

Dear Unit Holder,

Market pessimism knows no bounds, and now it's running off the charts. This follows a violent 'regime' shift in the market place over the past few months, which has caught many people off guard with the rules of engagement very different under the new regime.

Until late last year, the assumption was that the world was operating under a 'decoupling regime' on the back of the view that the US could be in financial trouble but the uptrend in emerging markets would persist. After all, in current dollar terms emerging markets accounted for nearly half of global growth last year compared to the 16% contribution by the US; a decade ago these numbers were exactly the opposite.

The monetary easing in the United States all of last year was benefiting emerging market stocks in particular. This was consistent with the classic late-cycle story of liquidity chasing an increasingly limited number of opportunities, thereby driving valuations of the growth segments of the market higher and higher. Growth and momentum metrics performed the best in terms of relative stock performance under a decoupling regime.

What fundamentally changed the scenario in November 2007 was a marked pick-up in inflation across emerging markets and the resultant wave of aggressive Central Bank tightening. Valuations almost always compress during rising inflation periods and growth and momentum strategies perform very poorly. In the developed world, an increase in the inflation beyond 3% has traditionally led to lower Price-Earnings ratios, with a 1-3% inflation rate typically marking the sweet spot for equities. Inflation kills most bull markets: the first major emerging market bull-run in the early 1990s also met its demise when inflation accelerated to an average rate of over 30% in developing countries. Central banks then were forced to aggressively tighten monetary policy.

Inflation is nowhere near as serious an issue today; the headline rate of 6.5% in emerging markets is still quite low when viewed over a longer time frame. The commodity-induced headline inflation is so far not leading to runaway wage growth, thereby preventing a price-wage spiral. On balance, there is no reason to believe that the secular bull run in emerging markets is over. What kills a bull market is the combination of expensive valuations and an end to productivity gains signaled by a major outbreak of inflation.

Even at the peak of their performance in November 2007, emerging market valuations never got to the maniacal levels that mark the end of a secular bull run. On the inflation front, the current spike has been led mainly by food prices, which are catching up with the big gains recorded by the wider commodity complex and will sooner rather than later invoke a supply response. Farmers have the flexibility to raise production in response to price moves and there are already signs of such activity.

Such downdrafts in equity markets are part of the game as nothing goes up in a straight line and are in fact periodically required to cleanse the system of budding excesses. In the long-term, the current decline will likely prove to be just a cyclical bear market within a secular bull run. Even so, a bear market regime is never fun and the therefore the current pain is understandable. From a portfolio construction standpoint, we continue to give a high weighting to quality of earnings in stock selection. A lot of companies with a strong long-term growth outlook, in sectors from banking to industrials, have suffered collateral damage in the current wave of selling. Given our basic view that emerging market uptrend will resume after a hiatus we think these companies are best positioned to outperform hereon.

Sridhar Sivaram and Amay Hattangadi

Portfolio Managers

April 18, 2008

Ruchir Sharma

Head, Global Emerging Markets

MSGF NAV Performance v/s Benchmark Indices (as of March 31, 2008)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the trailing year [(+) (-)]	11.12	19.68	24.98
Returns during the half year [(+) (-)]	-13.23	-9.52	-8.19
Compounded Annualised Growth Rate			
(i) Last 3 years	28.90	34.06	33.22
(ii) Last 5 years	38.73	38.69	40.56
(iii) Since the launch of the scheme (6th January 1994)	14.76	10.75	11.49

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 March 31, 2008 is Rs. 52.85 per unit.

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 Mangement Pvt. Ltd.

Forbes Building, Charanjit Rai Marg, Mumbai 400 001.

Tel: 022 - 2209 6600, Visit us at www.morganstanley.com/indiamf

Dividend History

Record Date	Date of Declaration	Dividend per unit (Rs.)	NAV as of	NAV per unit (Rs.)
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 here in, indicating the details of their investment in the fund.

Holdings of MSGF as of March 31, 2008		
Sr. No.	Name of the Security	% of Total Net Assets
1	Reliance Industries	7.03%
2	HDFC Bank**	6.20%
3	ABB	4.81%
4	Bharat Heavy Electricals	4.48%
5	Larsen & Toubro	4.17%
6	Aban Offshore	3.89%
7	Axis Bank	3.87%
8	Infosys Technologies	3.43%
9	Bharti Airtel	3.22%
10	HDFC	3.05%
11	Tata Power	2.83%
12	Welspun Gujarat	2.72%
13	Nestle India	2.62%
14	Maruti Suzuki India	2.42%
15	Glenmark Pharma	2.39%
16	Pantaloon Retail (India)	2.22%
17	Hindustan Unilever	2.18%
18	Cairn India	1.92%
19	Deccan Chronicle	1.88%
20	Marico Industries	1.80%
21	Geodesic Information Systems	1.65%
22	Jindal Steel & Power	1.52%
23	Zee Entertainment Enterprises	1.41%
24	Phoenix Mills	1.41%
25	Ess Dee Aluminium **	1.38%
26	Jyoti Structures	1.36%
27	Oil and Natural Gas Corporation	1.35%
28	Praj Industries	1.32%
29	Infrastructure Development Finance Co	1.28%
30	New Delhi Television	1.24%
31	State Bank Of India	1.23%
32	Reliance Communication	1.21%
33	Madhucon Projects	1.20%
34	Television Eighteen India	1.18%
35	India Cements	1.17%
36	Biocon	1.15%
37	Housing Development and Infrastructure	1.11%
38	Jagran Prakashan	0.93%
39	Mundra Port and Special Economic Zone	0.91%
40	Jaiprakash Associates	0.90%
	Other Securities	6.17%
	Cash and Cash Equivalents	1.79%
	Total Net Assets	100.00%

** Includes Local Shares and ADRs / GDRs

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.

Morgan Stanley
WORLD WISE