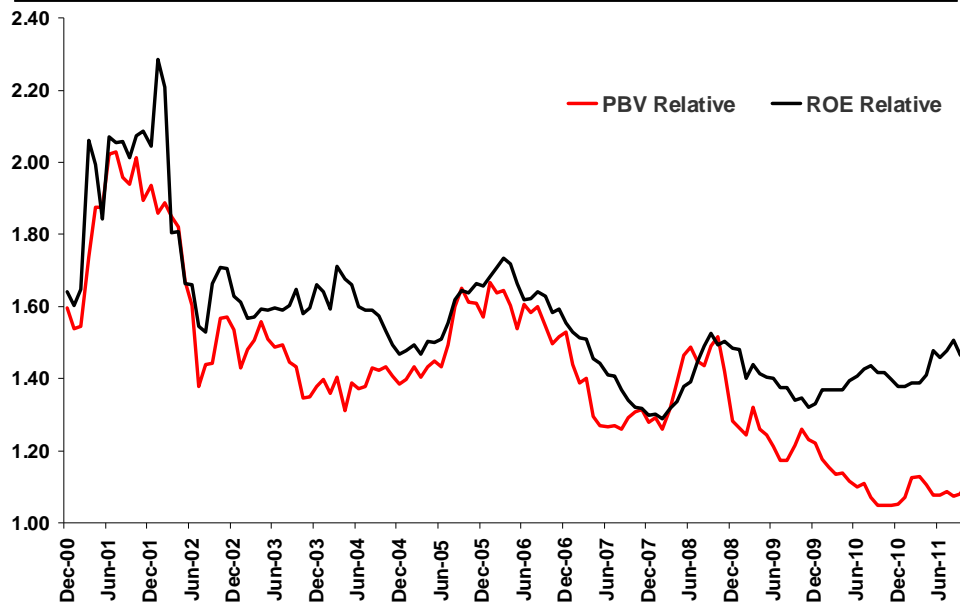
Hit Ratio	Percentage with Positive Returns				
	1M	3M	6M	9M	12M
Cumulative 50 days Performance <1.3%*	57.0%	58.5%	57.7%	68.0%	69.2%
VIX >35**	57.9%	73.6%	79.2%	90.6%	98.1%
CBOE Equity Put call ratio >0.66**	62.3%	65.6%	64.4%	67.8%	69.5%
4 weeks cumulative flows as % of AUM <-0.4%**	60.5%	66.3%	67.5%	73.5%	76.1%
Cos. Trading with 5% of 52W high <5.7%***	53.6%	57.1%	53.6%	55.4%	62.5%
FY2 Earnings Revisions, 3MMA <-8.9%***	50.0%	62.5%	87.5%	87.5%	100.0%

	Percentage of total observations (%)
Cumulative 50 days Performance <1.3%*	47.0%
VIX >35**	6.7%
CBOE Equity Put call ratio >0.66**	15.8%
4 weeks cumulative flows as % of AUM <-0.4%**	30.6%
Cos. Trading with 5% of 52W high <5.7%***	29.1%
FY2 Earnings Revisions, 3MMA <-8.9%***	4.0%

Source: MSCI, FactSet, Bloomberg, Morgan Stanley Research. * Based on daily frequency, **based on weekly frequency ***based on monthly frequency. For cumulative 50 day perf., VIX, cos. Trading within 5% of 52 week high and FY2 earnings revision, data since Jan-1995. For 4 weeks cumulative flows, data since Oct-2000. For Put Call ratio, data since Oct-2003. For all the indicators returns are calculated from a level at or above (or at or below) the threshold level shown in the table. Data as of Nov 2, 2011

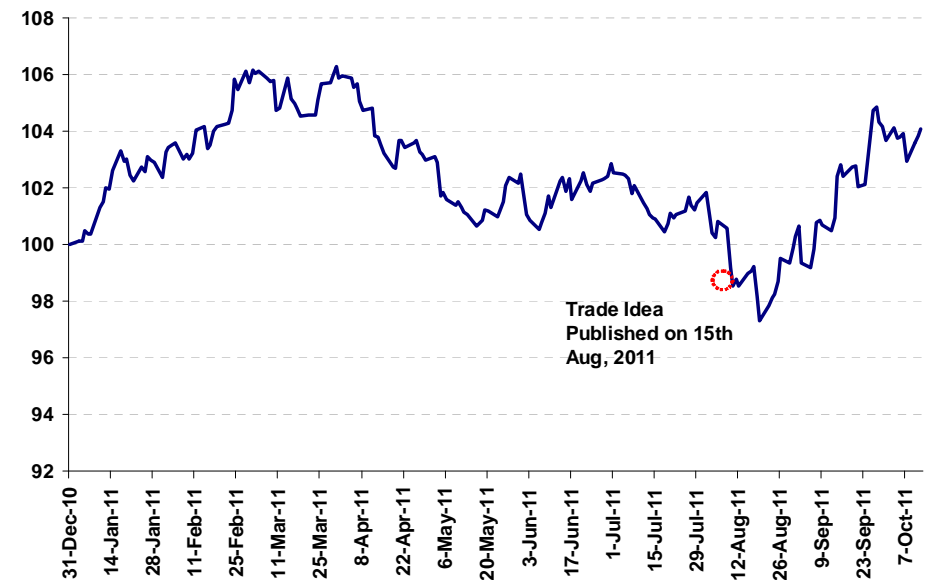
Key Theme #1: MSCI EM Mega Caps at Deep Discounts Compared to History

**Top 25 Mcap Stocks Relative to Rest of the EM stocks:
PB* vs. ROE***



Source: MSCI, FactSet, Morgan Stanley Research. Data as of Nov 2, 2011. *Equal-weighted

Top 25 Mcap Stocks Performance* Relative to Rest of the EM



Source: MSCI, FactSet, Morgan Stanley Research. Data as of Nov 2, 2011. * Equal-Weighted Performance

MSCI EM Mega Cap Stocks – Top 25 Stocks

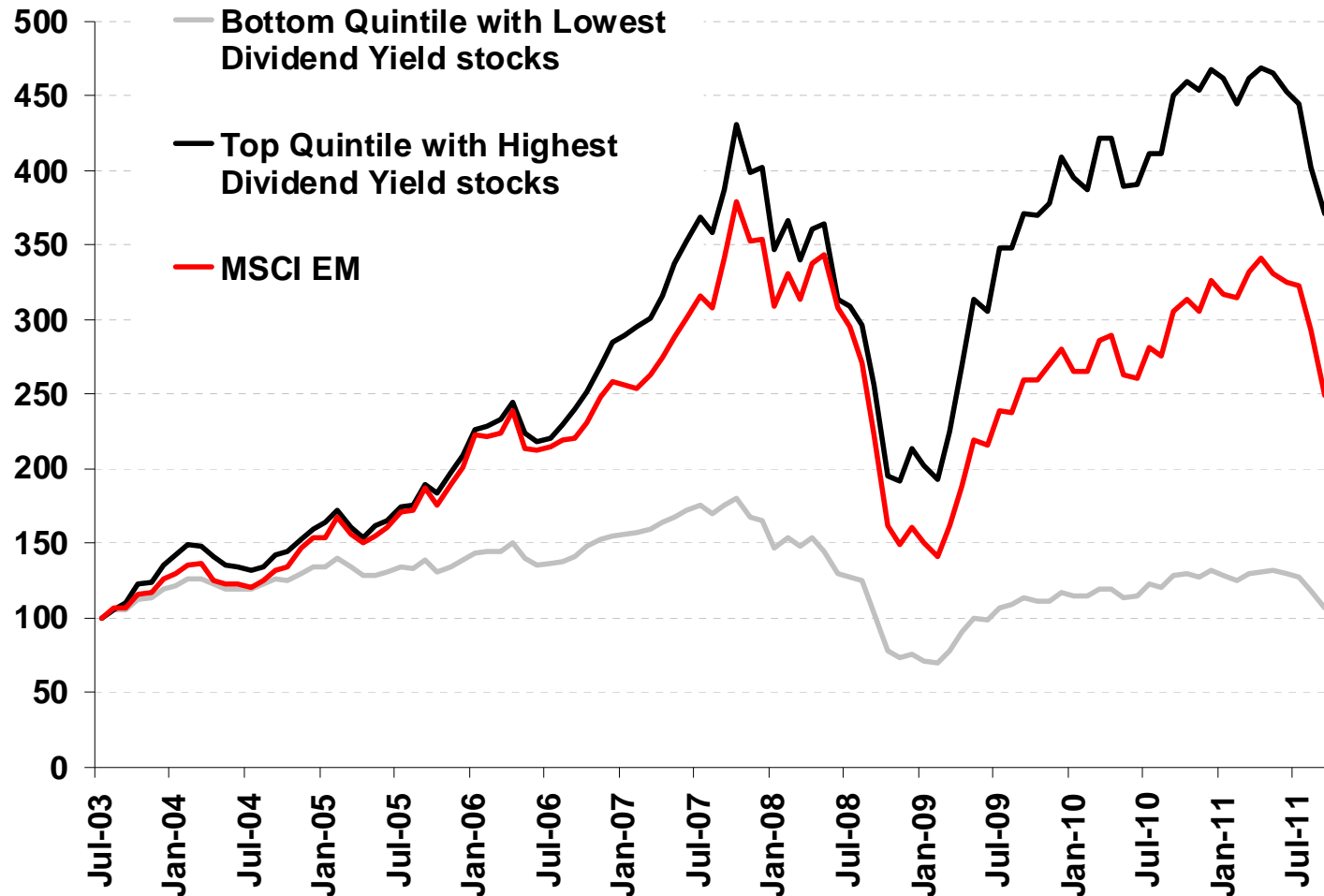
Company Name	Ticker	GICS Sector	Country	MS Rating	Mcap US\$ Bn	Curr	Latest Price	Price Target	Upside to PT	P/E		P/B		Div Yld		Morgan Stanley Analyst
										2011E	2012E	2011E	2012E	2011E	2012E	
Banco Bradesco	BBD.N	Financials	Brazil	EW	67.9	USD	18	22	24.0%	10.1	9.3	2.1	1.8	3.5%	3.8%	Kuri, Jorge
Bank of China Limited	3988.HK	Financials	China	EW	99.4	HKD	3	3	13.0%	6.6	6.0	0.9	0.8	7.1%	8.4%	Liu, Minyan
China Construction Bank	0939.HK	Financials	China	OW	179.6	HKD	6	7	29.9%	8.5	7.8	1.4	1.2	5.7%	6.6%	Liu, Minyan
China Life Insurance	2628.HK	Financials	China	EW	81.4	HKD	22	22	-1.8%	26.1	20.9	2.6	2.4	1.4%	1.8%	Lin, Ben
China Mobile Limited	0941.HK	Telecom	China	EW	201.5	HKD	77	85	11.1%	12.6	13.1	2.0	1.8	4.2%	4.5%	Killa, Navin
CNOOC	0883.HK	Energy	China	OW	88.9	HKD	16	23	44.0%	10.9	10.4	2.2	1.9	3.9%	4.1%	Tan, Wee-Kiat
Gazprom	GAZPq.L	Energy	Russia	OW	NA	USD	12	18	48.3%	NA	NA	NA	NA	NA	NA	Thomas, Matthew
Hon Hai Precision	2317.TW	IT	Taiwan	EW	26.2	TWD	83	70	-15.2%	11.0	10.9	1.4	1.2	1.1%	1.1%	Lu, Jasmine
Hyundai Mobis	012330.KS	Cons Disc	Korea	OW	27.5	KRW	318000	485000	52.5%	10.6	9.5	2.4	1.9	0.5%	0.6%	Park, Sangkyoo
Hyundai Motor	005380.KS	Cons Disc	Korea	OW	42.7	KRW	230000	306000	33.0%	7.8	7.1	1.5	1.2	0.7%	0.9%	Park, Sangkyoo
ICBC	1398.HK	Financials	China	OW	206.5	HKD	5	6	25.8%	8.7	7.8	1.4	1.3	5.5%	6.4%	Liu, Minyan
Infosys Limited	INFY.BO	IT	India	OW	31.7	INR	2793	3630	30.0%	19.9	16.2	5.0	4.0	1.7%	1.5%	Khare, Vipin
Itau Unibanco	ITUB.N	Financials	Brazil	EW	82.4	USD	18	24	33.2%	9.7	8.9	2.0	1.7	3.1%	3.4%	Kuri, Jorge
LUKOIL	LKOH.RTS	Energy	Russia	OW	43.4	USD	56	80	43.9%	4.2	4.5	0.6	0.6	4.3%	3.9%	Thomas, Matthew
MTN Group	MTNJ.J	Telecom	S. Africa	EW	31.9	ZAc	13560	13900	2.5%	12.6	11.6	3.2	2.9	5.2%	6.5%	Hill-Wood, Edward
Petrobras	PBR.N	Energy	Brazil	OW	176.4	USD	27	42	55.3%	7.6	8.3	0.9	0.8	3.7%	3.6%	Daripa, Subhojit
PetroChina	0857.HK	Energy	China	EW	245.6	HKD	10	11	5.4%	12.9	12.0	1.5	1.4	4.3%	4.6%	Tan, Wee-Kiat
POSCO	005490.KS	Materials	Korea	EW	26.5	KRW	387000	400000	3.4%	8.8	10.2	0.8	0.8	2.6%	2.6%	Spencer, Charles
Reliance Industries	RELI.BO	Energy	India	EW	56.0	INR	863	921	6.8%	13.2	11.9	1.7	1.5	0.8%	0.9%	Jaising, Vinay
Samsung Electronics	005930.KS	IT	Korea	OW	130.3	KRW	996000	1220000	22.5%	10.6	9.2	1.4	1.3	1.2%	1.2%	Han, Keon
Sberbank	SBER.RTS	Financials	Russia	OW	55.3	USD	3	3	17.2%	5.4	6.8	1.4	1.2	3.7%	3.0%	Stoklosa, Magdalena
Taiwan Semiconductor	2330.TW	IT	Taiwan	OW	65.0	TWD	76	88	15.8%	14.6	12.4	3.1	2.8	3.9%	3.9%	Lu, Bill
Tencent Holdings Ltd.	0700.HK	IT	China	OW	37.6	HKD	157	210	33.5%	29.3	24.0	7.6	5.5	0.3%	0.4%	Ji, Richard
TSMC	2330.TW	IT	Taiwan	OW	65.0	TWD	76	88	15.8%	14.6	12.4	3.1	2.8	3.9%	3.9%	Lu, Bill
Vale	VALE.N	Materials	Brazil	EW	131.4	USD	26	29	11.5%	5.8	6.2	1.6	1.4	2.2%	4.8%	De Alba, Carlos

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.

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: MSCI, IBES, Morgan Stanley Research. Data as of November 15, 2011

Key Theme #2 – High Dividend Yield stocks outperform over the cycle



Source: MSCI, FactSet, Morgan Stanley Research. Data as of Oct 31, 2011. Past performance is not a guarantee of future results.

Key Theme #3: Best Business Model (BBM) v2 - Selection Criteria

To select the BBMv2 list, we used our proprietary database of 1,000 companies (850 non-financial & 150 financial) from a combined APxJ and EM universe. The selection process involved both quantitative (RNOA, Altman Z-scores) and qualitative aspects based on discussions with Morgan Stanley analysts (strength of the business model, management skills, etc.). The Best Business Models v2 passed all of the following criteria:

- 1) High level of average profitability over the business cycle defined by Return on Net Operating Assets (RNOA);
- 2) Coefficient of variance for historical RNOA lower than 1.0x, i.e., low RNOA volatility;
- 3) Altman Z-score* above 1.8, i.e., balance sheets above the “distress zone” in the Altman scale;
- 4) Positive assessment by Morgan Stanley analysts regarding the medium- to long-term strength of the business model, management skills, sustainability of competitive advantages and barriers to entry; and
- 5) We only considered Morgan Stanley covered stocks with a market capitalization greater than US\$2.0bn and daily trading volume of at least US\$5mn.

For financial stocks, we look at ROA instead of RNOA and exclude Altman Z score criteria.

*Note: Altman Z score is calculated as $Z = 1.2 \cdot X1 + 1.4 \cdot X2 + 3.3 \cdot X3 + 0.6 \cdot X4 + 1.0 \cdot X5$. where $X1 = \text{Working Capital/Total Assets}$, $X2 = \text{Retained Earnings/Total Assets}$, $X3 = \text{EBITDA/Total Assets}$, $X4 = \text{Market Value of Equity/Total Liabilities}$, $X5 = \text{Net Sales/Total Assets}$. It is used as measure of a company's health and likelihood of bankruptcy.

Best Business Model v2 List – Highest quality stocks in EM/APxJ

•An equal-weighted basket of the 29 BBM v2 stocks has been created with Bloomberg Ticker “MSMSBBMG Index”. The list has a skew towards Asia with 20 stocks, while there are four in EMEA and five in LATAM.

•We have also created a separate Basket with 20 APxJ names from the BBMv2 list with Bloomberg Ticker “MSNJBBMA Index”

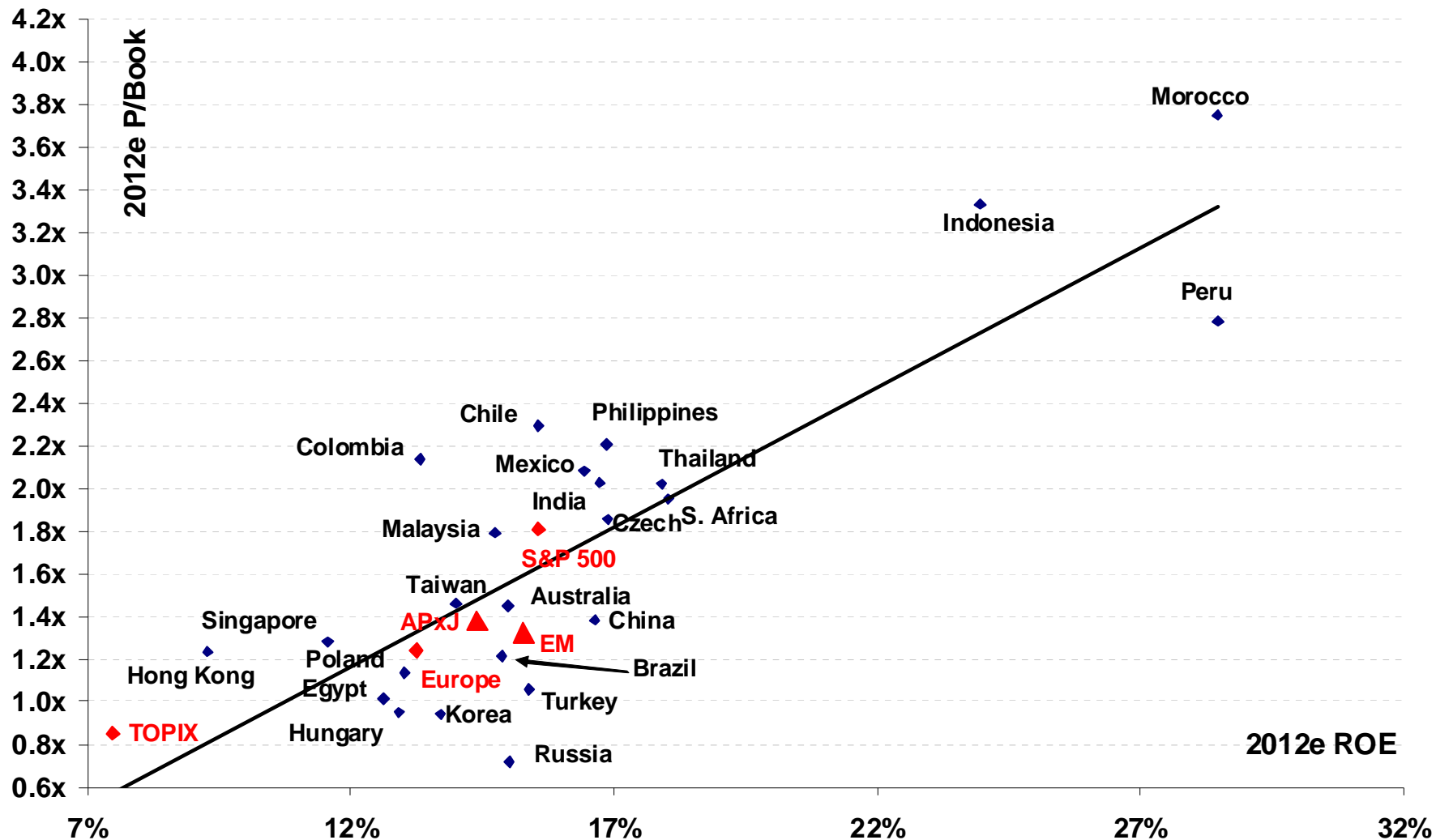
Company Name	Ticker	Country	Sector	Industry Groups	MS Rating	Mcap US\$ Bn	Average RNOA	Upside to PT	P/E		P/B		ROE		Morgan Stanley Analyst
									2011E	2012E	2011E	2012E	2011E	2012E	
Hyundai MOBIS	012330.KS	S. Korea	Cons Disc	Automobiles & Components	OW	27.5	26.7%	52.5%	10.6	9.5	2.4	1.9	22.6%	20.2%	Park, Sangkyoo
Titan Industries Ltd	TITN.BO	India	Cons Disc	Consumer Durables & Apparel	OW	3.6	21.3%	12.2%	32.9	26.3	14.1	10.9	42.9%	41.4%	Shah, Nillai
Ctrip.com	CTRP.O	China	Cons Disc	Consumer Services	OW	4.2	154.0%	62.9%	24.8	20.9	3.5	2.8	14.1%	13.6%	Ji, Richard
Tencent Holdings Ltd.	0700.HK	China	Cons Disc	Media	OW	37.6	37.6%	33.5%	23.9	19.6	7.6	5.5	31.6%	28.0%	Ji, Richard
Mr Price Group	MPCJ.J	S. Africa	Cons Disc	Retailing	OW	2.7	49.3%	-7.6%	18.6	15.2	8.4	7.6	45.2%	50.0%	Moolman, Natasha
AmBev	ABV.N	Brazil	Cons Stap	Beverages	EW	105.2	18.4%	NA	19.6	17.7	5.9	5.8	30.3%	32.5%	Serra, Lore
BIM	BIMAS.IS	Turkey	Cons Stap	Food & Staples Retailing	OW	4.4	76.3%	24.1%	26.1	21.0	12.7	10.5	48.7%	49.8%	Can Altuntas, Sayra
Want Want China Hldgs	0151.HK	China	Cons Stap	Food Products	OW	12.6	31.3%	-4.1%	30.8	24.5	10.6	8.7	34.5%	35.3%	Lou, Lillian
Hindustan Unilever	HLL.BO	India	Cons Stap	Household & Personal Products	UW	16.8	88.2%	-32.3%	35.6	32.0	27.2	22.6	76.4%	70.7%	Shah, Nillai
ITC Ltd.	ITC.BO	India	Cons Stap	Tobacco	OW	32.5	33.4%	7.4%	28.3	24.4	9.6	8.8	33.9%	36.1%	Shah, Nillai
China Shenhua Energy	1088.HK	China	Energy	Coal	OW	94.2	18.4%	30.3%	13.9	12.4	2.6	2.2	18.6%	18.0%	Tan, Wee-Kiat
CNOOC	0883.HK	China	Energy	Oil & Gas Exploration & Production	OW	88.9	37.6%	44.0%	8.9	8.5	2.2	1.9	24.7%	22.1%	Tan, Wee-Kiat
Tupras	TUPRS.IS	Turkey	Energy	Oil & Gas Refining & Marketing	OW	5.7	33.3%	22.7%	10.1	6.2	2.5	2.0	24.3%	33.1%	Danis, Erol
HDFC Bank	HDBK.BO	India	Financials	Banks	OW	21.8	19.7%	12.3%	22.8	17.4	3.9	3.3	17.0%	19.0%	Agarwal, Anil
Sun Pharmaceutical	SUN.BO	India	Health Care	Pharmaceuticals	OW	10.4	22.9%	-0.6%	25.2	21.8	4.8	4.1	19.3%	18.9%	Baisiwala, Sameer
Copa Holdings	CPA.N	USA	Industrials	Airline	OW	2.8	16.8%	42.3%	9.8	8.5	2.1	1.7	21.3%	20.4%	Sebrell, Nicolai
Hyundai Heavy Industries	009540.KS	S. Korea	Industrials	Capital Goods	OW	15.4	26.8%	105.6%	4.1	4.5	1.0	0.8	24.5%	18.7%	Park, Sangkyoo
Localiza Rent A Car SA	RENT3.SA	Brazil	Industrials	Transportation	OW	2.9	16.7%	46.2%	16.6	12.6	4.4	3.4	26.3%	27.0%	Sebrell, Nicolai
CCR	CCRO3.SA	Brazil	Industrials	Transportation	UW	11.6	20.7%	NA	23.1	18.2	6.1	5.5	26.3%	30.3%	Sebrell, Nicolai
TSMC	2330.TW	Taiwan	IT	Semiconductors & Semiconductor Equip	OW	65.0	20.6%	15.8%	14.6	12.4	3.1	2.8	21.4%	22.3%	Lu, Bill
Infosys Limited	INFY.BO	India	IT	Software & Services	OW	31.7	48.6%	30.0%	19.9	16.2	5.0	4.0	25.1%	24.9%	Khare, Vipin
Largan Precision	3008.TW	Taiwan	IT	Technology Hardware & Equipment	OW	2.7	26.5%	35.8%	15.2	12.8	4.2	3.5	27.5%	27.3%	Lu, Jasmine
LG Chem	051910.KS	S. Korea	Materials	Chemicals	OW	21.2	16.3%	19.4%	10.3	8.2	2.5	2.0	24.7%	24.3%	Hwang, Harrison
PT Indocement Tunggal	INTP.JK	Indonesia	Materials	Construction Materials	OW	6.3	13.8%	17.3%	16.1	12.7	3.6	3.0	22.5%	23.3%	Spencer, Charles
BHP Billiton Plc	BHP.AX	Australia	Materials	Diversified Metals & Mining	OW	201.1	19.8%	24.7%	9.6	8.4	NA	NA	NA	NA	Fitzpatrick, Brendan
Novolipetsk Steel	NLMKq.L	Russia	Materials	Steel	OW	14.0	27.3%	11.2%	7.0	6.5	1.2	1.0	16.4%	15.7%	Kolomytsyn, Dmitriy
PT Telekomunikasi	TLKM.JK	Indonesia	Telecom	Diversified Telecom Services	OW	16.8	25.5%	31.5%	11.7	10.3	2.5	2.2	21.5%	21.6%	Killa, Navin
Advanced Info Service	ADVA.BK	Thailand	Telecom	Wireless Telecom Services	EW	13.8	27.9%	-27.7%	21.8	20.0	7.9	11.6	36.3%	57.7%	Yu, Gary
CPFL ENERGIA	CPFE3.SA	Brazil	Utilities	Utilities	UW	12.3	14.9%	-0.5%	13.3	14.2	3.6	3.5	26.8%	24.8%	Feldman, Tatiana

The information contained herein has been prepared solely for informational purposes and is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Products and trades of this type may not be appropriate for every investor. Please consult with your legal and tax advisors before making any investment decision. Please contact your Morgan Stanley sales representative for more details.

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: Factset, MSCI, Morgan Stanley Research. Data as of Nov 15, 2011

EM and APxJ Country Scatter: Consensus 2012E P/B vs ROE



Source: FactSet, MSCI, IBES, Morgan Stanley Research. Data as of Nov 4, 2011.

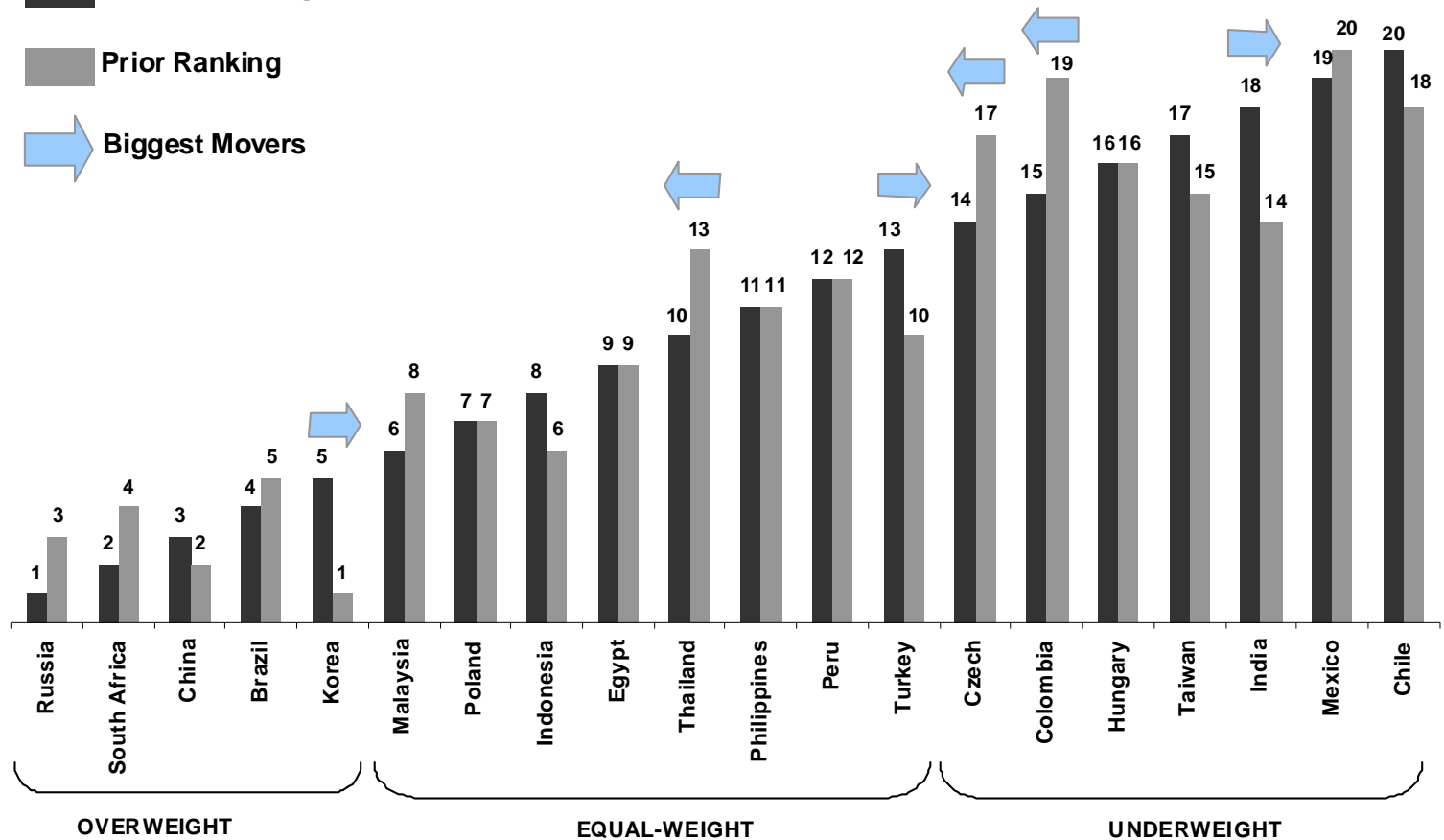
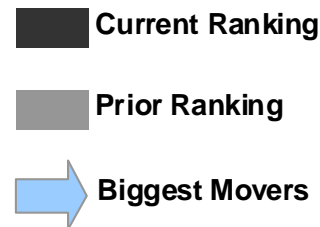
Countries: OW China, Russia, S. Africa, Brazil & Korea

- We stick with our country preferences – OW China, Russia, Brazil, Korea, and Malaysia. In the bear and extreme bear case scenarios, however, China and Malaysia are most likely to be defensive.

- Our Underweight countries are Mexico, Taiwan, India, Thailand, Colombia, Chile, Hungary, and Peru.

GEM Strategy Country Model – Summary Changes in Country Rankings

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

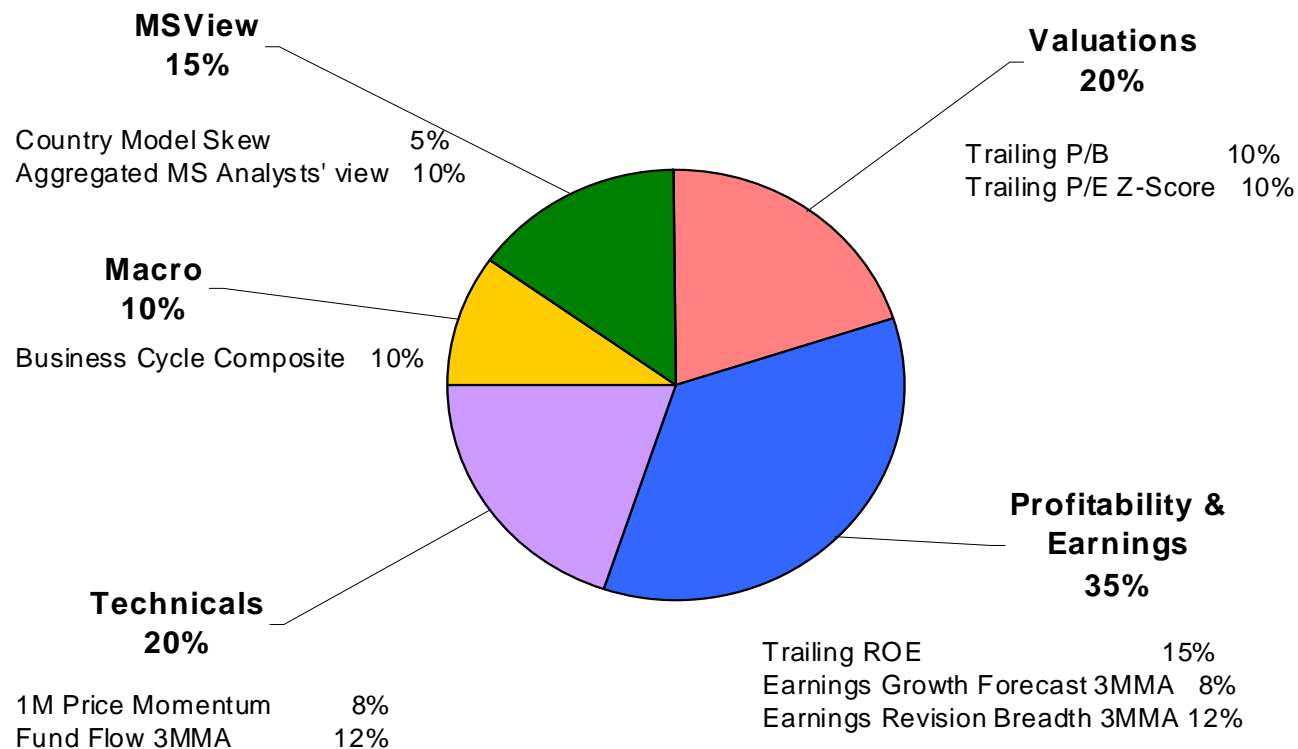


Source: Morgan Stanley Research

GEMs Strategy Country Model – Overall Rankings and Score

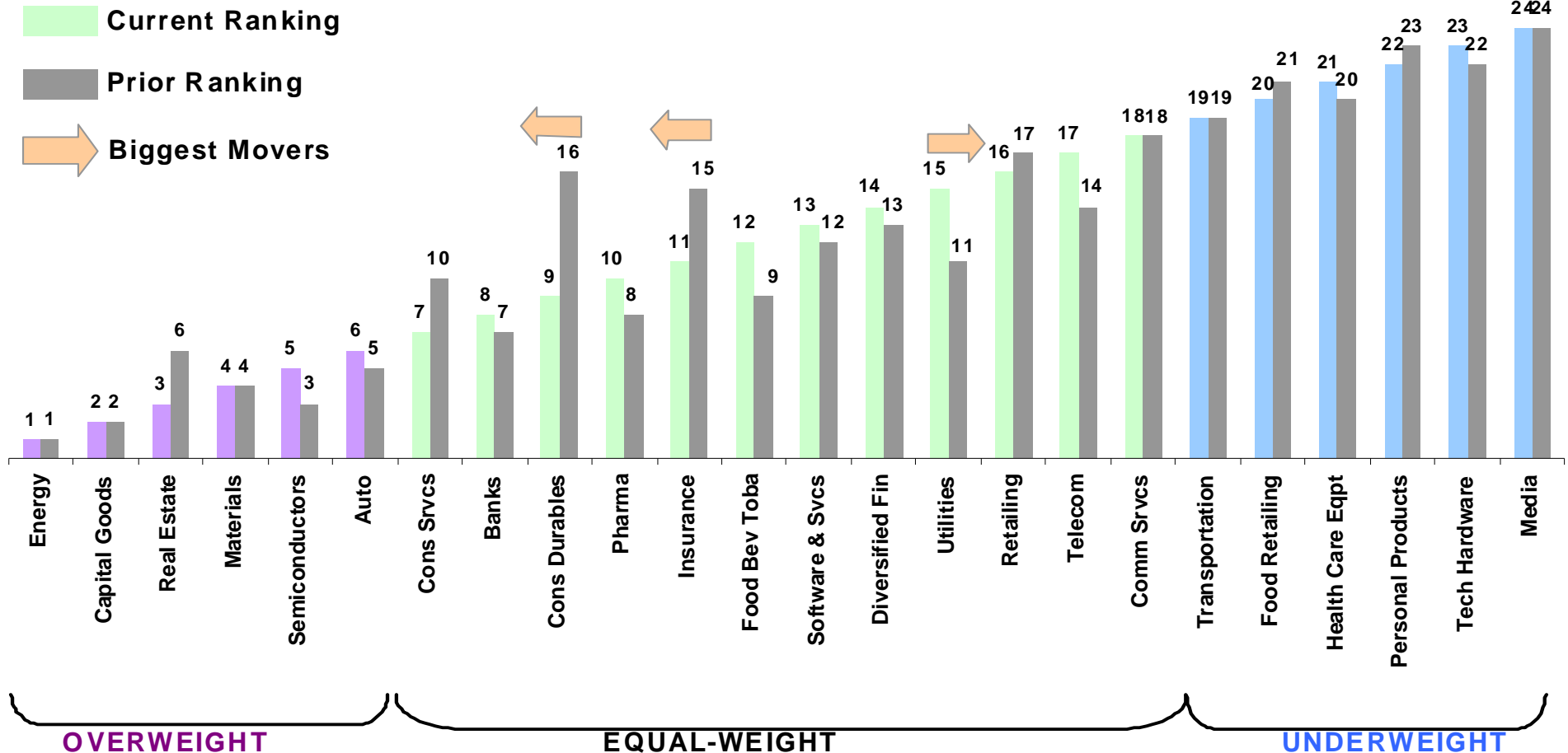
Country	MSCI EM Weight	VALUATIONS					EARNINGS AND TECHNICALS					MACRO		POLITICAL RISK & OTHER			SECTOR	6%	Final Rank
		Trail P/B	Div Yield	Trail P/E	Trail ROE	Yield Ratio	Earnings Growth	Revisions Breadth	Technical	Beta	PM Weights	Currency	Business Cycle	Political Risk	Supply / Demand	Governance	Sector Skew	100%	
		8%	6%	4%	6%	8%	6%	6%	4%	4%	4%	10%	8%	8%	6%	6%	6%	100%	
Russia	6.42%	1	9	1	8	1	18	9	5	3	4	10	1	13	13	20	1	7.48	1
South Africa	7.34%	11	7	7	4	12	2	1	10	5	3	17	16	3	8	1	6	7.80	2
China	17.09%	6	6	4	10	2	16	19	6	6	5	2	2	11	15	15	9	8.12	3
Brazil	15.02%	3	3	5	17	7	20	7	7	2	8	16	13	8	9	8	7	9.22	4
Korea	15.32%	9	19	9	14	4	11	10	14	4	16	9	7	4	2	11	15	9.46	5
Malaysia	3.35%	15	8	18	12	16	14	6	15	18	15	3	4	5	1	2	16	9.68	6
Poland	1.51%	5	2	2	9	5	19	18	2	1	19	15	20	7	10	10	5	9.80	7
Indonesia	2.82%	20	16	15	2	20	4	2	18	16	11	7	3	9	7	7	11	10.20	8
Egypt	0.34%	4	4	8	20	3	3	11	9	20	6	8	10	20	20	18	12	10.76	9
Thailand	1.83%	13	12	11	3	9	7	13	13	14	18	5	14	19	16	9	4	10.98	10
Philippines	0.66%	19	14	19	6	8	6	12	20	17	10	1	8	18	3	13	14	11.06	11
Peru	0.59%	17	18	12	1	15	1	5	19	8	9	13	9	17	17	12	2	11.22	12
Turkey	1.29%	8	10	10	15	11	5	4	3	11	12	14	19	15	12	14	10	11.28	13
Czech	0.34%	7	1	6	11	10	13	14	4	15	14	20	18	6	11	5	20	11.34	14
Colombia	0.91%	18	15	17	7	19	8	15	16	19	7	11	5	12	6	6	3	11.38	15
Hungary	0.30%	2	11	3	19	6	15	16	1	12	13	12	17	10	19	16	8	11.40	16
Taiwan	11.13%	12	5	16	16	13	10	17	8	13	1	19	12	2	14	3	17	11.46	17
India	7.28%	10	13	13	13	17	9	8	11	9	20	4	11	16	5	17	13	11.52	18
Mexico	4.56%	14	20	20	18	18	12	3	12	7	2	6	6	14	18	19	18	12.88	19
Chile	1.75%	16	17	14	5	14	17	20	17	10	17	18	15	1	4	4	19	12.96	20

Industry Model Framework – Weights of Five Main Categories and Metrics



Industry-groups: OW Energy, Cap Goods, Real Estate, Materials, Semis and Autos

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



Source: MSCI, FactSet, Morgan Stanley Research. Data as of Oct 31, 2011.



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosures Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley Smith Barney Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited and their affiliates (collectively, "Morgan Stanley").

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA. For valuation methodology and risks associated with any price targets referenced in this research report, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Jonathan Garner.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictolicies.

Important US Regulatory Disclosures on Subject Companies

As of October 31, 2011, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Copa Holdings, Ctrip.com, HDFC Bank, Largan Precision, LG Chem, Tencent Holdings Ltd., Want Want China Holdings Ltd.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of BHP Billiton Limited, Hyundai MOBIS.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from BHP Billiton Limited, CPFL ENERGIA, Hyundai MOBIS, LG Chem, Tencent Holdings Ltd..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from AmBev, BHP Billiton Limited, BIM, CCR, Copa Holdings, CPFL ENERGIA, Ctrip.com, HDFC Bank, Hyundai MOBIS, Infosys Limited, LG Chem, Localiza Rent A Car SA, Novolipetsk Steel, PT Telekomunikasi, Sun Pharmaceutical Industries, Tencent Holdings Ltd., Want Want China Holdings Ltd.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from BHP Billiton Limited, Copa Holdings, CPFL ENERGIA, Ctrip.com, HDFC Bank, Hyundai Heavy Industries, Hyundai MOBIS, LG Chem, Tencent Holdings Ltd..

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: AmBev, BHP Billiton Limited, BIM, CCR, Copa Holdings, CPFL ENERGIA, Ctrip.com, HDFC Bank, Hyundai MOBIS, Infosys Limited, LG Chem, Localiza Rent A Car SA, Novolipetsk Steel, PT Telekomunikasi, Sun Pharmaceutical Industries, Tencent Holdings Ltd., Want Want China Holdings Ltd.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: BHP Billiton Limited, Copa Holdings, CPFL ENERGIA, Ctrip.com, HDFC Bank, Hyundai Heavy Industries, Hyundai MOBIS, LG Chem, PT Telekomunikasi, Tencent Holdings Ltd., Tupras.

Morgan Stanley & Co. LLC makes a market in the securities of AmBev, BHP Billiton Limited, CNOOC, Copa Holdings, CPFL ENERGIA, Ctrip.com, HDFC Bank, Infosys Limited, PT Telekomunikasi, Tencent Holdings Ltd., TSMC.

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

Disclosures (cont.)

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of October 31, 2011)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1126	40%	449	44%	40%
Equal-weight/Hold	1176	42%	431	42%	37%
Not-Rated/Hold	108	4%	23	2%	21%
Underweight/Sell	418	15%	115	11%	28%
Total	2,828		1018		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Not-Rated (NR) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index on a risk-adjusted basis, over the next 12-18 months.

Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

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

Analyst Industry Views

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.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Citi Investment Research & Analysis (CIRA) research reports may be available about the companies or topics that are the subject of Morgan Stanley Research. Ask your Financial Advisor or use Research Center to view any available CIRA research reports in addition to Morgan Stanley research reports.

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC, Morgan Stanley and Citigroup Global Markets Inc. or any of their affiliates, are available on the Morgan Stanley Smith Barney disclosure website at www.morganstanleysmithbarney.com/researchdisclosures.

For Morgan Stanley and Citigroup Global Markets, Inc. specific disclosures, you may refer to www.morganstanley.com/researchdisclosures and https://www.citigroupgeo.com/geopublic/Disclosures/index_a.html.

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of BHP Billiton Limited, CNOOC.

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Client Link at www.morganstanley.com.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the individual financial circumstances and objectives of persons who receive it.

Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. Information on any securities/instruments issued by a company owned by the government of or incorporated in the PRC and listed in on the Stock Exchange of Hong Kong ("SEHK"), namely the H-shares, including the component company stocks of the Stock Exchange of Hong Kong ("SEHK")'s Hang Seng China Enterprise Index is distributed only to Taiwan Securities Investment Trust Enterprises ("SITE"). The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A.; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Smith Barney Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Canada by Morgan Stanley Canada Limited, which has approved of, and has agreed to take responsibility for, the contents of Morgan Stanley Research in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the United States by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized and regulated by the Financial Services Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Services Authority, also disseminates Morgan Stanley Research in the UK. Private U.K. investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley has based its projections, opinions, forecasts and trading strategies regarding the MSCI Country Index Series solely on publicly available information. MSCI has not reviewed, approved or endorsed the projections, opinions, forecasts and trading strategies contained herein. Morgan Stanley has no influence on or control over MSCI's index compilation decisions.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

H6998R

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