

## MS NEZU CYCLICALS JAPAN UCITS FUND

A SUB-FUND OF FUNDLOGIC ALTERNATIVES PLC, AN IRISH UCITS FUND

## FUND OBJECTIVE AND INVESTMENT STRATEGY

MS Nezu Cyclical Japan UCITS Fund ("the Fund") seeks to generate long term positive returns through investment in Asian equity and equity related securities with a primary focus on Japanese cyclical sector equities.

The investment process utilizes extensive company and industry level research to develop views on the relative attractiveness of many different cyclical sectors and stocks. Cyclical sectors include (i) manufacturing sectors such as basic materials, resources, autos, machinery, semiconductors, electronic components and precision equipment and (ii) non-manufacturing sectors, such as advertising or airlines.

The Fund seeks to generate performance by identifying turning points in production, inventory and pricing cycles and by determining the equities it anticipates will win and lose as a result of these trends.

The Fund is supported by strong infrastructure for reporting and risk management. The risk management process combines both qualitative and quantitative inputs. Prudent guidelines, driven by decades of experience, work to manage exposure, concentration and liquidity risks, and are further informed by stress tests and scenario modelling. Multi-factor modelling of the portfolio helps to identify potential factor risks and mismatches, which are then controlled and balanced to maximize the generation and impact of stock selection sourced alpha.

## INVESTMENT MANAGERS

The MS Nezu Cyclical Japan UCITS Fund has appointed as investment managers Nezu Asia Capital Management Limited ("Nezu Hong Kong") and Nezu Asia Capital Management (Singapore) Pte. Ltd ("Nezu Singapore"), together the "Nezu Group".

The Nezu Group was established in 2000 and has 47 employees globally. In the aggregate, among all its strategies, the Nezu Group manages approximately US\$1.75 billion as of 1 September 2014.

HISTORICAL MONTHLY RETURNS <sup>1</sup>

|                         | Jan | Feb | Mar | Apr | May | Jun | Jul *  | Aug    | Sep    | Oct    | Nov | Dec | YTD*  |
|-------------------------|-----|-----|-----|-----|-----|-----|--------|--------|--------|--------|-----|-----|-------|
| 2014                    |     |     |     |     |     |     |        |        |        |        |     |     |       |
| Nezu - Share H-EUR      | -   | -   | -   | -   | -   | -   | -0.20% | 2.25%  | 2.15%  | -0.88% |     |     | 3.32% |
| MSCI Asia Pacific Index |     |     |     |     |     |     | 2.15%  | -0.24% | -0.90% | 1.99%  |     |     | 3.00% |
| TOPIX Index             | -   | -   | -   | -   | -   | -   | 1.27%  | -0.89% | 3.78%  | 0.56%  |     |     | 5.93% |

Sources: Bloomberg. The above figures refer to the past. Past performance is not a reliable indicator of future results. Performance is quoted net of fees and based on unaudited figures.

\* For 2014, July 2014 and YTD performances are from 21<sup>st</sup> July, 2014.

INVESTMENT MANAGER COMMENTARY <sup>2</sup>

The Fund lost -0.88% (net, EUR feeder class) in October.

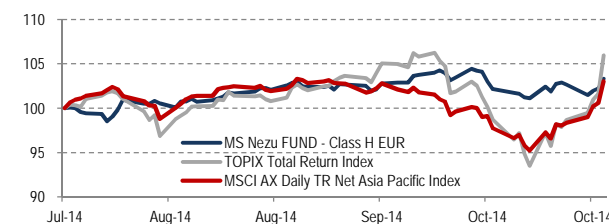
We lost money in Japan and Singapore, offset somewhat by gains in Hong Kong. We generated a negative ROI spread overall, with Japan accounting for the bulk of this. Our biggest losers in the month included Mazda (7261 JP), Ezion (EZI SP), Modec (6269 JP) and Komori (6349 JP). One common theme is that our offshore exploration names suffered (unsurprisingly) as oil prices tanked. On the positive side, a number of our shorts in overvalued dividend plays in Japan generated good returns. On the long side, our biggest winners were Leoplace (8848 JP), China CNR (6199 HK), one of the leading Chinese rolling stock producers and CyberAgent (4751 JP), a top internet advertising agency.

Outlook:

All's well that ends well? With the rip in risky assets over the last few weeks, it is hard to believe that Topix was down over 11% MTD in mid-October. Still it is worth recalling what caused equity markets to drop sharply last month: weaker global economic data, Ebola pandemic fears, doubts as to whether the BoJ and the ECB would increase their stimulus programs and in the Japan context, whether the next sales tax hike would be finalized and indeed whether Prime Minister Abe would be able to hold onto power.

## FUND CHARACTERISTICS

|                                    |   |
|------------------------------------|---|
| Inception Date                     | 21 <sup>st</sup> July, 2014   |
| Total Assets (USD)                 | \$ 74 Million   |
| Base Currency                      | JPY   |
| Domicile                           | Ireland   |
| Passporting Status (Registered in) | GB, DE, ES, FR, IT, CH and AU   |
| Legal Structure                    | An Open-Ended Investment Company (OEIC)   |
| Dealing Day                        | Weekly. Every Friday (except legal public holidays in the UK, Japan or Ireland or days on which the stock markets in London or Tokyo are closed)                |
| Subscription/ Redemption notice    | 12 midday Irish time, 2 business days prior to the relevant dealing day for subscriptions and 3 business days prior to the relevant dealing day for redemptions |
| Settleme                           | Subscription: Dealing Day +2<br>Redemption: Dealing Day +5  |
| Currency Classes Available         | USD / EUR / GBP   |
| Investment Manager                 | Nezu Asia Capital Management Limited ("Nezu Hong Kong") and Nezu Asia Capital Management (Singapore) Pte. Ltd ("Nezu Singapore")                                |
| Promoter & Distributor             | Morgan Stanley & Co International plc   |
| Custodian                          | Northern Trust Fiduciary Services (Ireland) Ltd   |
| Administrator                      | Northern Trust International Fund Administration Services (Ireland) Ltd   |
| Auditor                            | Ernst & Young   |

PERFORMANCE <sup>1</sup>

Sources: Bloomberg.

The above figures refer to the past. Past performance is not a reliable indicator of future results.

By and large most of these risks seem less pressing today. US, European and Japanese PMI and/or IP data have improved sequentially. There are some signs that multi-national efforts have begun to stem the spread of Ebola and indeed in Japan, the two major issues, i.e. BoJ action and the sales tax hike, have been settled. Kuroda's second round of Shock and Awe has spurred another wave of yen devaluation and a pop in equity markets, while media reports would have Abe's mind all but settled on an 18 month delay in the tax hike. While the best macro minds had spent the last few months focused on handicapping the permutations of the sales tax and BoJ actions, doubt has largely been removed from these outcomes. Further, with the rising odds of a snap election in early December, the Abe administration is likely to consolidate its power, extending the horizon of political stability.

So what now? Over the short term, it's hard to see what is likely to derail markets in a seasonally strong period for equity returns. Still, markets have rebounded sharply off of their mid-October lows, so there is scope for a mild correction or cooling off. Compared to the October swoon where we saw a great deal of multiple contraction, during this leg up, multiples have largely expanded rather than the earnings outlook improving dramatically. Consequently, we see less value out there and in some instances, we need to base target prices on FY15 earnings to posit upside. Using FY15 numbers is not implausible given the month, though in the Japanese fiscal year context (April-March), it is a bit more of a stretch. So we remain broadly constructive on the market but are intently focused on where value resides.

<sup>1</sup> Index information is included for illustration purposes only and is not intended to imply that the portfolio was similar to any index either in composition or element of risk. The index performance is adjusted to match MS NEZU CYCLICALS JAPAN UCITS Fund valuation period.

<sup>2</sup> Information sourced from Nezu Asia Capital Management Limited and Nezu Asia Capital Management (Singapore) Pte. Ltd, and mirrors the opinion and expectations of Nezu only. It is not agreed with Morgan Stanley and may not mirror Morgan Stanley's views.

**FOR BUSINESS AND PROFESSIONAL INVESTORS ONLY AND NOT TO BE USED WITH THE GENERAL PUBLIC.** Applications for shares in any sub-fund of the FundLogic Alternatives plc (the "Fund") should not be made without first consulting the Fund's current Prospectus, KIID, Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which are available free of charge from Morgan Stanley & Co International plc. This information has been prepared solely for information purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. Please refer to important information at the end of this document.

### TOP HOLDINGS<sup>3</sup>

| TOP 5 LONGS                  |          |
|------------------------------|----------|
| COMPANY / SECTOR             | % of NAV |
| MAZDA MOTOR CORPORATION      | 8.4%     |
| TOYO TIRE & RUBBER CO., LTD. | 8.0%     |
| SEIKO EPSON CORPORATION      | 6.4%     |
| ISUZU MOTORS LIMITED         | 6.1%     |
| LEOPALACE21 CORPORATION      | 5.1%     |
|                              | 34.1%    |

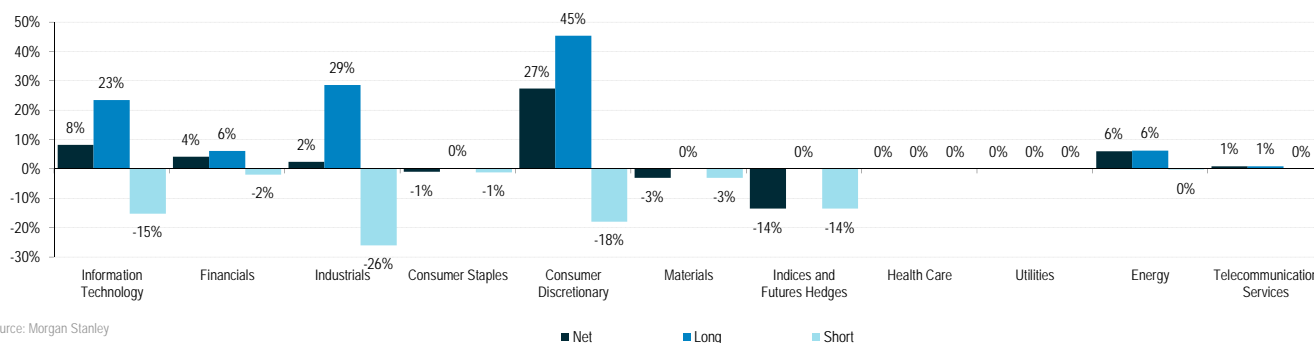
Source: Morgan Stanley

### RISK METRICS<sup>4</sup>

| EXPOSURE AND RISK SUMMARY          |          |
|------------------------------------|----------|
|                                    | % of NAV |
| Long Exposure                      | 111%     |
| Short Exposure                     | -79%     |
| Gross Exposure                     | 190%     |
| Net Exposure                       | 31%      |
| Annualised Volatility <sup>5</sup> | 7.9%     |
| Relative VaR <sup>7</sup>          | 0.87     |
| Number of Positions                |          |
| No. of Longs                       | 82       |
| No. of Shorts                      | 59       |

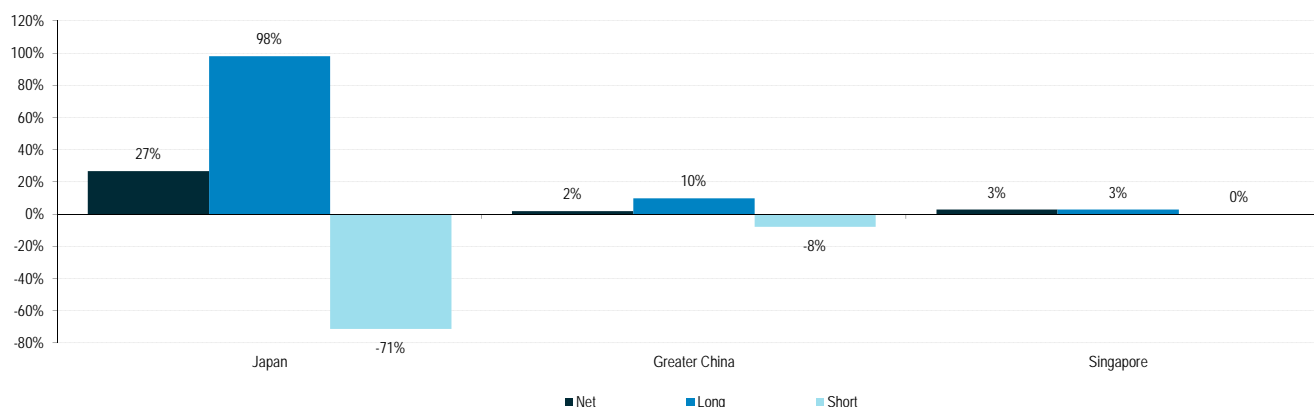
Source: Morgan Stanley

### SECTOR ANALYSIS<sup>4</sup>



Source: Morgan Stanley

### GEOGRAPHIC ANALYSIS<sup>4</sup>



Source: Morgan Stanley

<sup>3</sup> Month-end data used. Exposure is delta adjusted, excludes market hedges

<sup>4</sup> Month-end data used. Exposure is delta adjusted, includes market hedges

<sup>5</sup> Indicative values as insufficient data points for statistical calculations. The volatility is computed as the standard deviation of the daily returns

<sup>6</sup> Mega Cap (>= USD 20 billion); Large Cap (>= USD 5 billion, < USD 20 billion); Mid Cap (>= USD 1 billion, < USD 5 billion); Small Cap (> 0, < USD 1 billion)

<sup>7</sup> Var 99% - 20 days computed against the Topix Index as benchmark.

## FUND SHARE CLASS DETAILS

|         | Share Class |            |             | Performance |        |     |       | Identifiers  |         |         | Fees |       |                  |
|---------|-------------|------------|-------------|-------------|--------|-----|-------|--------------|---------|---------|------|-------|------------------|
|         | Ccy         | Min Inv    | Launch Date | NAV         | MTD    | YTD | LTD   | ISIN         | BBG     | SEDOL   | Mgmt | Perf. | TER <sup>9</sup> |
| Class H | EUR         | 30,000,000 | 21-Jul-14   | 1033.20     | -0.88% | -   | 3.32% | IE00BNB7LZ22 | MSNCJHE | BNB7LZ2 | 1.0% | 20%   | 1.4%             |
| Class S | EUR         | 1,000,000  | 05-Sep-14   | 1008.86     | -0.89% | -   | 0.89% | IE00BNB7M042 | MSNCJSE | BNB7M04 | 1.0% | 20%   | 1.4%             |

<sup>8</sup> Class S Shares (EUR/ USD/ GBP) are seed investment share classes and therefore it is expected that such Shares will only be available for subscription until such time as the net assets of the sub-fund reach \$50 million, or such other amount as may be determined by the Directors from time to time in their absolute discretion.

<sup>9</sup> Total Expense Ratio includes Management Fees and Promoter fees. This figure may vary from year to year.

Source: Morgan Stanley. NAV are computed by Northern Trust.

## IMPORTANT INFORMATION

This document has been prepared by Morgan Stanley & Co International plc as a marketing document to inform Professional Investors and Eligible Counterparts about certain matters concerning the Fund. It has been prepared solely for informational purposes and does not seek to make any recommendation to buy or sell any particular security (including Shares in the Fund) or to adopt any specific investment strategy. Any use of this document by a financial intermediary is restricted to clients for whom the information in this document and an investment in Shares of the Fund has been considered to be suitable by that financial intermediary in view of that client's situation and purpose, subject always to the applicable regulatory standard. If such a client considers an investment in Shares of the Fund, she/he should always ensure that she/he has satisfied herself/himself that she/he has been properly advised by that financial intermediary about the suitability of an investment.

This financial promotion has been issued and approved in the UK by Morgan Stanley & Co International plc, 25 Cabot Square, Canary Wharf, London E14 4QA, authorized and regulated by the Financial Conduct Authority, for distribution to Professional Clients or Eligible Counterparties only and must not be relied upon or acted upon by Retail Clients (each as defined in the UK Financial Conduct Authority's rules). All of the information contained in this document relating to Nezu Asia Capital Management Limited, Nezu Asia Capital Management (Singapore) Pte. Ltd. and the MS Nezu Cyclical Japan UCITS Fund, LLC. (the "Nezu Information") is communicated by: (i) Nezu Asia Capital Management Limited ("Nezu Hong Kong"), LLC, a company incorporated under the laws of Hong Kong, with its principal office at 22nd Floor, 8 Queen's Road Central, Hong Kong, registered as an investment adviser with the US Securities and Exchange Commission as an investment adviser under IARD/CRD 161506 and regulated by with the Hong Kong Securities and Futures Commission under Registration No. AKY946, and (ii) Nezu Asia Capital Management (Singapore) Pte. Ltd ("Nezu Singapore") and together with Nezu Hong Kong, the "Investment Managers") a private limited company incorporated under the laws of Singapore, with its principal office at 3 Church Street, #27-03, Samsung Hub, Singapore 049483, registered with the US Securities and Exchange Commission as an investment adviser under IARD/CRD 162310 and licensed by the Monetary Authority of Singapore as a capital markets services license holder for fund management. While the board of the Fund has overall responsibility for monitoring of the investment objective, policy and performance of the Fund, Morgan Stanley & Co International plc disclaims any and all liability relating to the Nezu Information, including, without limitation, any express or implied representations or warranties for statements or errors contained in, and omissions from, the Nezu Information.

Applications for shares in any sub-fund of the FundLogic Alternatives plc (the "Fund") should not be made without first consulting the Fund's current Prospectus, Key Investor Information Document, Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which are available free of charge at the address above. The Offering Documents contain material information not contained herein. In particular, the Prospectus contains details relating to the terms of investment and information regarding investment risks and conflicts of interest. Any representation to the contrary is not permitted. In the event of such offering, the information in this document will be superseded, amended and/or supplemented in its entirety by the Prospectus. You should not rely solely on the information contained herein, including but not limited to the Nezu Information, but should carefully read, the Offering Documents before making any investment decision.

The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision. Except as otherwise indicated herein, the views and opinions expressed herein are those of Morgan Stanley & Co International plc. It is not a product of Morgan Stanley's Research Department and should not be regarded as a research recommendation. The information contained herein has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

No representation or warranty can be given with respect to the accuracy or completeness of the information, or with respect to the terms of any future offer of transactions conforming to the terms hereof. We do not undertake to update this information. Certain assumptions may have been made in the analysis that resulted in any information and returns/results detailed herein. No representation is made that any results/returns indicated would be achieved or that all assumptions in achieving these returns have been considered or stated. Changes to the assumptions may have a material impact on any results/returns detailed. Morgan Stanley and its affiliates disclaim any and all liability relating to this information, including without limitation any express or implied representations or warranties for statements contained in, and omissions from, this information. Additional information concerning the portfolio may be available upon request from the investment manager.

Although this report has been prepared using sources, models and data that Morgan Stanley ("MS") believes to be reasonably reliable, its accuracy, completeness or suitability cannot be guaranteed. Therefore, this information is supplied on an "AS IS" basis, and NO WARRANTY IS MADE AS TO ITS ACCURACY, COMPLETENESS, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto. All information contained herein is proprietary and is protected under copyright law.

**FOR BUSINESS AND PROFESSIONAL INVESTORS ONLY AND NOT TO BE USED WITH THE GENERAL PUBLIC.** Applications for shares in any sub-fund of the FundLogic Alternatives plc (the "Fund") should not be made without first consulting the Fund's current Prospectus, KIID, Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which are available free of charge from Morgan Stanley & Co International plc. This information has been prepared solely for information purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. Please refer to important information at the end of this document.

The Investment Managers to the Fund may from time to time, at their sole discretion and out of their own resources, decide to rebate to Shareholders part or all of its investment management fee and/or performance fee. Any such rebates may be applied by issuing additional shares to shareholders or in cash. In addition to the information disclosed in the periodic reports of FundLogic Alternatives plc (the "Company"), the Company may, from time to time, make available to investors portfolio holdings and portfolio-related information in respect of one or more of the sub-funds including the Fund. Any such information will be available to all investors in the relevant sub-fund on request. Any such information will only be provided on a historical basis and after the relevant dealing day to which the information relates.

#### RISK WARNING:

Past performance is not a guarantee of future performance. The value of the investments and the income from them can go down as well as up and an investor may not get back the amount invested. There can be no assurance that the Fund will achieve its investment objectives.

Investments may be in a variety of currencies and therefore changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Furthermore, the value of investments may be adversely affected by fluctuations in exchange rates between the investor's reference currency and the base currency of the investments.

Investments in derivative instruments carry certain inherent risks such as the risk of counter party default and before investing you should ensure you fully understand these risks. Use of leverage may also magnify losses as well as gains to the extent that leverage is employed.

These investments are designed for investors who understand and are willing to accept these risks. Performance may be volatile, and an investor could lose all or a substantial portion of his or her investment.

#### SELLING RESTRICTIONS:

The Fund may only be offered and distributed to investors in accordance with all relevant local laws and regulations. The distribution of this presentation and the offering or purchase of interests in the Fund may be restricted in certain countries. This communication is only intended for and will be only distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. It is the responsibility of any persons in possession of this document and any persons wishing to purchase interests in the Fund to inform themselves of, and to observe, all applicable laws and regulations of any relevant country.

For Investors in Hong Kong: This document is issued by Morgan Stanley Asia Limited ("Morgan Stanley") and has not been reviewed by the Securities and Futures Commission of Hong Kong. This document is only intended for and will only be distributed to persons that are professional investors as defined under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and its subsidiary legislation as amended from time to time ("Professional Investors") and may not be circulated to the general public in Hong Kong. This Fund has not been authorised by the Securities and Futures Commission and may only be sold to Professional Investors. Applications for shares in the MS NEZU CYCLICALS JAPAN UCITS Fund should not be made without first consulting the current Prospectus, Key Investor Information Document, Annual Report and Semi-Annual Report ("Offering Documents") of the Fund.

This document has been prepared as information for Professional Investors in Hong Kong and it is not a recommendation to buy or sell any particular security or to adopt any investment strategy. Investors should exercise caution and seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision. Except as otherwise indicated herein, the views and opinions expressed herein are those of Morgan Stanley, and are based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date hereof. No representation or warranty is given with respect to the accuracy or completeness of the information herein. This document is not a product of Morgan Stanley's Research Department and should not be regarded as a research recommendation.

For Investors in Singapore: This material is being disseminated in Singapore by Morgan Stanley Asia (Singapore) Pte. The Fund is not authorised or recognised by the Monetary Authority of Singapore ("Authority") and shares in the Funds ("Shares") are not allowed to be offered to the Singapore retail public. This material which relates to the offer of Shares in the Funds is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This material has not been registered as a prospectus by the Authority, and the offer of the Shares is made pursuant to the exemptions under Sections 304 and 305 of the SFA. Accordingly, the Shares may not be offered or sold, nor may the Shares be the subject of an invitation for subscription or purchase, nor may this material or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 304 of the SFA, (b) to a relevant person (as defined in Section 305(5) of the SFA), or any person pursuant to an offer referred to in Section 305(2) of the SFA, and in accordance with the conditions specified in Section 305 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Shares are acquired by persons who are relevant persons specified in Section 305A of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 of the SFA except:
  - (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or which arises from an offer that is made on terms that such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets (in the case of that trust);
  - (2) where no consideration is or will be given for the transfer; or
  - (3) where the transfer is by operation of law.

Any offering of the Shares in Singapore would be through Morgan Stanley Asia (Singapore) Pte., an entity regulated by the Authority.

For Investors in Switzerland: The representative and paying agent of FundLogic Alternatives plc, an Irish UCITS fund, in Switzerland is BNP PARIBAS Securities Services, Paris, succursale de Zurich, Selnastrasse 16, 8002 Zurich. The prospectus and the key investor information documents for Switzerland, the articles as well as the annual and semi-annual reports of FundLogic Alternatives plc may be obtained free of charge from the representative in Switzerland.

This communication or any portion hereof, may not be reprinted, resold or redistributed without the prior written consent of Morgan Stanley.

Copyright © by Morgan Stanley 2014, all rights reserved.

**FOR DEBENTURE AND PROFESSIONAL INVESTORS ONLY AND NOT TO BE USED WITH THE GENERAL PUBLIC.** Applications for shares in any sub-fund of the FundLogic Alternatives plc (the "Fund") should not be made without first consulting the Fund's current Prospectus, KIID, Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which are available free of charge from Morgan Stanley & Co International plc. This information has been prepared solely for information purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. Please refer to important information at the end of this document.