Notice

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 on 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, “Legal Proceedings” in Part I, Item 3, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 and “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of the Company’s Annual Report on Form 10-K for the fiscal year ended November 30, 2006, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk” in the Company’s Quarterly Report on Form 10-Q for the Quarter Ended February 28, 2007 and other items throughout the Form 10-K and the Company’s 2007 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.
Morgan Stanley Investment Management

• Overview
• Growth Strategy and Critical Initiatives
• Real Estate
• Private Equity
• Non-U.S. Business
• Measuring Our Progress
The Right People in the Right Place

Owen Thomas
President, MSIM

Gil Caffray
Vice Chairman

Joanne Pace
Chief Operating Officer

Investments
Dennis Shea
Head and CIO, Global Equity

David Germany
Head and CIO, Global Fixed Income

Stuart Bohart
Head and CIO, Alternatives

Jay Mantz
Steve Trevor
Co-Heads, Merchant Banking

Americas Distribution
Michael Kiley
Head, Americas Retail and Intermediary Distribution

Daniel Waters
Head, U.S. Institutional Advisory Group

Non-Americas
Jim Dilworth
Head, MSIM EMEA

Blair Pickerell
(joins in June 2007)
Head, MSIM Asia

Kenneth Winston
Head, Global Risk and Analysis

Yie-Hsin Hung
Head, Global Strategic Acquisitions and Alliances

Real Estate
Private Equity
Infrastructure

New to role since November 2006
Adjusted 1Q 2007 Ending AUM/AUS = $521 billion

Asset Category (1)
- Equity: 16%
- Money Markets: 16%
- Fixed Income: 18%
- Alternatives: 3%
- Unit Trusts: 16%

Distribution (2)
- Americas Retail – Van Kampen Brand: 22%
- Americas Retail – Morgan Stanley Brand: 19%
- Americas Intermediary: 19%
- U.S. Institutional: 19%
- Non-U.S.: 19%

Source: Morgan Stanley
Notes:
(1) Alternatives includes alternatives, real estate, and share of minority interest assets previously disclosed on page 11 of Morgan Stanley’s 1Q07 Financial Supplement, as well as real property assets under management net of the debt utilized to finance such assets. These assets were previously managed within Institutional Securities and disclosed on a gross basis (including debt) in Morgan Stanley’s consolidated assets under management on page 12 of Morgan Stanley’s 1Q07 Financial Supplement.
(2) Sourced assets under management by distribution channel include institutional money markets/liquidity and retail money market assets.
MSIM Growth Strategy

**Investment in the Business**
- People
- Acquisitions
- Infrastructure

**Leverage Morgan Stanley**
- Brand
- Global franchise
- Clients

**Product Strategy**
- Expand Alternatives
- Enhance traditional products

**Leverage MSIM**
- Scale
- Distribution
- Van Kampen Brand

**Value Improvement**
- PBT Growth
- Multiple (P/E) Expansion

**Improve Performance**
- Community of boutiques
- Product rationalization
- New talent

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MSIM Critical Initiatives

- Build Merchant Banking business
  - Real Estate Funds
  - Private Equity and Infrastructure
- Expand non-U.S. footprint
- Expand Alternatives capability
- Rebuild U.S. Institutional reputation and business
- Expand traditional products
  - Equity and Fixed Income
- Invest in Van Kampen and Americas Intermediary channels
- Reposition Morgan Stanley retail brand
Real Estate – Market Opportunities

Real estate investments offer:
- Strong historic and anticipated total returns
- Favorable risk-adjusted returns – high and stable income returns
- Protection against unexpected inflation
- Reduced overall portfolio risk through diversification
  - Low correlation to stocks and bonds

Real estate industry opportunities:
- Continued healthy flows
- Globalization

Current Global Commercial Real Estate Value
Estimated $20 trillion

- U.S. 33%
- Europe 35%
- Asia 19%
- Other 13%

U.S. Industry Returns by Asset Class
Annual Total Return 1986 – 2006 (%)

- Real Estate Securities: 8%
- Real Properties: 13%
- Stocks: 12%
- Bonds: 7%

Source: Morgan Stanley
Real Estate – What We Have

- Leading global real estate franchise
- Full array of products and strategies
- 25 offices globally: 600+ professionals
- Diverse investor base
- Significant deal sourcing from Morgan Stanley Investment Banking
- Real estate securities and real property businesses have complementary skills

**MSIM Real Estate AUM ($billion)**

![Chart showing MSIM Real Estate AUM from 2004 to 1Q07 with a CAGR of 55%](chart.png)

- 2004: Real Estate Securities 9, Real Properties 18
- 2005: Real Estate Securities 12, Real Properties 24
- 2006: Real Estate Securities 22, Real Properties 40
- 1Q07: Real Estate Securities 27, Real Properties 48

**Notes:**

(1) Real property assets under management are presented net of the debt utilized to finance such assets. These assets were previously managed within Institutional Securities and were disclosed on a gross basis (including debt) in Morgan Stanley’s consolidated assets under management on page 12 of Morgan Stanley’s 1Q07 Financial Supplement.

Source: Morgan Stanley

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Real Estate – What We Have

Return Parameters

Core
- Prime Property Fund
  - US 1995 - Present
  - International 1997 - Present
  - Global 2005 - Present
- MSIF Fund (KAG) 2005 - Present
- SICAV Funds
  - US 1995 - Present
  - Europe 1997 - Present
  - Asia 1997 - Present
  - Global 2006 - Present
- Separate Accounts
  - US 1995 - Present
  - International 1997 - Present
  - Global 1998 - Present
- Global Best Ideas 2005 - Present

Public Securities
- MSIF Fund
  - US 1995 - Present
  - International 1997 - Present
  - Global 2006 - Present
- SICAV Funds
  - US 1995 - Present
  - Europe 1997 - Present
  - Asia 1997 - Present
  - Global 2006 - Present
- Separate Accounts
  - US 1995 - Present
  - International 1997 - Present
  - Global 1998 - Present
- Global Best Ideas 2005 - Present

Value-Added
- Separate Accounts 1990 - Present
- Other Funds 1994 - Present

Opportunistic
- MSREF Domestic 1991 - Present
- MSREF International 1997 - Present
- MSREF Related Accounts 2006 - Present
- CWG Separate Accounts 2004 - Present
- Special Situations Europe 2001 - Present
- Asia 1997 - Present

Morgan Stanley

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Real Estate – What We Are Doing

**Record capital raised**
- High uptake among existing and new investors
- Increased global interest in core products
- Increased focus on international investment vehicles
- Capital being deployed more quickly
- New products

**Global investment focus**
- Valuation opportunities in Germany and Japan
- Emerging market opportunities to develop and monetize real estate assets
- Opportunities in assets with high barriers to entry (offices in gateway cities, upscale urban and resort hotels)
- Opportunities driven by demographic trends in U.S.
- Public to private opportunities in U.S.
LBO Transaction Volume
U.S. and Europe
($billion)

Source: S&P Leveraged Buyout Review (US) 4Q 2006
S&P LCD European Leveraged Buyout Review 4Q 2006

- LBOs are at record volumes and in
  2006 accounted for approximately
  25% of U.S. M&A activity

- Record $221 billion raised in 2006
  - Fueled by strong returns

- Average private equity fund size has
grown

- Higher price transactions
  - Fueled by robust leveraged
    finance markets and benign credit
    environment

- Private equity has become
  increasingly active in emerging
  markets (e.g. Asia)
Private Equity – What We are Doing

• Morgan Stanley has a competitive advantage in sourcing transactions
  – Investment bankers in every major market
  – Deep vertical expertise in 14 industries
• Global distribution capabilities through institutional and high net worth relationships

Private Equity
• Leadership in place
• Strong existing Asia business
• Building out team
• Building out investment pipeline

Infrastructure
• Leadership in place
• Built out team
• Made two investments: Chicago Downtown Public Parking System, Montreal Gateway Terminals
Non-U.S. – Market Opportunities

Estimated AUM Growth Rate by Selected Country
Mutual Funds AUM CAGR 2005-2010 (%)

Global Asset Management Industry
Average = 8%


Morgan Stanley
Non-U.S. – Market Opportunities

Global Industry Sourced AUM
2007 estimate = $50 trillion

- U.S.: 52%
- Europe: 31%
- Asia: 11%
- Other: 6%
- Non-U.S.: 48%


MSIM Sourced AUM
1Q07 Total AUM = $521 billion

- U.S.: 78%
- Non-U.S.: 22%

Source: Morgan Stanley

Notes:
(1) Sourced assets under management include real property assets on a net basis previously managed within Institutional Securities and disclosed on a gross basis (including debt) in Morgan Stanley’s 1Q07 Financial Supplement, as well as institutional money markets/liquidity and retail money market assets.

Morgan Stanley
Non-U.S. – What We Have

MSIM’s Global Footprint:
~3,900 employees, 850+ investment professionals, 34 offices in 20 countries

As of December 31, 2006.

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Non-U.S. – What We Are Doing

- Continue filling product gaps through acquisitions/lift-outs and building teams

- In mature markets, distribute global products through strong existing institutional and intermediary platforms

- In high growth markets, develop local platforms to distribute local products:
  - Exploring possibilities in China, Taiwan, and Brazil
  - New J.V. in Saudi Arabia and presence in Dubai
  - Building domestic business in India

- Leverage Morgan Stanley global franchise and relationships to generate new business

- Capitalize on opportunity offered by governments/pension funds diversifying holdings
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MSIM First Quarter 2007 Highlights (1)

- The second consecutive quarter with positive net flows
- AUM/AUS reached $500 billion
- FrontPoint Partners made a meaningful contribution to 1Q 2007 results

Launched / Incubated new products:
- 12 Alternative
- 5 Equity
- 4 Fixed Income

<table>
<thead>
<tr>
<th>Net Flows ($billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6.9)</td>
</tr>
<tr>
<td>(5.6)</td>
</tr>
<tr>
<td>(1.5)</td>
</tr>
<tr>
<td>2.6</td>
</tr>
<tr>
<td>4.3</td>
</tr>
<tr>
<td>1Q06</td>
</tr>
<tr>
<td>2Q06</td>
</tr>
<tr>
<td>3Q06</td>
</tr>
<tr>
<td>4Q06</td>
</tr>
<tr>
<td>1Q07</td>
</tr>
</tbody>
</table>

Source: Morgan Stanley SEC Filings

<table>
<thead>
<tr>
<th>Assets Under Management / Supervision ($billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>442</td>
</tr>
<tr>
<td>440</td>
</tr>
<tr>
<td>448</td>
</tr>
<tr>
<td>478</td>
</tr>
<tr>
<td>500</td>
</tr>
<tr>
<td>1Q06</td>
</tr>
<tr>
<td>2Q06</td>
</tr>
<tr>
<td>3Q06</td>
</tr>
<tr>
<td>4Q06</td>
</tr>
<tr>
<td>1Q07</td>
</tr>
</tbody>
</table>

Source: Morgan Stanley SEC Filings

Notes:
(1) Excludes migration of real property business from Institutional Securities to MSIM.
# Measuring Our Progress

<table>
<thead>
<tr>
<th>First Year</th>
<th>Business Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ New management team</td>
<td></td>
</tr>
<tr>
<td>✔ Fill leadership gaps</td>
<td></td>
</tr>
<tr>
<td>✔ Reorganize business</td>
<td></td>
</tr>
<tr>
<td>✔ Bottom-up business plan</td>
<td></td>
</tr>
<tr>
<td>✔ Complete several team acquisitions, lift-outs and minority stakes</td>
<td></td>
</tr>
<tr>
<td>✔ Build foundation for Alternative business</td>
<td></td>
</tr>
<tr>
<td>✔ Re-enter the Private Equity business</td>
<td></td>
</tr>
<tr>
<td>✔ Build out Infrastructure business</td>
<td></td>
</tr>
<tr>
<td>✔ Seed new products</td>
<td></td>
</tr>
<tr>
<td>✔ Build MSIM infrastructure</td>
<td></td>
</tr>
<tr>
<td>✔ Open lines of communication</td>
<td></td>
</tr>
<tr>
<td>✔ Margin pressure</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Two to Three Years</th>
<th>Gaining Traction</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Continue to attract high-quality talent</td>
<td></td>
</tr>
<tr>
<td>✔ Positive flows</td>
<td></td>
</tr>
<tr>
<td>• More complete traditional product offering</td>
<td></td>
</tr>
<tr>
<td>• Continue to selectively pursue acquisitions, minority stakes, lift-outs and alliances, particularly outside the U.S.</td>
<td></td>
</tr>
<tr>
<td>✔ Increasing number of hedge fund and private equity strategies</td>
<td></td>
</tr>
<tr>
<td>• Revitalize Morgan Stanley Advisor Fund family</td>
<td></td>
</tr>
<tr>
<td>• Rationalize current fund product offerings</td>
<td></td>
</tr>
<tr>
<td>• Initial margin pressure followed by improvement</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Three to Five Years</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Industry leader</td>
<td></td>
</tr>
<tr>
<td>• Improving performance</td>
<td></td>
</tr>
<tr>
<td>• Innovative products</td>
<td></td>
</tr>
<tr>
<td>• Superior client service</td>
<td></td>
</tr>
<tr>
<td>• First choice for clients</td>
<td></td>
</tr>
<tr>
<td>• Competitive fund flows</td>
<td></td>
</tr>
<tr>
<td>• Competitive PBT margin</td>
<td></td>
</tr>
<tr>
<td>• Enhanced value for Morgan Stanley shareholders</td>
<td></td>
</tr>
</tbody>
</table>
### Key success metrics

<table>
<thead>
<tr>
<th></th>
<th>FY 2006</th>
<th>1Q07</th>
<th>Aspiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY Net Revenue Growth (%)</td>
<td>(5%)</td>
<td>28%</td>
<td>Double-digit growth</td>
</tr>
<tr>
<td>Pre-tax Margin (%)</td>
<td>26%</td>
<td>26%</td>
<td>25-30%</td>
</tr>
<tr>
<td>Assets Under Management ($billion)</td>
<td>478</td>
<td>500</td>
<td>600+</td>
</tr>
<tr>
<td>Net Flows ($billion)</td>
<td>(11)</td>
<td>4</td>
<td>Strong and competitive positive flows</td>
</tr>
<tr>
<td>New Products Launched</td>
<td>58</td>
<td>21</td>
<td>~30 (FY)</td>
</tr>
<tr>
<td>Retail Product Performance: % of Morningstar-rated Assets in 4- and 5-star funds</td>
<td>39</td>
<td>38</td>
<td>50+</td>
</tr>
</tbody>
</table>

Source: Morgan Stanley SEC Filings and Earning Releases, Morningstar

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Notes:

(1) Excludes migration of the real property business from Institutional Securities to MSIM.