

# Introduction to Commodities

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](http://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.

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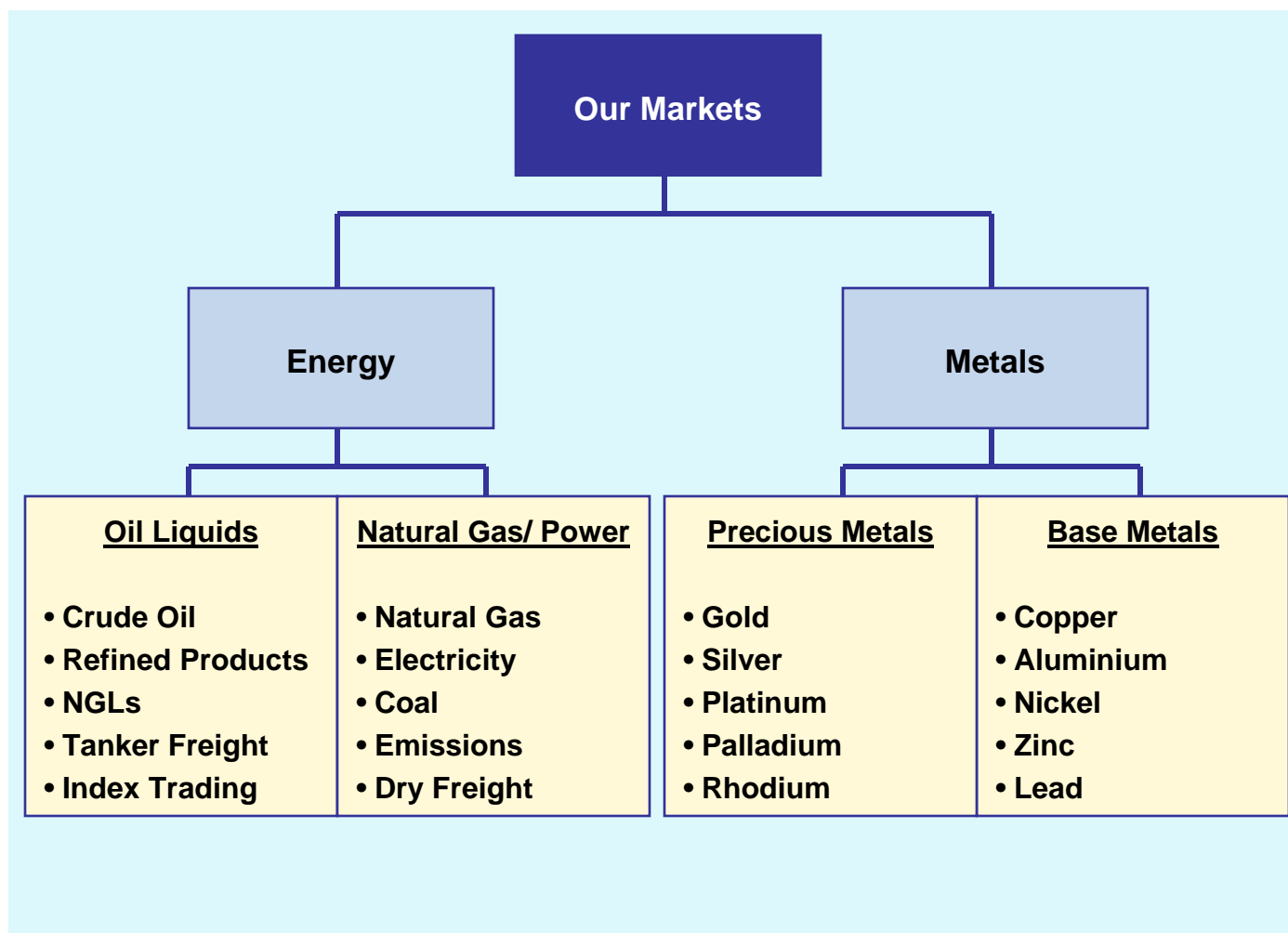
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Section 1

# Commodities Overview

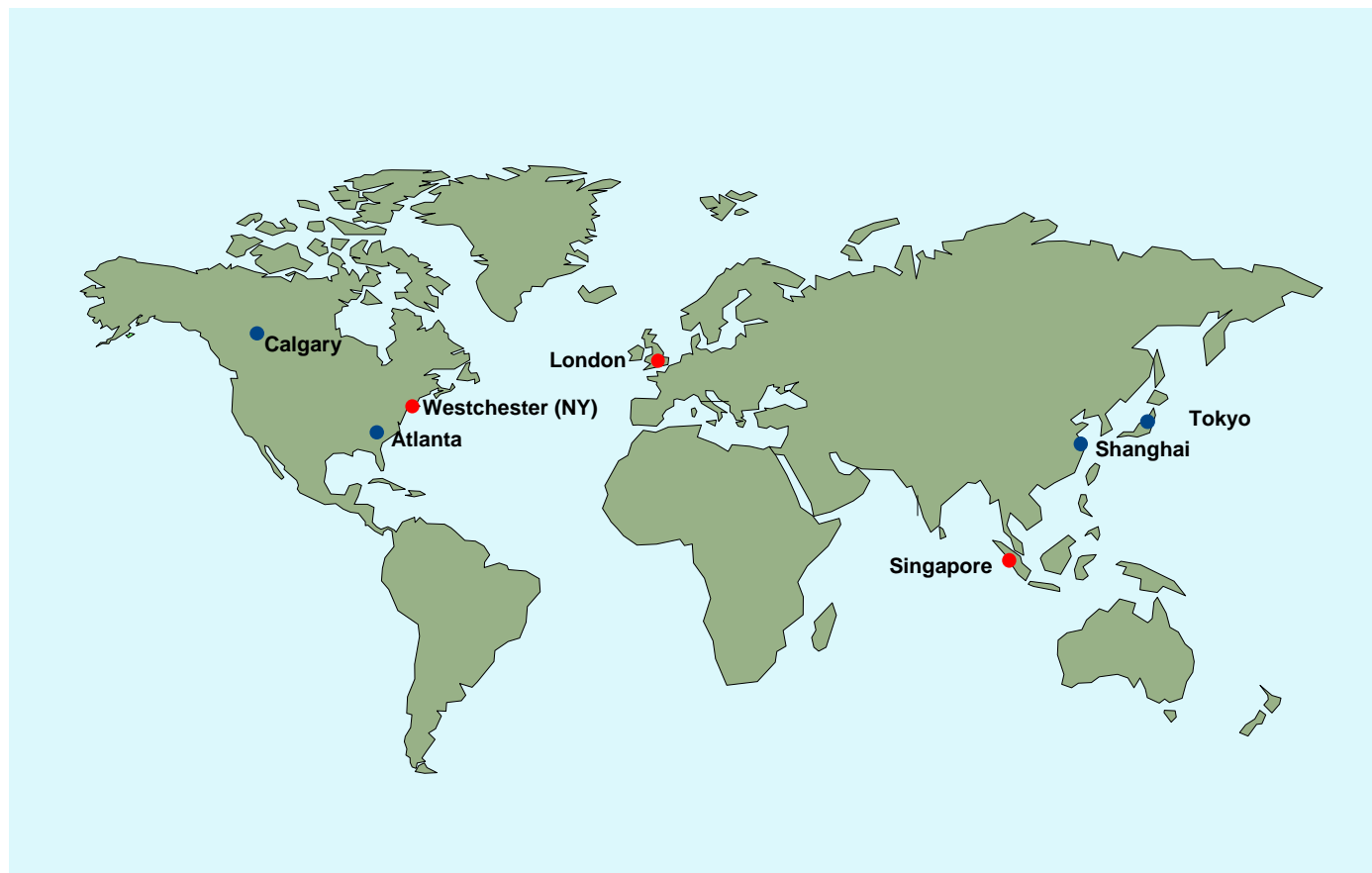
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# Markets



# Geographical Coverage

- **Westchester (NY)**
  - North America
  - South America
- **London**
  - Europe
  - Africa
  - Middle East
- **Singapore**
  - Non-Japan Asia
  - India
  - South Pacific
- **Satellite Offices**
  - Tokyo
  - Calgary
  - Atlanta
  - Shanghai



## Job Functions

- Client Coverage
- Trading
- Structuring
- Research/Analysis
- Traffic/Scheduling

## Business Mix

- ✓ Client-Driven Flow
- ✓ Structured Transactions
- ✓ Proprietary Trading
- ✓ Physical Supply & Distribution
- ✓ Private Equity



Section 2

# Proprietary Trading

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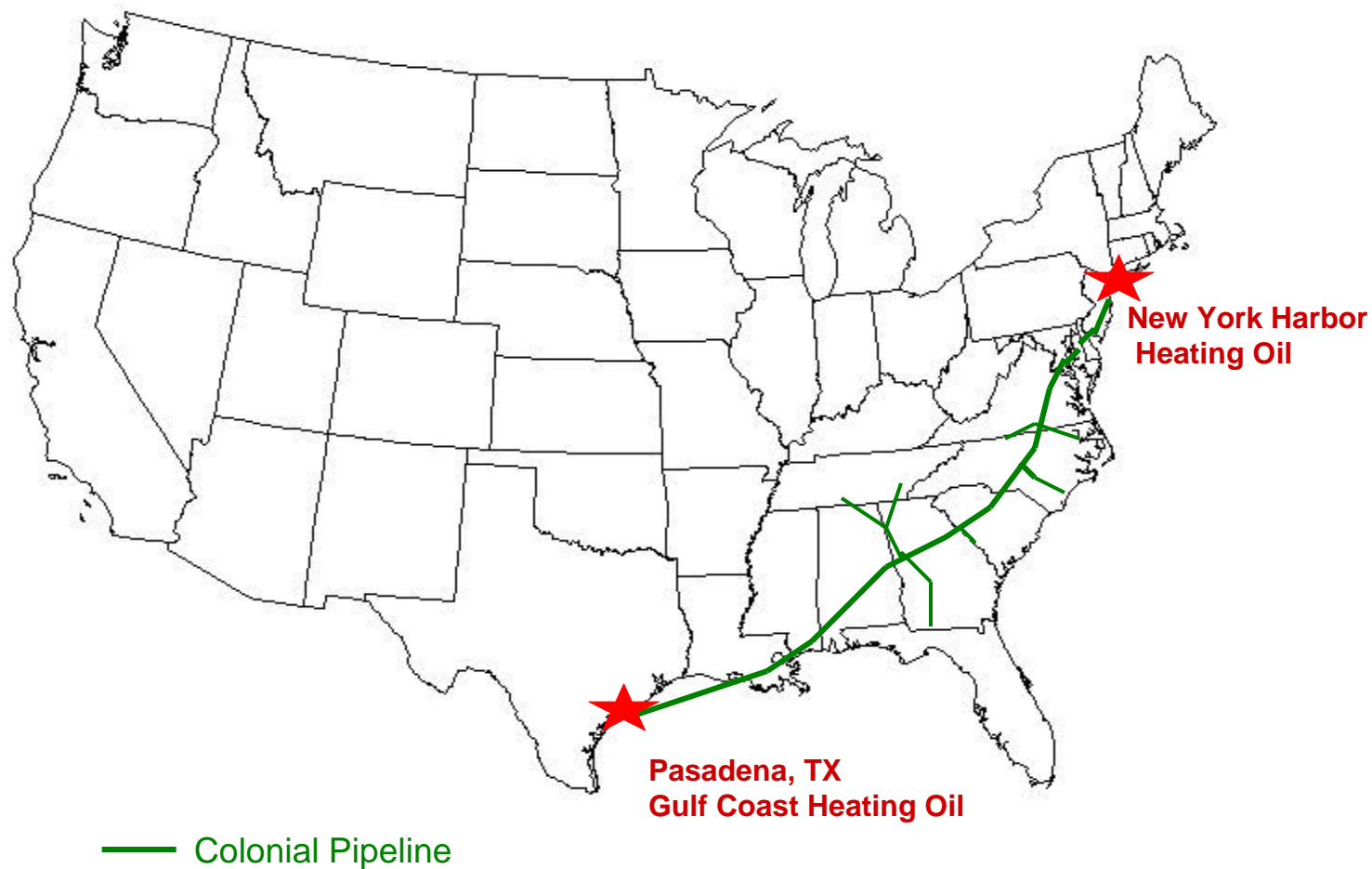
# Proprietary Trading

- **Outright vs. Relative Value**

- **Trading Matrix**

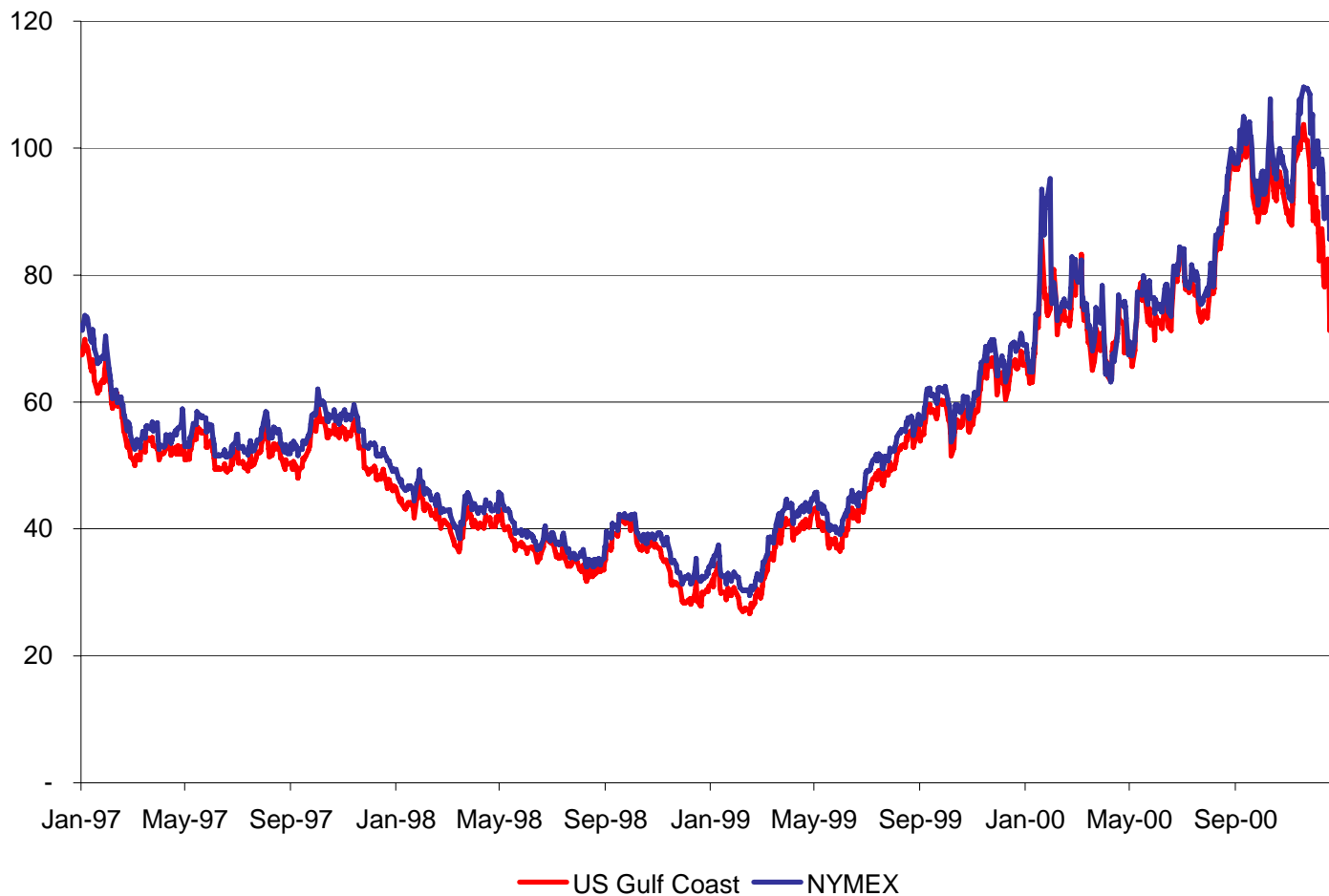
- **Quality** – WTI, Brent, Dubai, Gasoline and Jet Fuel
- **Location** – US Gulf, NY Harbor, Med, Singapore
- **Time** – September, December, 2007, 2010
- **Volatility** – ATM, Out-of-the Money, December, 2010

# US Heating Oil – Gulf Coast and NYMEX



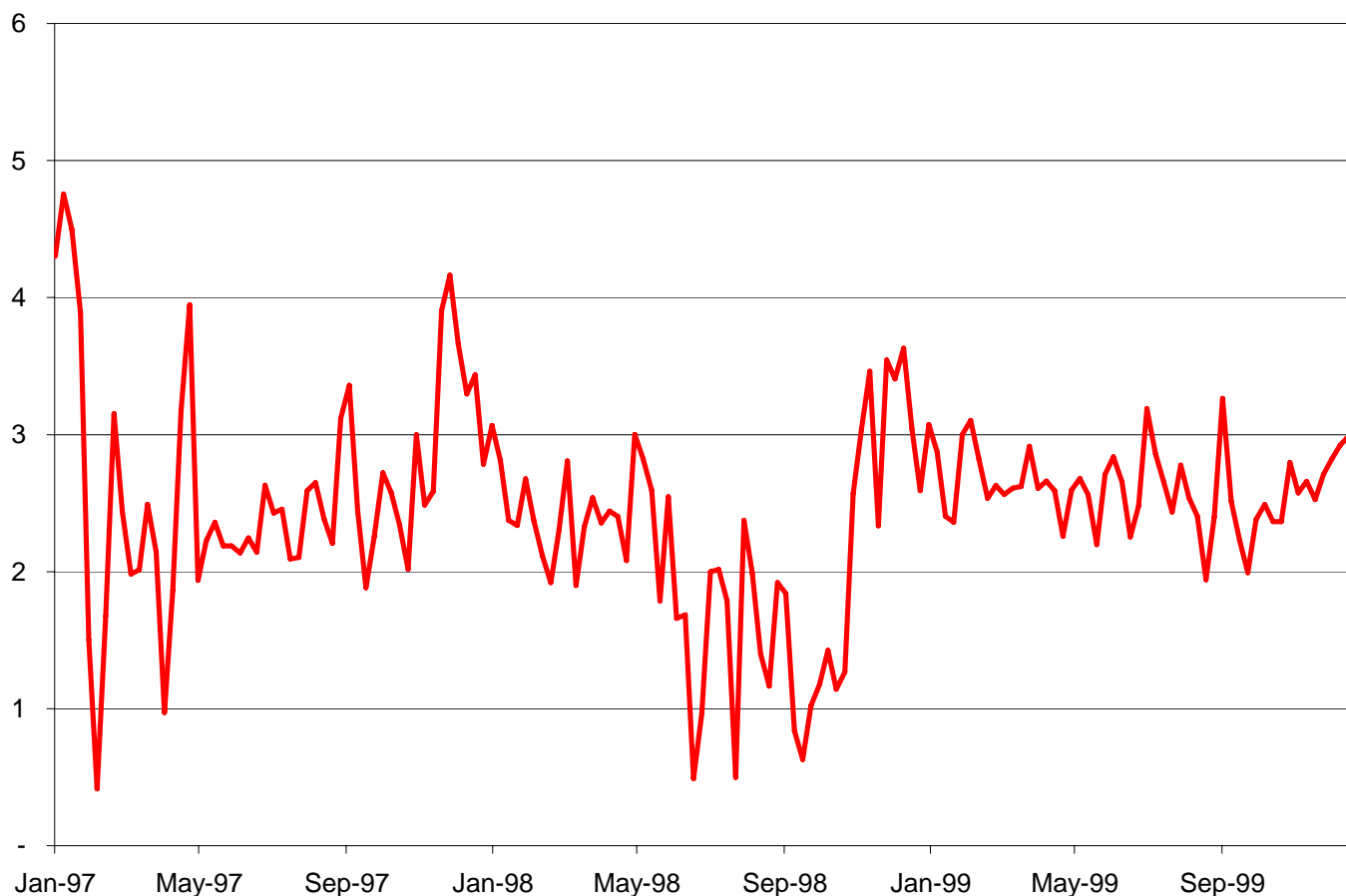
# US Heating Oil – Gulf Coast and NYMEX

US Heating Oil – US Gulf Coast and NYMEX Prompt Month - 01/01/1997 to 12/31/2000  
c/gal



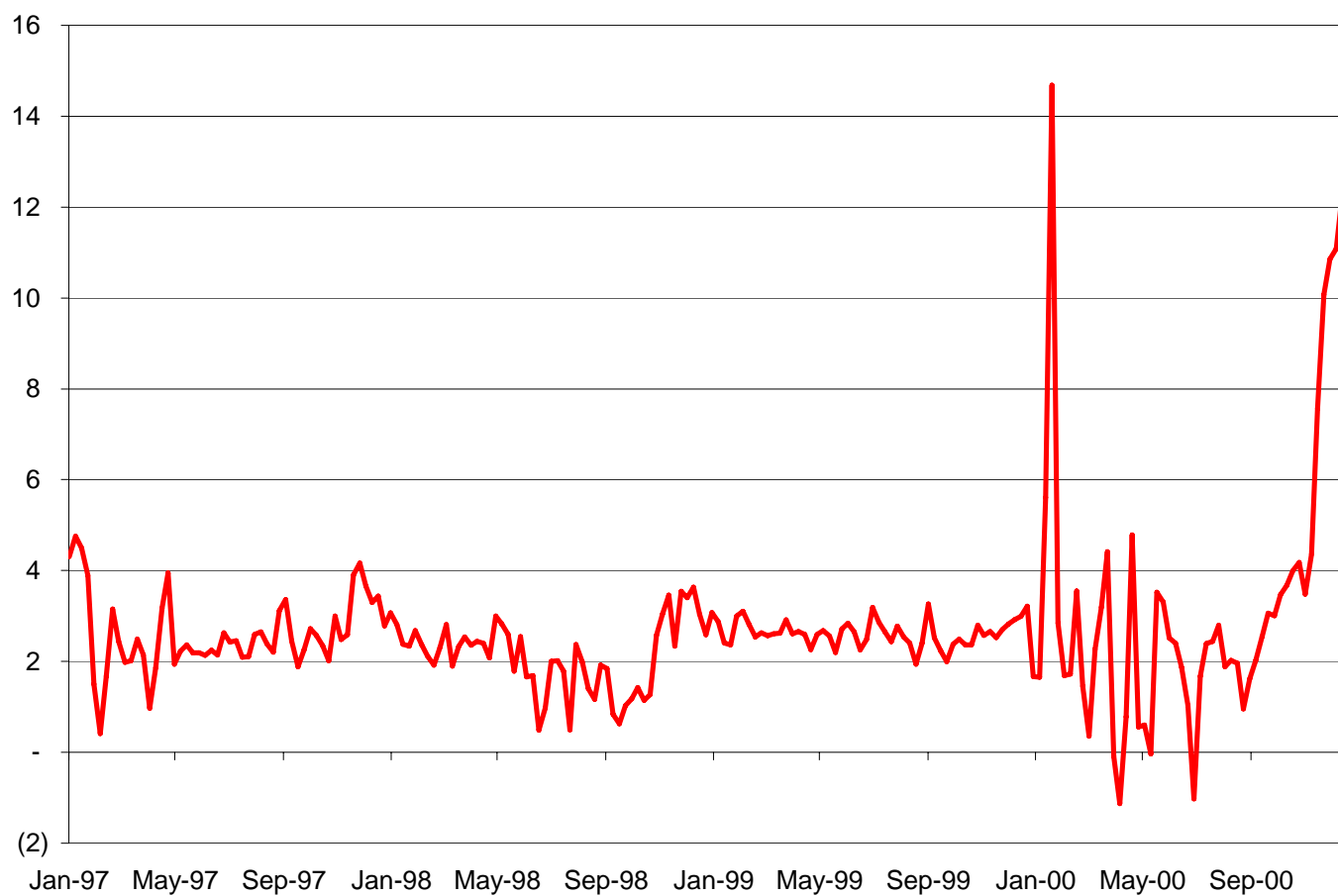
# US Heating Oil – Gulf Coast and NYMEX

Heating Oil Differential: NYMEX – US Gulf Coast: 01/01/1997 to 12/31/1999  
c/gal



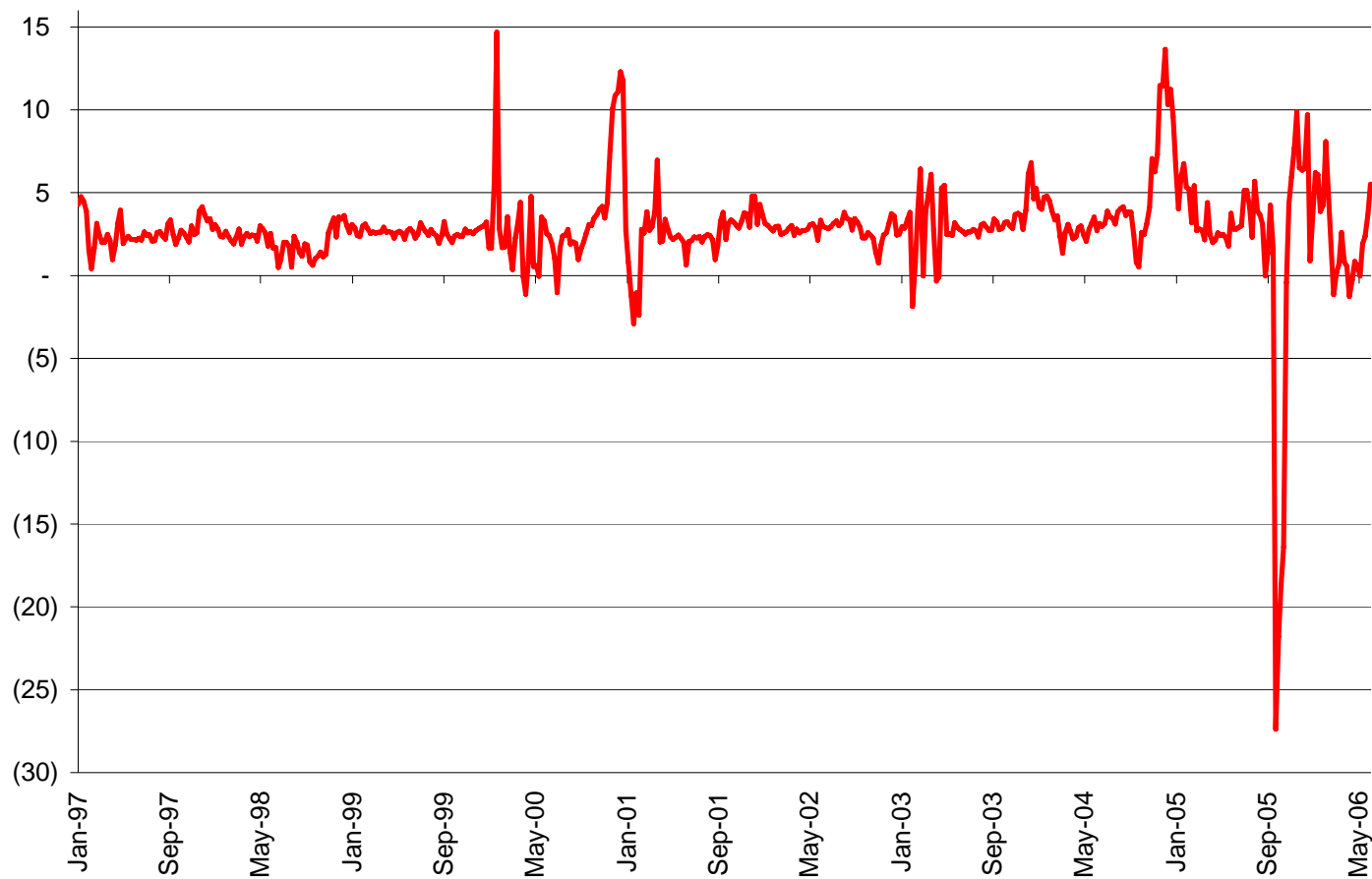
# US Heating Oil – Gulf Coast and NYMEX

Heating Oil Differential: NYMEX – US Gulf Coast: 01/01/1997 to 12/31/2000  
c/gal



# US Heating Oil – Gulf Coast and NYMEX

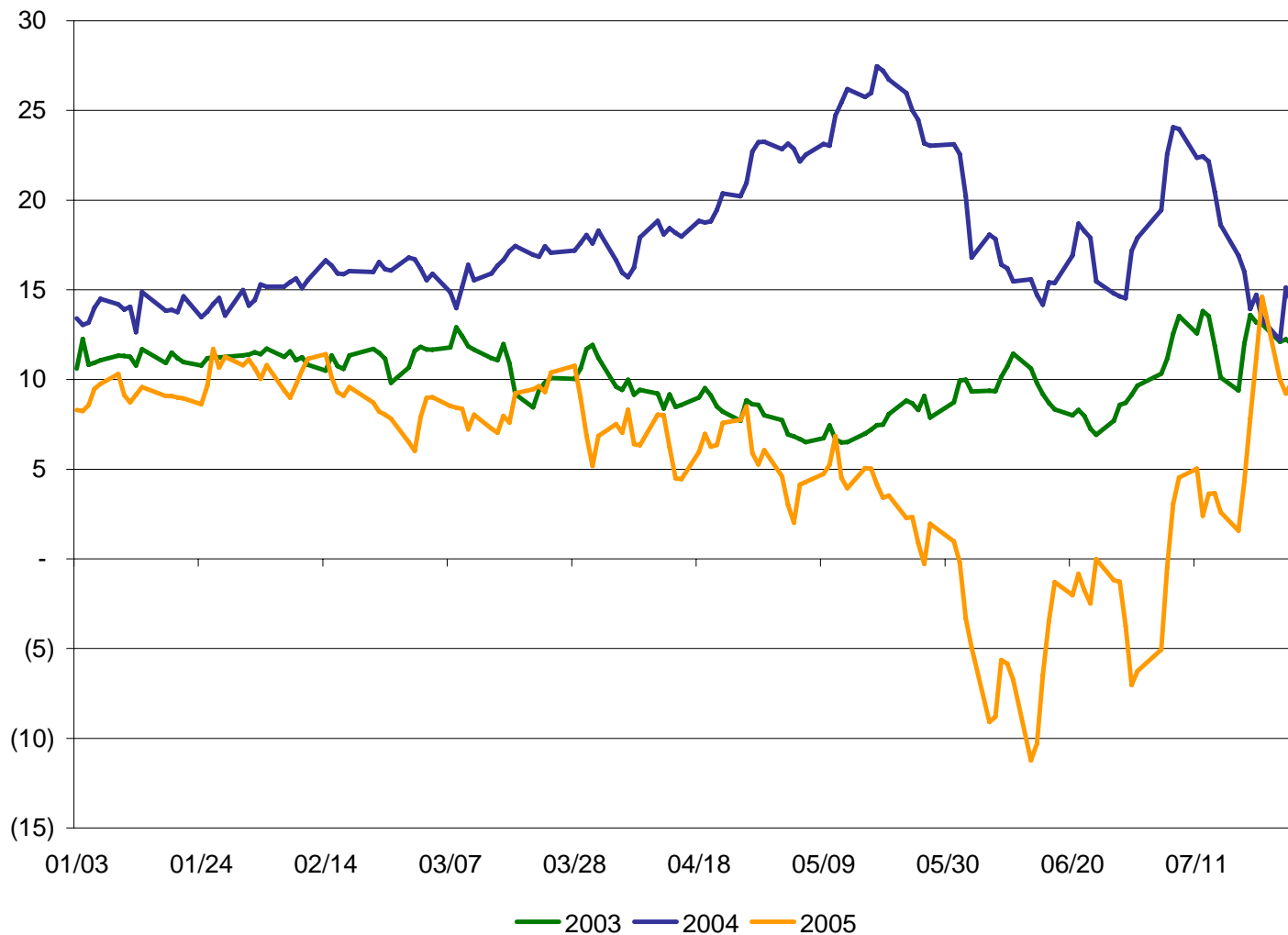
Heating Oil Differential: NYMEX – US Gulf Coast: 01/01/1997 to 06/06/06  
c/gal



# Differentials: NYMEX Gasoline less Heating Oil

## August Contracts

### Differentials: NYMEX Unleaded – Heating Oil (August Contracts)

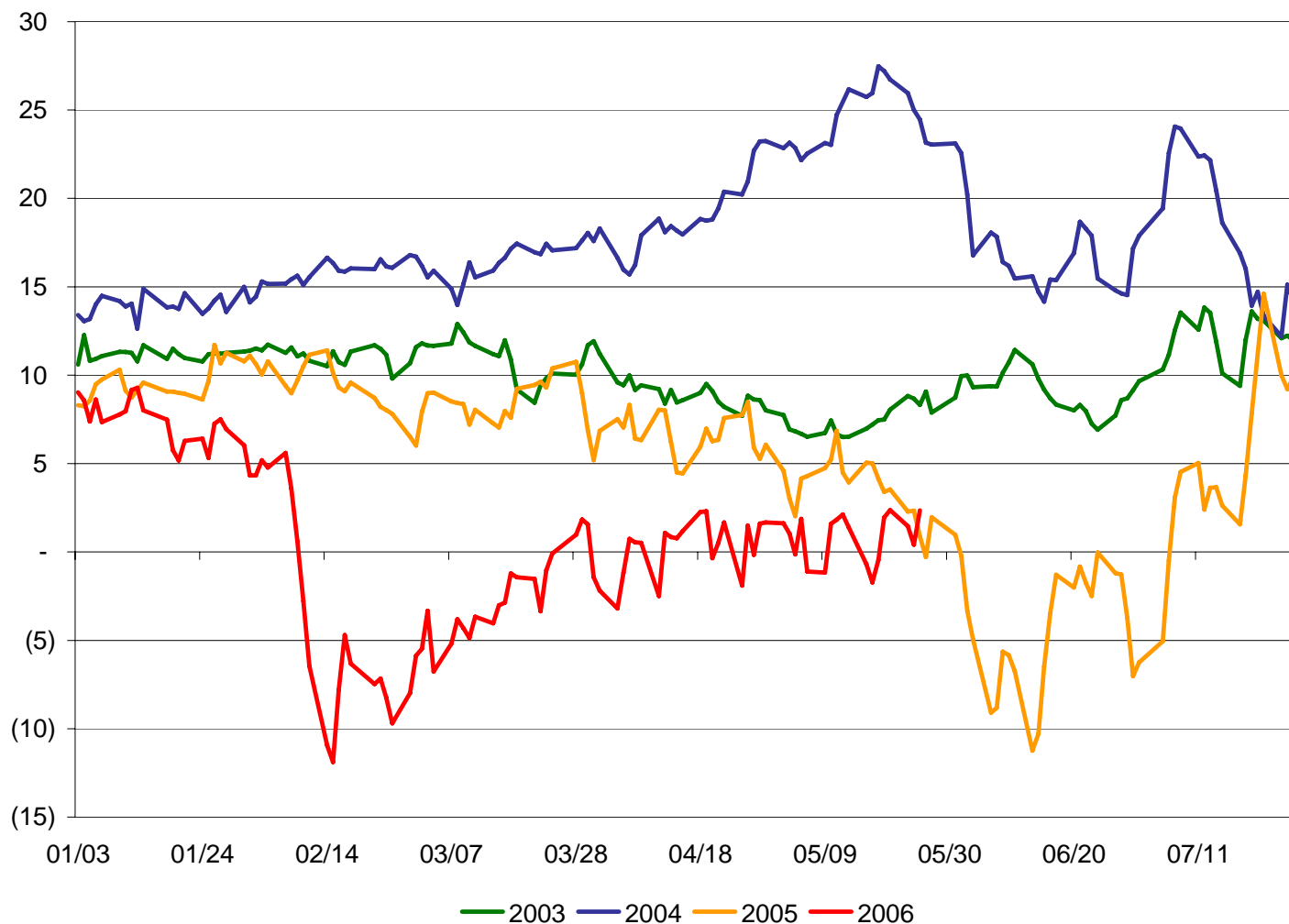




# Differentials: NYMEX Gasoline less Heating Oil

August Contracts

Differentials: NYMEX Unleaded – Heating Oil (August Contracts)  
c/gal



# Commodities are Volatile

US Markets: 1 Year Historical Price Volatility (As of 05/26/2006)

Market	Instrument	Historical Volatility
Natural Gas	NYMEX Crude 1st Month	56.78%
Gasoline	NYMEX RFG 1st Month	52.31%
Oil	NYMEX Natural Gas 1st Month	31.24%
Bonds	10 Yr Treasury	16.07%
Equities	S&P 500	9.69%
FX	USD/EUR	9.15%

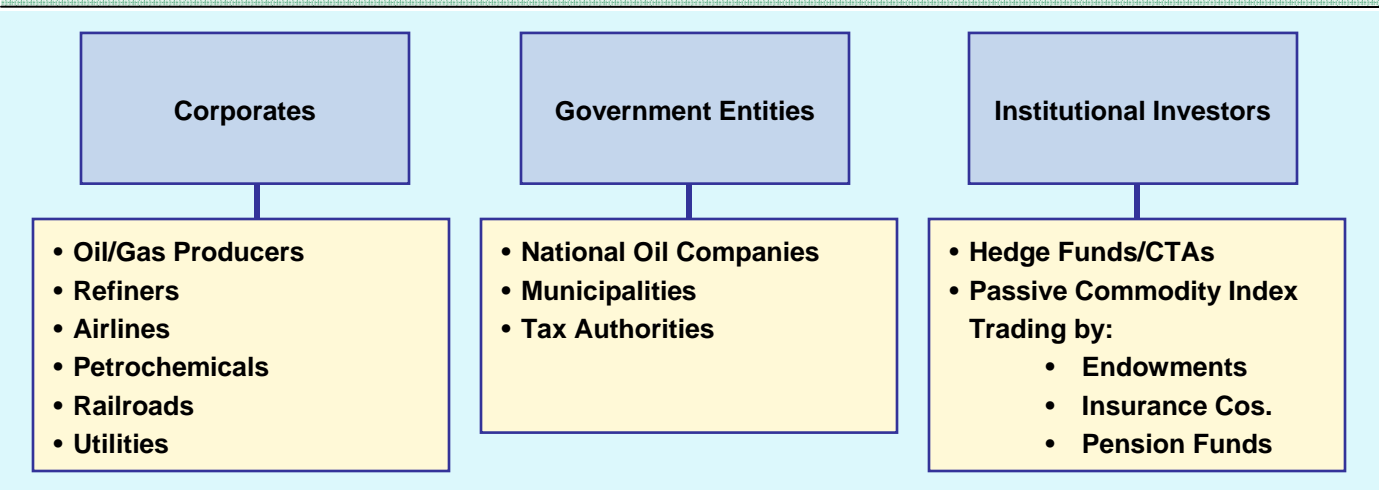
Section 3

Client-Driven Flow

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# Clients and Products

## Clients



## Products

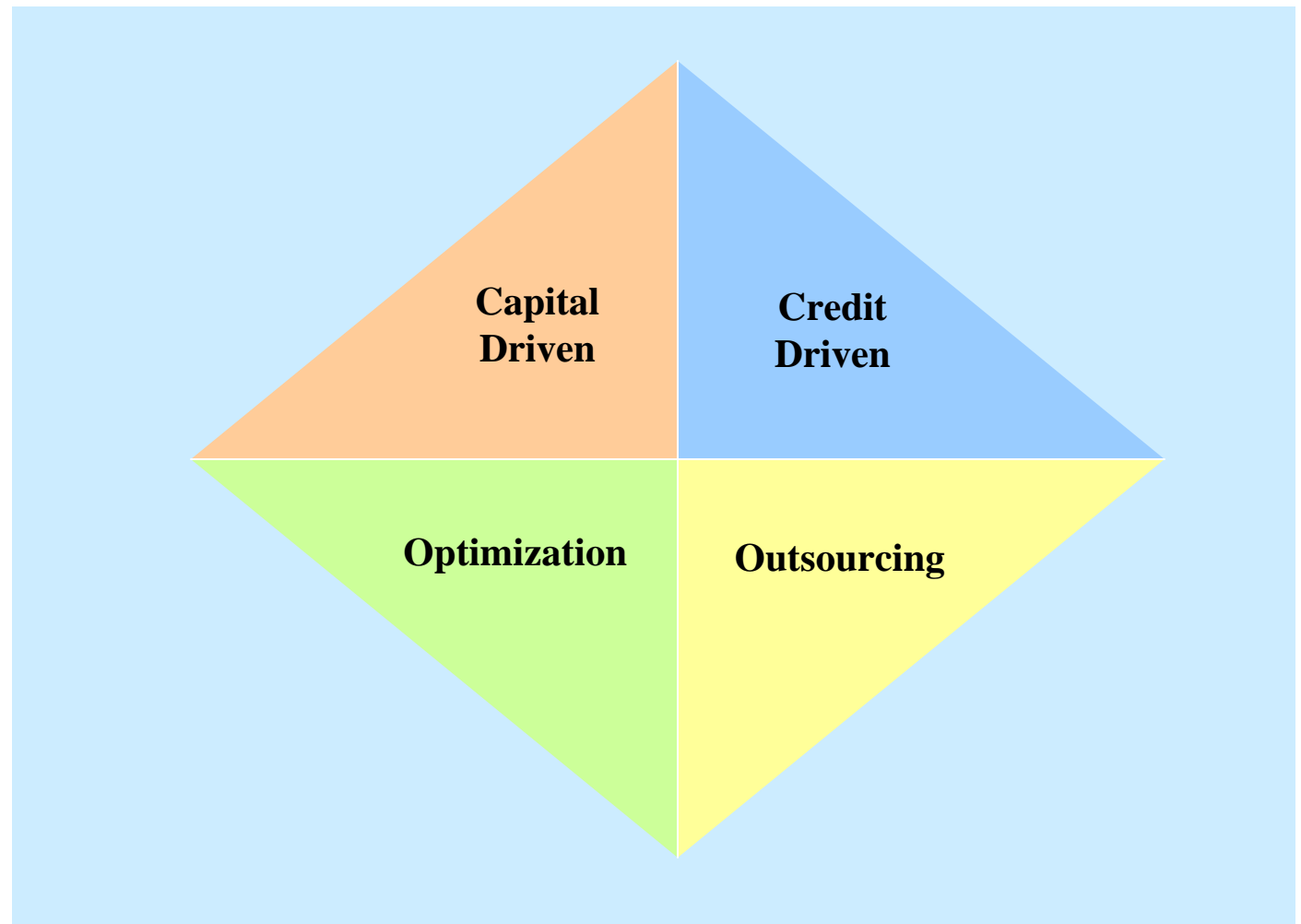
- Swaps
- Options
- Indexes
- Physical Supply/Offtake

Section 4


# Structured Transactions

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# Motivations



# Representative Structured Transactions

Transaction	Client
Monetizing Reserves	
Monetizing Receivables	
Monetizing In-the-Money Contracts	
Contract Restructuring	
Monetizing Working Capital	
Supply Outsourcing	
Credit Syndication	
Structured Financing	 Egyptian General Petroleum Corporation
One-Stop-Shopping	La Paloma

Section 5

Private Equity

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## Private Equity

### Production

- Helios Fund – Operated Producing Properties
- Gold Royalty Trust – Australian gold reserves
- Exploration & Production – Non-operated undeveloped properties

### Conversion

- Oil Refineries
- Gas Processing – gas liquids plants
- Generation – 3 U.S. power plants, 1 European power plant

### Infrastructure

- Transmontaigne – Terminaling and Distribution
- Heidmar Shipping – Tanker pool, trans-shipment
- Gas gathering and pipeline

### E-Commerce

- Electronic Trading - ICE