The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company’s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on 8-K, including any amendments thereto, which are available at www.morganstanley.com.

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management’s current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see “Forward-Looking Statements” immediately preceding Part I, Item 1, “Competition” and “Regulation” in Part I, Item 1, “Risk Factors” in Part I, Item 1A and “Certain Factors Affecting Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2005, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Quarterly Reports on Form 10-Q for the quarterly periods ended February 28, 2006 and May 31, 2006 and other items throughout the Form 10-K, Form 10-Qs and the Company’s 2006 Current Reports on Form 8-K.
## Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1</td>
<td>Strengths of MSIM Today</td>
</tr>
<tr>
<td>Section 2</td>
<td>MSIM Growth Strategy</td>
</tr>
</tbody>
</table>

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Section 1

Strengths of MSIM Today
MSIM Is a Key Business of Morgan Stanley

Net revenues
Fiscal year 2005=$26,778 million

Profit before taxes
Fiscal year 2005=$7,361 million

Asset Management

Profit before taxes
$ million

Pre-tax profit margin
MSIM MSIM excl. Private Equity

Return on average common equity
MSIM Morgan Stanley

1. Six months ended May 31

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MSIM Key Strengths

• Strong brand recognition
  – Morgan Stanley
  – Van Kampen

• Global footprint

• Scale

• Breadth of products

• Multiple channels of distribution

• Community of boutiques

• Full firm commitment and resources
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In June 2006, Pensions and Investments ranked Morgan Stanley #11 by worldwide assets.

MSIM’s strength is in traditional, actively managed investments.

### MSIM Has The Scale to Succeed

#### Top 20 money managers

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Money Manager</th>
<th>Traditional</th>
<th>Alternatives</th>
<th>Index</th>
<th>Assets ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Barclays Global</td>
<td>1513</td>
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<td>2</td>
<td>State Street Global</td>
<td>1439</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3</td>
<td>Fidelity Investments</td>
<td>1422</td>
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<td></td>
<td></td>
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<tr>
<td>4</td>
<td>Vanguard Group</td>
<td>864</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5</td>
<td>Legg Mason</td>
<td>858</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Capital Research</td>
<td>842</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>JPMorgan Asset Mgmt.</td>
<td>781</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mellon Financial</td>
<td>633</td>
<td></td>
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<tr>
<td>9</td>
<td>Deutsche Asset Mgmt.</td>
<td>618</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Northern Trust Global</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Morgan Stanley</td>
<td>594</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>PIMCO</td>
<td>581</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>UBS Global Asset Mgmt.</td>
<td>579</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>AllianceBernstein Instl</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>AIG Global Investment</td>
<td>537</td>
<td></td>
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<td>16</td>
<td>Merrill Lynch</td>
<td>531</td>
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<tr>
<td>17</td>
<td>Prudential Financial</td>
<td>523</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>ING</td>
<td>521</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>19</td>
<td>Wellington Mgmt.</td>
<td>496</td>
<td></td>
<td></td>
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<tr>
<td>20</td>
<td>Goldman Sachs Asset</td>
<td>496</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Total assets are from June 2006 Pensions and Investments, using year end 2005 data. Morgan Stanley assets reflect Morgan Stanley consolidated assets at fiscal year end 2005. Investment types, which are derived from June 2006 Pension and Investments and July 2006 Institutional Investors, are for comparison purposes.

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MSIM Organization 2006

**Internal**
- Head and CIO Global Equity
- Head and CIO Alternatives
- Head of Operations
- Two investment teams:
  - Defined Value team, Absolute Return Strategies
  - Structured Products and Derivatives team
- Pension Asset/Liability expertise
- Global Infrastructure sector expertise
- Senior U.S. Institutional sales professional

**External**
- CIO London Equity
- Two investment teams in Absolute Return Strategies
  - Process-Driven team
  - Global Mid-Cap Equity Market Neutral team
- Six investment professionals:
  - European Senior Loans
  - Alternative Investment Partners
  - Global Value
  - International Value
- Head of Morgan Stanley Funds Distribution
- Senior Middle East sales professional

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MSIM Product and Distribution Balance

• MSIM offers a broad array of traditional products and is increasing its offering of alternative products

• MSIM utilizes multiple channels of distribution globally leveraging the Morgan Stanley brand and resources where possible

May 31, 2006 Ending AUM/AUS = $440 billion

Asset Class

- Equity: 51%
- Fixed Income: 17%
- Money Market: 21%
- Alternatives: 20%
- Real Estate: 15%
- Unit Investment Trusts: 3%

Distribution

- Americas Retail-Morgan Stanley Branded: 22%
- Americas Retail-Van Kampen Branded: 20%
- Americas Intermediary: 20%
- U.S. Institutional: 15%
- Non-U.S.: 23%
## MSIM Offers Clients a Broad Product Array

### Key Product Type by Investment Group

<table>
<thead>
<tr>
<th>Global Equity</th>
<th>Global Fixed Income</th>
<th>Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dennis Shea, CIO</td>
<td>J. David Germany, CIO</td>
<td>Stuart Bohart, CIO</td>
</tr>
<tr>
<td>AUM=$241 billion (1)</td>
<td>AUM=$166 billion (1)</td>
<td>AUM=$20 billion (1)</td>
</tr>
<tr>
<td><strong>U.S. Equity</strong></td>
<td><strong>Global Fixed Income</strong></td>
<td><strong>Alternatives</strong></td>
</tr>
<tr>
<td>U.S. Small-, Mid-, Multi-, and Large-Cap Value</td>
<td>Core/Core Plus</td>
<td>Absolute Return Strategies (Hedge Funds)</td>
</tr>
<tr>
<td>U.S. Small-, Mid-, Multi-, and Large-Cap Growth</td>
<td>Long Duration</td>
<td>– Quantitative Equity Strategies</td>
</tr>
<tr>
<td>U.S. Large-Cap Core</td>
<td>Mortgage</td>
<td>– Fundamental Equity Strategies</td>
</tr>
<tr>
<td>Systematic Active Equity</td>
<td>Corporate</td>
<td>– Global Macro Strategies</td>
</tr>
<tr>
<td>Global REITs (U.S./European/Asian)</td>
<td>Targeted Duration</td>
<td><strong>Alternative Investment Partners</strong></td>
</tr>
<tr>
<td>Sector Funds</td>
<td>Intermediate Duration</td>
<td>– Fund of Hedge Funds</td>
</tr>
<tr>
<td><strong>Global/International Equity</strong></td>
<td><strong>Global Fixed Income</strong></td>
<td>– Fund of Private Equity Funds</td>
</tr>
<tr>
<td>International Value</td>
<td>High Yield</td>
<td>– Insurance Dedicated Fund of Hedge Funds</td>
</tr>
<tr>
<td>International Growth</td>
<td>Short Duration</td>
<td>– Portable Alpha</td>
</tr>
<tr>
<td>International Small-Cap</td>
<td><strong>Global Fixed Income</strong></td>
<td><strong>Senior Loans</strong></td>
</tr>
<tr>
<td>Global Emerging Markets</td>
<td>Emerging Markets Debt</td>
<td>– Fund of Hedge Funds</td>
</tr>
<tr>
<td>Global Core</td>
<td><strong>Global Fixed Income</strong></td>
<td><strong>Structured Products and Derivatives</strong></td>
</tr>
<tr>
<td>Global Small- and Large-Cap Value</td>
<td>Enhanced LIBOR</td>
<td><strong>Managed Futures</strong></td>
</tr>
<tr>
<td>Global Systematic Active Equity</td>
<td>Enhanced LIBOR</td>
<td><strong>Private Equity</strong></td>
</tr>
<tr>
<td>European</td>
<td>Enhanced Cash</td>
<td></td>
</tr>
<tr>
<td>Japan (Small-Cap, Value, Growth, Core)</td>
<td>Retail Money Markets</td>
<td></td>
</tr>
<tr>
<td>Asian (ex. Japan) and Pacific Basin</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Asset Allocation</strong></td>
<td><strong>Global Fixed Income</strong></td>
<td><strong>Unit Trusts</strong></td>
</tr>
<tr>
<td>Balanced Funds</td>
<td>Enhanced LIBOR</td>
<td><strong>Unit Investment Trusts</strong></td>
</tr>
<tr>
<td>Global Tactical Asset Allocation</td>
<td>Institutional Liquidity</td>
<td></td>
</tr>
<tr>
<td>– Fully Funded</td>
<td>Global/International</td>
<td></td>
</tr>
<tr>
<td>– Global Macro</td>
<td>Emerging Markets Debt</td>
<td></td>
</tr>
</tbody>
</table>

1. Ending AUM/AUS as of May 31, 2006

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# MSIM Utilizes a Multi-Channel Distribution Approach

## Core Distribution Channels

### Americas Retail - Morgan Stanley Branded
- Morgan Stanley Global Wealth Management
  - Financial Advisors
  - Private Wealth Management Representatives

### Americas Retail - Van Kampen Branded
- Broker Dealers
- Investment Advisors
- Banks
- Financial Planners

### Americas Intermediary
- Banks
- Intermediaries

### U.S. Institutional
- Consultants
- Corporations
- Public Plans
- Foundations/Endowments
- Insurance General Accounts/Financial Institutions

### Non-U.S.
- Consultants
- Corporations
- Public Plans
- Private Banks
- Intermediaries

## Customer Tiers

### Core Investment Vehicles/Products

#### Morgan Stanley Brand
- Mutual Funds
- Institutional Funds
- Affiliated Separately Managed Accounts
- Variable Annuities
- Alternative Investments

#### Van Kampen Brand
- Mutual Funds
- Variable Annuities
- Unit Investment Trusts
- Alternative Investments

#### Van Kampen Brand Sub-Advised
- Mutual Funds
- Platform Business
- External Separately Managed Accounts
- Variable Annuities
- Unit Investment Trusts

#### Morgan Stanley Brand
- Institutional Funds
- Liquidity Products
- Société d'Investissement à Capital Variable (SICAV) Funds

#### U.S. Institutional
- Separate Accounts
- Pooled Trust
- Liquidity Products
- Alternative Investments

#### Non-U.S.
- Separate Accounts
- Liquidities Products
- Société d'Investissement à Capital Variable (SICAV) Funds
- Alternative Investments

### Ending AUM/AUM

#### Americas Retail - Morgan Stanley Branded
- $96 billion

#### Americas Retail - Van Kampen Branded
- $90 billion

#### Americas Intermediary
- $87 billion

#### U.S. Institutional
- $98 billion

#### Non-U.S.
- $89 billion

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• Performance is key to driving growth
• On February 22rd, 2006, Barron’s annual ranking placed MSIM
  – 30th out of 65 fund families for 1-year performance
  – 24th out of 56 for 5-year performance
  – 4th out of 40 for 10-year performance
  – The 1-year rankings placed MSIM outpacing Vanguard, Franklin Templeton, JPMorgan and Putnam
• On July 5th, 2006, Wall Street Journal named seven MSIM funds as “Category Kings”:
  Large-Cap Growth
  – Morgan Stanley Institutional Focus Equity
  – Morgan Stanley Institutional U.S. Large Cap Growth
  – Morgan Stanley Growth Multicap Growth
  – Morgan Stanley Capital Opportunities
  – Morgan Stanley Aggressive Equity Pacific Region
  – Morgan Stanley Pacific Growth Real Estate
  – Morgan Stanley Institutional International Real Estate

MSIM Investment Performance
U.S. Mutual Funds Performance

% Long-Term Fund Assets Above Lipper Median

1 Year

Aug'05: 67%
Nov'05: 61%
Feb'06: 60%
May'06: 48%

3 Year

Aug'05: 59%
Nov'05: 71%
Feb'06: 61%
May'06: 63%

5 Year

Aug'05: 71%
Nov'05: 71%
Feb'06: 76%
May'06: 76%

% Rated Assets with Morningstar 4/5-Star Rating

Aug'05: 47%
Nov'05: 45%
Feb'06: 39%
May'06: 39%
Section 2

MSIM Growth Strategy
Growth Strategy

Our Strategy for Growth

- Increase value of Morgan Stanley’s Asset Management business
  - PBT growth
  - Multiple (P/E) expansion by demonstrating net sales and AUM growth
- Focus on revenue growth and diversification by investing in the business
  - People
  - Acquisitions
  - Infrastructure
- Leverage Morgan Stanley franchise and MSIM scale and positioning
- Enhance traditional product strength and build Alternatives
- Performance, performance, performance

Critical Initiatives

- Build alternatives capability
- Create new traditional products using existing capabilities and through lift-outs / acquisitions
- Expand non-U.S. footprint: distribution and products
- Invest in Van Kampen - Intermediary and Unit Investment Trusts growth
- Stem outflows of Morgan Stanley retail mutual funds
- Rebuild institutional reputation and business, particularly in the U.S.
Build a Much Broader Alternatives Capability

### What We Have
- The Alternative Investments group is composed of 4 distinct groups:
  - Absolute Return Strategies (ARS)
  - Alternative Investment Partners (AIP)
  - Senior Loans
  - Structured Products and Derivatives (SP&D)

### What We’ve Done

**First Quarter 2006**
- Internal transfer of Structured Products and Derivatives team
- Completed lift-out of Process-Driven Strategies team
- Launched / incubated 6 new alternative investment products

**Second Quarter 2006**
- Hired Stuart Bohart as the head and CIO of Alternatives
- Completed Oxhead Capital acquisition
- Internal transfer of Defined Value team
- Internal transfer of sector expertise to run the global infrastructure initiative (initiated June 2006)
- Launched Japanese Equities Market Neutral product
- Re-opened Traxis to new investors

### What We’re Doing

**Absolute Return Strategies**
- Continue efforts on lift-out / acquisitions, and minority stakes to build business

**Alternative Investment Partners**
- Expand AIP product line and introduce new funds
- Distribution focus on smaller mid-market and high net worth

**Senior Loans**
- Growth driven by client focused new products through introduction of funds, Collateralized Loan Obligations, Separately Managed Accounts

**Structured Products and Derivatives**
- Develop custom approaches to build structured products
- Introduce Liability Driven Investments

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Enhance Traditional Product Offerings
Through both Organic Launches and Bolt-on Acquisitions/Lift-Outs

**What We Have**
- Many top performing equity strategies at or near capacity
- Fixed Income products with improved performance, and capacity
- Good performing strategies building three year track records
- Product gaps in large asset gathering categories

**What We’ve Done**

- **First Quarter 2006**
  - Launched / incubated 5 new equity products

- **Second Quarter 2006**
  - Launched / incubated 8 new products
    - 7 Equity
    - 1 Fixed Income

**What We’re Doing**

**Organic launches**
- Leverage current talent pool to build out strong product pipeline

**Acquisitions / lift-outs**
- Targeted acquisitions / lift-outs to complement our existing product line

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Expand Non-U.S. Footprint

Distribution and products

What We Have

• $89 billion, or 20% of MSIM AUM/AUS is sourced from non-U.S.(1)

• MSIM is represented in 13 non-U.S. countries

• Outside of the U.S., portfolio managers are located in:
  – Europe
  – Japan
  – Singapore
  – India

What We’ve Done

First Quarter 2006
• Increased distribution focus on Alternatives

• Signed a global agreement with Merrill Lynch Global Private Client division to distribute MSIM products through Merrill Lynch’s International distribution network worldwide

Second Quarter 2006

Middle East
• Hired sales head
• Leveraging Firm’s Dubai office

China
• Dedicated sales hire
• Applied (and gained the approval in July 2006) for license to manage domestic Chinese equity products

What We’re Doing

Expand the footprint

• Asia
  – Korea
  – Australia
  – China
  – India

• Europe
  – Middle East
  – Switzerland

• Fill product gaps

• Explore new client opportunities: central banks and direct wholesaling

• Evaluate acquisitions in
  – Australia
  – China
  – Brazil
  – Korea
  – Taiwan

1. Total MSIM AUM/AUS of $440 billion as of May 31, 2006
Invest in Van Kampen - Intermediary and Unit Investment Trusts Growth

What We Have

• Vibrant $100+ billion fund and Unit Investment Trusts complex
  – 6th largest 3rd party fund sponsor
  – One of the fastest growing complexes over the last 4 years
  – 2nd largest Unit Investment Trusts sponsor
• Strong brand presence within broker community
• Established leader with distinguished capabilities in several key product areas: U.S. Large Cap Value / U.S. Moderate Allocation / High Yield Municipals / Senior Loans
• Leader in intermediary platform market
  – On 20 of top 25 annuity platforms
  – On 22 of top 25 Defined Contribution platforms
  – Attractive blend of run rate and takeover business flows

What We’ve Done

First Quarter 2006

• Launched Van Kampen International Growth Fund and Van Kampen Leaders Fund
• Introduced new retirement education and support materials
• Added Variable Insurance field sales professionals

Second Quarter 2006

• Launched Van Kampen Equity Premium Income
• Issued 14 new Unit Investment Trusts products
• Introduced new television advertising

What We’re Doing

• Increase resources for high growth / margin businesses:
  – Defined Contribution:
    Doubling field sales force
  – Unit Investment Trusts:
    38% increase in field sales force
• Expand product offering to add diversity
  – International & Global
  – Closed End Funds
  – Income Oriented products
  – Retail Separately Managed Account strategies
• Position Van Kampen to take advantage of retirement markets from a product and distribution standpoint

1. AUM/AUS as of May 31, 2006
2. Source: Strategic Insights, May 2006
4. Source: VARDS, 4th quarter 2005
5. Source: Pensions and Investments, June 2005

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Stem Outflows of Morgan Stanley Retail Mutual Funds

**What We Have**
- Morgan Stanley Advisors funds (excluding Money Market and Closed End) represents 7% of total MSIM AUM/AUS \(^{(1)}\)
- Favorable market share in Morgan Stanley Global Wealth Management Group (GWMG)
- Outflows in Morgan Stanley Advisor products

**What We’ve Done**
- **First Quarter 2006**
  - Deployed a new client focused field coverage model
  - Assigned dedicated internal and external wholesalers to distributing Morgan Stanley Funds in Morgan Stanley GWMG

- **Second Quarter 2006**
  - Hired the head of Morgan Stanley Funds Distribution
  - A newly created position to focus on the Morgan Stanley-branded funds

**What We’re Doing**
- Preserve favorable market share in Morgan Stanley GWMG
- Actively pursue third party distribution of Morgan Stanley Funds in 401(K), financial planner, and Registered Investment Advisor communities
- Develop distinctive Morgan Stanley fund offering
  - Launch distinctive new products
  - Rationalize existing product line

---

1. Total MSIM AUM/AUS of $440 billion as of May 31, 2006

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Rebuild Institutional Reputation and Business, Particularly in the U.S.

What We Have

- $187 billion in AUM, 43% of MSIM total (1)
- MSIM covers over 100 consulting firms
- Manages assets for 20 of the top 50 U.S. Pension funds, 56 of the top 200 U.S. Pension funds (2)

What We’ve Done

**First Quarter 2006**
- Launched / incubated 9 new products within the channel
- Conducted road shows with consultants and clients

**Second Quarter 2006**
- Launched / incubated 9 new products within the channel
- Internal transfer of Pension Asset / Liability management expertise
- Senior management meetings and road shows with consultants and clients
- Hosted the annual investment roundtable of industry thought leaders (Lyford Cay Conference)

What We’re Doing

**Client**
- Communicate MSIM story to clients and consultants
- Form Institutional Client Solutions Group
- Leverage client service

**People**
- Hire US Institutional leader
- Hire additional salespeople

**Product**
- Develop products to address client needs
- Enhance ability to place alternatives
- Communicate Fixed Income turnaround story
- Retain clients in International Value Equity products

---

1. As of May 31, 2006
2. Source: P&I Databook, January 23, 2006. It includes Corporate and Public Funds

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Summary: Measuring Our Progress

**First Year**
- Business Investment
  - New management team
  - Filled leadership gaps
  - Reorganized business by product and client segment
  - Bottom up business plan
  - Seeded new products
  - Built infrastructure
  - Actively pursued new talent to manage money
  - Opened lines of communication

**Two to Three Years**
- Gaining Traction
  - Positive flows
  - More complete traditional product offering
  - Improved margin
  - Completion of several acquisitions
  - Multiple direct hedge fund strategies
  - Restructured Morgan Stanley Advisor Fund family

**Three to Five Years**
- Results
  - Leader in the asset management business with a reputation for excellent performance, innovative products and superior client service
# Measuring Our Performance: Key Success Metrics

<table>
<thead>
<tr>
<th>FY 2005 Results</th>
<th>Aspiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Net revenues</td>
<td>$2.9 billion</td>
</tr>
<tr>
<td>• Pre-tax margin</td>
<td>35% (incl. Private Equity)</td>
</tr>
<tr>
<td></td>
<td>29% (excl. Private Equity)</td>
</tr>
<tr>
<td>• Assets Under Management</td>
<td>$431 billion</td>
</tr>
<tr>
<td>• Net Flows</td>
<td>($19) billion</td>
</tr>
<tr>
<td>• FY New products launched</td>
<td>3</td>
</tr>
<tr>
<td>• Retail Product Performance</td>
<td></td>
</tr>
<tr>
<td>– % of Morningstar rated assets in 4/5 star funds</td>
<td>45%</td>
</tr>
</tbody>
</table>

1. Full Year ended November 30, 2005