

# Autocallable Note on HSCEI, MSCI Brazil and FTSE (GBP)

## A MORGAN STANLEY BACKED INVESTMENT OPPORTUNITY

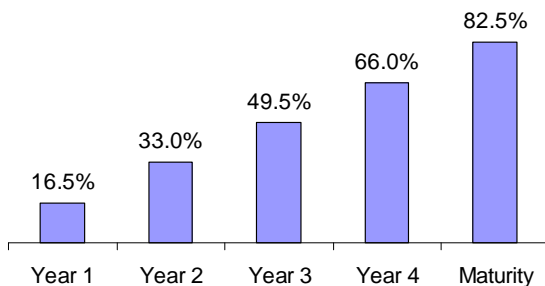
The Autocallable Note is designed for investors who are looking for an attractive fixed capital return based on a slightly positive view on HSCEI, MSCI Brazil and FTSE 100 indices. On the first anniversary that all indices are flat or positive, the notes redeem automatically at an attractive preset amount.

The high returns available on this product reflect depressed market values and high market volatility. Investors have this opportunity in exchange for accepting the risk of capital loss. If the note does not redeem automatically, capital is at risk if any of the indices closes at or below 50% of its initial level on the final observation date.

### BONUS RETURNS

The note accumulates a fixed capital growth amount of 16.5% each year. If, on any of the anniversary dates, all of the indices are at or above their initial levels, the note redeems automatically and investors receive their original investment plus the capital growth accumulated to date.

#### Automatic Redemption Bonuses



### REDEMPTION AT MATURITY

If there is no automatic redemption in years 1 to 5, the repayment at maturity depends on the performance of all the indices. There are two scenarios:

**Scenario 1:** all the indices close above 50% of their initial levels on the final observation date.

- Investors receive 100% of their initial investment

**Scenario 2:** one of the indices closes at or below 50% of its initial level on the final observation date

- Capital is at risk on a 1-1 basis if the worst performing index finishes below the initial level. The redemption amount reflects the performance of the worst performing of the three indices. For example, if the worst performing index has fallen by 60% by maturity and is at 40% at maturity, investors suffer a 60% loss and the redemption amount is 40% of the initial investment

The table shows how the redemption at maturity varies depending on the worst performing of the three indices,

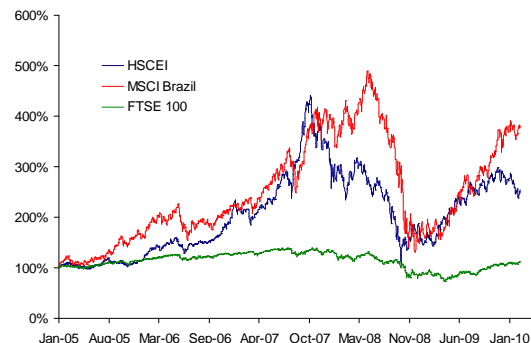
and whether any index has on on the final observation date closed at or below 50% of its initial level.

Performance of Index with Worst Performance (% of initial level)	Redemption at Maturity	
	50% barrier <u>not</u> breached on final observation date	50% barrier breached on final obs date
140%	USD 182.5	
120%	USD 182.5	
100%	USD 182.5	
80%	USD 100	
60%	USD 100	
50%	USD 50	
40%	USD 40	
20%	USD 20	
0%	USD 0	

### HISTORICAL PERFORMANCE

The HSCEI, MSCI Brazil and FTSE 100 represent the largest companies listed in the China, Brazil and the UK, respectively.

#### 5-Year Performance of HSCEI, MSCI Brazil and FTSE



Source: Morgan Stanley / Bloomberg, 17 February 2010. Past performance is no guide to future performance.

### KEY FEATURES

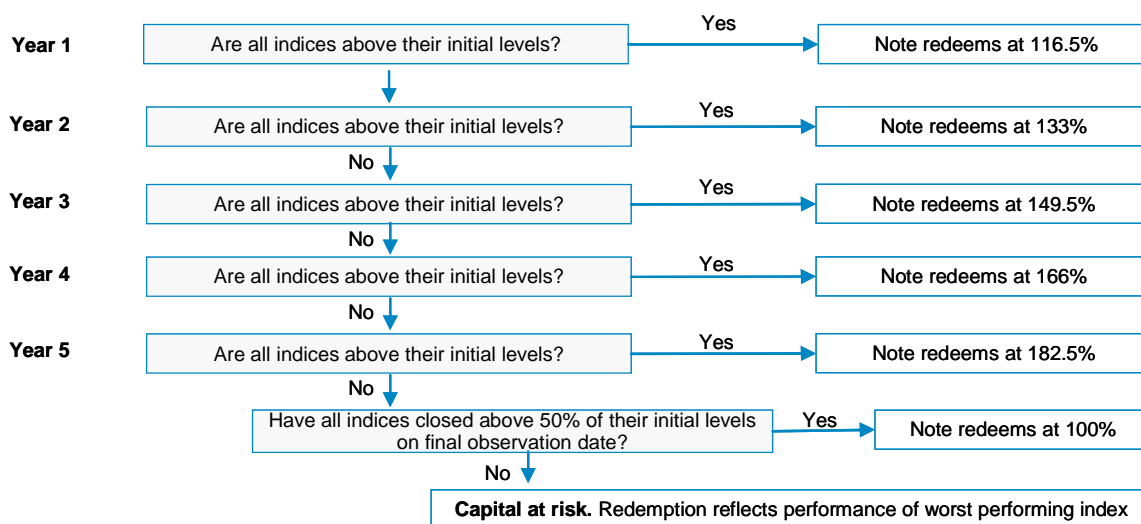
- Four opportunities for early redemption, with attractive annual growth of 16.5%
- Potentially timely investment opportunity given the relatively low valuation of the HSCEI, MSCI Brazil and FTSE 100 Indices
- Defensive outlook – capital is protected as long as none of the indices falls to or below 50% of its initial level on the final observation date
- Denominated in GBP

## KEY TERMS

Type	Morgan Stanley Note
ISIN	XS0509645312
Underlyings	Hang Seng China Enterprises Index (HSCEI) iShares MSCI Brazil Index Fund (EWZ US) FTSE 100 Index (UKX)
Currency	GBP
Maturity	5 years
Nominal Size	GBP 100 ("Par")
Pricing Date	18 June 2010
Issue/Settlement Date	25 June 2010
Anniversary Dates	Year 1: 20 June 2011 Year 2: 18 June 2012 Year 3: 18 June 2013 Year 4: 18 June 2014 Year 5: 18 June 2015
Final Index Level	Index level as of 18 June 2015

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## PAYOUT DIAGRAM



## INVESTMENT CONSIDERATIONS

- Credit Risk: The holder of the Notes will be exposed to the credit risk of the Issuer.
- Market Risk: The return on the Notes is linked to the performance of the underlying indices, the future performance of which cannot be guaranteed. In addition, there may be no correlation between economic and population growth in China and the performance of the underlying indices.
- Commodity Risk: Commodities can be volatile. Past performance is no guide to future performance.

- **Liquidity Risk:** The Notes will not be traded on an organized exchange. Although Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices (subject to internal policy and applicable laws and regulations), the liquidity of the Notes may be limited.
- **Exit Risk:** The secondary market price of the Notes will depend on many factors, including the value and volatility of the underlying indices, interest rates, the dividend rate on the stocks that comprise the equity index, time remaining to maturity and the creditworthiness of the Issuer. Prior to maturity, the holder may receive an amount which may be less than the amount the holder would have received on maturity of the Note.
- **Interest Risk:** Unlike ordinary debt securities, the Notes do not pay interest. The return of the Note will not compensate you for the effects of inflation and other factors relating to the value of money over time.
- The Notes offer partial capital protection. You could lose a portion of your initial investment.
- Investors do not receive any dividends paid to holders of shares in the underlying index.

**Potential investors should refer to the principal memorandum and supplemental memorandum for a description of the risk factors associated with this product.**

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