

Dear Unit Holder,

The axis around which the global economy revolves these days is oil. In the first half of 2008, stock markets of most oil exporting countries soared to new highs while those of oil importers plunged 15% on average. India's further 20% relative underperformance was entirely due to its even higher exposure to oil imports.

Reasons put forth for the disproportionate fall in the local market, such as high valuations at the peak in January 2008 or persistently rising inflation just do not stand up to cross-examination. For one, the Turkish stock market has dropped by the same magnitude as India this year even though it never had a valuation issue; it was trading at a discount to most other emerging markets at the start of 2008.

India and Turkey rank near the bottom of the global stock market league tables this year as both the countries have extremely large oil import bills, running at nearly 5% of GDP. They have no other major commodity exports to offset the oil price shock and also have few listed companies that are commodity plays. Furthermore, if inflation was a crucial factor in differentiating performance, stocks in commodity exporting economies such as Russia and Nigeria, which have witnessed the most pronounced increase in inflation, could not have held up as well on a relative basis.

But oil could well be sowing the seeds of its own destruction now. The price surge is causing a widespread inflation problem, even in oil-exporting countries. In what could be a telling sign, the markets of Brazil and Russia have over the past several days joined the global bear run. In the US too, shares of energy companies have started declining and are refusing to discount the much bandied about forecasts of ever rising oil prices. The message from the marketplace is that oil and other commodity prices have reached a point where they are choking economic growth.

With inflation firmly on the radar screen of almost all central banks, the main risk to the world economy in the months ahead arises from a substantial slowdown in global growth rather than a further rise in price pressures. The last leg of the bear market is likely to be led by materials and energy stocks declining as well as growth expectations are dramatically scaled back.

Independently, the commodity sector and energy stocks in particular, are egregiously overextended in terms of relative price momentum. Globally, the outperformance of the energy sector has surpassed the 1970s episode. The only other time one sector was able to pull so far away from the broader market was in early 2000, when tech stocks lorded over the league tables.

The one inconsistency in this bear market has been that analysts' estimates of both economic growth in emerging markets and company earnings across the world remained high. That situation is likely to change this quarter as it becomes increasingly apparent that global growth is slowing everywhere. We think a readjustment of growth expectations could mark the final phase of the bear market. Sentiment is already very bearish and is getting to a point where typically major rallies have followed.

In our portfolio, we are starting to nibble away at outright value propositions, particularly in the consumer discretionary sector. In sum, we think the global bear market is nearing a climactic point and a crack in the commodity complex will be a powerful signal for a reversal of the trends that dominated in the first half of the year.

Sridhar Sivaram and Amay Hattangadi

Portfolio Managers

July 21, 2008

Ruchir Sharma

Head, Global Emerging Markets

MSGF NAV Performance v/s Benchmark Indices (as of June 30, 2008)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the trailing year [(+) (-)]	-17.76	-8.12	-7.57
Returns during the half year [(+) (-)]	-38.21	-33.64	-36.98
Compounded Annualised Growth Rate			
(i) Last 3 years	18.69	23.23	22.76
(ii) Last 5 years	29.32	30.13	31.04
(iii) Since the launch of the scheme (18th February 1994)	13.36	8.98	9.53

Past performance is no indication of future performance and may not necessarily provide basis for comparison with other investments. Past performance may or may not be sustained in future. Distribution tax has been included in the calculation of returns.

All returns except for half year and one year are compounded annualised returns.

* Performance of the fund has been calculated based on the assumption that all dividends during the period have been reinvested in the scheme at the then prevailing NAV.

MSGF NAV as of June 30, 2008 is Rs. 45.09 per unit.

Holdings of MSGF as of June 30, 2008		
Sr. No.	Name of the Security	% of Total Net Assets
1	Reliance Industries Limited	8.50%
2	Infosys Technologies Limited	8.20%
3	Housing Development Finance Corp. Ltd.	4.79%
4	Bharti Airtel Limited	3.85%
5	HDFC Bank Limited**	3.73%
6	Bharat Heavy Electricals Limited	3.52%
7	Larsen and Toubro Limited	3.52%
8	Glenmark Pharmaceuticals Limited	3.36%
9	ABB Limited	3.30%
10	Tata Power Company Limited	2.99%
11	Nestle India Limited	2.91%
12	Hindustan Unilever Limited	2.70%
13	Axis Bank Limited	2.68%
14	Aban Offshore Limited	2.57%
15	Welspun Gujarat Stahl Rohren Limited	2.39%
16	Maruti Suzuki India Limited	2.11%
17	Tata Steel Limited	2.03%
18	Pantaloon Retail India Limited	2.01%
19	Cairn India Limited	1.90%
20	Praj Industries Limited	1.78%
21	Geodesic Information Systems Limited	1.78%
22	Jindal Steel and Power Limited	1.50%
23	Deccan Chronicle Holdings Limited	1.46%
24	Reliance Petroleum Limited	1.36%
25	Tata Consultancy Services Limited	1.36%
26	Reliance Communications Limited	1.23%
27	United Phosphorus Limited	1.20%
28	Zee Entertainment Enterprises Limited	1.20%
29	Jyoti Structures Limited	1.10%
30	Ranbaxy Laboratories Limited	1.05%
31	Infrastructure Development Finance Co. Ltd.	1.03%
32	Ess Dee Aluminium Limited	1.03%
33	The India Cements Limited	1.00%
34	Madhucon Projects Limited	0.98%
35	Television Eighteen India Limited	0.87%
36	Balrampur Chini Mills Limited	0.86%
37	Bajaj Hindusthan Limited	0.83%
38	Balkrishna Industries Limited	0.80%
39	GVK Power and Infrastructure Limited	0.77%
40	Housing Development and Infrastructure Ltd.	0.77%
	Other Securities	5.36%
	Cash and Cash Equivalent	3.62%
	Total Net Assets	100.00%

** Includes Local Shares and ADRs / GDRs

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED JUNE 30, 2008

ABRIDGED BALANCE SHEET AS AT JUNE 30, 2008		ABRIDGED REVENUE ACCOUNT FOR THE PERIOD ENDED JUNE 30, 2008	
As at June 30, 2008 (Rs. in lacs)		April 1, 2008 to June 30, 2008 (Rs. in lacs)	
LIABILITIES		1. INCOME	
1. Unit Capital	60,018	1.1 Dividend	1,087
2. Reserves & Surplus		1.2 Interest	148
2.1 Unit Premium Reserve	4,124	1.3 Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	14,197
2.2 Unrealised Appreciation Reserve	235	1.4 Other Income (Provisions Written Back As No Longer Required)	-
2.3 Revenue Reserves	206,269	1.5 Realised Gain/(Loss) on Foreign Currency Transactions	53
3. Current Liabilities & Provisions	4,887	TOTAL	15,485
TOTAL	275,533	2. EXPENSES & LOSSES	
ASSETS		2.1 Management, Trusteeship, Administrative & other Operating Expenses	1,440
1. Investments		2.2 Provision for Doubtful Deposits/Current Assets/ Investments	-
1.1 Equity & Preference Shares	260,836	TOTAL	1,440
1.2 Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange	-	Excess of Income Over Expenses & Losses	14,045
1.3 Government Securities (Treasury) Bills	-	Net Change in Unrealised Appreciation /(Depreciation) in Value of Investments and Foreign Currency	(8,544)
1.4 Others (Units of Mutual Fund)	-	Denominated Assets and Liabilities	
2. Deposits	6,365	Net Surplus/(Deficit) transferred to Revenue Reserve	5,501
3. Other Current Assets	8,332		
TOTAL	275,533		
RECONCILIATION TO NET ASSET VALUE PER UNIT			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities and Provisions)	270,646		
Number of Units in Issue (in Lacs)	6002		
Net Asset Value per Unit (in Rs.)	45.09		

1) Investments are stated at market / fair value at the Balance Sheet date / valuation date. Investments have been valued in accordance with the guidelines for valuation of securities for Mutual Funds dated September 18, 2000 and amendments thereto, as applicable by the Securities and Exchange Board of India (SEBI) and approved by the Board of Trustees. 2) Disclosure Under Regulation 25(8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended. Morgan Stanley Investment Management Private Limited (MSIMPL) has not utilised the services of the Sponsor or any of its affiliates, employees or their relatives for the purpose of any securities transaction as specified under Regulation 25(8) of the Regulation. 3) In terms of Regulation 25(11) of SEBI Regulations, no investments have been made in companies, which have invested more than 5% of the NAV of the Scheme. 4) No unitholders hold over 25% of the NAV of the Scheme as at June 30, 2008. 5) The Scheme has not declared any bonus, not borrowed any money, not invested in derivative products during the quarter and has no deferred revenue expenditure. 6) No changes have been carried out in the accounting policies during the quarter.

Name of the Mutual Fund - Morgan Stanley Mutual Fund

Name of the Scheme - Morgan Stanley Growth Fund

Investment Objective - Morgan Stanley Growth Fund is a close-ended Fund with long-term capital appreciation as its investment objective. The Scheme will seek to achieve this objective through investment, primarily in equity and equity-related securities of Indian companies.

Registrars to the Fund: Karvy Computershare Private Limited

Unit: Morgan Stanley Growth Fund, 21 Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel: 040 - 2331 2454, 2332 0251

Investment Manager: Morgan Stanley Investment Management Pvt. Ltd.

Forbes Building, Charanjit Rai Marg, Mumbai 400 001. Tel: 022 - 2209 6600

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Dividend History

Record Date	Date of Declaration	Dividend per unit (Rs.)	Ex-Dividend NAV Date	Ex-Dividend NAV per unit
July 09, 1999	June 23, 1999	0.75	June 25, 1999	12.83
April 29, 2000	April 18, 2000	0.75	April 20, 2000	16.60
June 11, 2001	June 4, 2001	1.00	June 06, 2001	10.72
May 13, 2004	April 28, 2004	1.50	April 29, 2004	21.82
October 27, 2006	October 13, 2006	2.00	October 16, 2006	46.88

Unit holders who have either not received or encashed their dividend warrants are requested to forward a duly signed written request to Karvy Computershare Private Limited, at the address mentioned herein, indicating the details of their investment in the fund.

Risk Factors: All investments in Mutual Funds and securities are subject to market and other risks and the NAV of units issued under the Scheme can go up or down depending on the factors and forces affecting the securities market. There can be no assurance that the objectives of the Scheme of the fund will be achieved. Investments in close-ended schemes are subject to market risks of infrequent trading, possibility of market price of units being traded at a discount to NAV etc. The name of the Scheme does not indicate the quality of the Scheme, its future prospects or returns. Please read the Offer Document before investing. The past performance of the Mutual Funds managed by the Sponsors and their affiliates/associates is not necessarily indicative of the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return. The liquidity and valuation of the Scheme's investments due to its holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment. **Statutory Details:** Morgan Stanley Mutual Fund has been set up as a Trust by Morgan Stanley (liability restricted to the seed corpus contributed). The Board of Trustees of Morgan Stanley Mutual Fund have appointed Morgan Stanley Investment Management Private Limited as the asset management company.

Determined to help you succeed.

Morgan Stanley Mutual Fund.

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