

Newsletters for Morgan Stanley Growth Fund

PORTFOLIO MANAGERS' LETTER

Dear Unit Holder,

After being rocked by a slew of negative earnings reports at the beginning of the second quarter, the Indian market managed to recover a major part of the early losses. By the end of the quarter, the market was back to tracking global markets, which in turn rallied sharply from cathartic April lows. However, with domestic demand continuing to slow and speculative excesses of the past couple of years still being washed out of the system, the market was still finding it difficult to make much independent headway and continued to rely on global flows.

At a micro-level we are seeing greater opportunities for stock selection. Market prices are as much a function of sentiment as fundamentals even as we like to believe that in the long-term only fundamentals determine prices. The negative sentiment for equities, largely a result of the severe disenchantment with TMT (technology, media, telecom) stocks, has led to many stocks outside the TMT universe being pummeled to distress valuations. There are some companies that currently trade in single-digit price/earnings ratios despite a continued increase in market share and a strong track record of enhancing shareholder value, the kind of fundamentals on which we focus.

By the end of June we were seeing some signs that the market was willing to let fundamental analysis get back on the ascendant and move away from the TMT-centric bias which led to wild sentiment swings. While it will be sometime before the investors' love affair with TMT stocks resumes in earnest again, we think it is possible for other stocks to at least get back to normal valuations. Unfortunately, history is not very supportive of a significant revival in interest for TMT stocks. Once stocks have been part of a bubble collapse it takes a long time, if at all, for those stocks to shine again. Most bubbles have their origin in some revolutionary change, be it the railways or the automobile booms of the previous centuries. But once too much capital is thrown the boom industry's way, leading to obvious disappointment, capital does not return to the industry in the medium term.

Of course, some strong survivors will emerge. But, overall, we think this is a time to focus on other themes where the level of research and analysis remains poor and sentiment is weak even though business fundamentals look solid.

RUCHIR SHARMA
Portfolio Manager

Mumbai
August 17, 2001

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UNAUDITED FINANCIAL STATEMENTS

ABRIDGED BALANCE SHEET AS AT June 29, 2001				
				As at 29-06-2001
				(Rs. in Lacs)
LIABILITIES				
1	Unit Capital			
1.1	Initial Contribution by settlor	5		
1.2	Unit Capital	67,651		67,656
2	Reserves & Surplus			
2.1	Unit Premium Reserve	2,927		
2.2	Revenue Reserves	(214)		2,713
3	Loans & Borrowings			
3.1	From Banks	-		
3.2	From Others	-		-
4	Current Liabilities & Provisions			
4.1	Provision for loss/depreciation in value of Investments	-		
4.2	Provision for doubtful Income/Deposits	-		
4.3	Proposed Income Distribution	-		
4.4	Other Current Liabilities & Provisions	8,603		8,603
	TOTAL			78,972
ASSETS				
1	Investments			
1.1	Equity & Preference Shares	66,291		
1.2	Privately Placed Debentures/Bonds			
1.3	Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange	18		

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1.4	Term Loans	-	
1.5	Government Securities	-	
1.6	Others	4,005	70,314
2	Deposits		
2.1	With Scheduled Banks	6,051	
2.2	With Others	-	6,051
			-
3	Other Current Assets		
3.1	Cash & Bank Balances	1	
3.2	Others	2,606	2,607
4	Fixed Assets (At depreciated value)		-
5	Deferred Revenue Expenditure (to the extent not written off)		-
	TOTAL		78,972
	RECONCILIATION TO NET ASSET VALUE PER UNIT		
	Net Assets as per Balance Sheet (Total Assets less Current Liabilities & Provisions and Settlor's Contribution)		70,364
	Number of Units in Issue (in Lacs)		6,765
	Net Asset Value per Unit (in Rs.)		10.40

ABRIDGED REVENUE ACCOUNT FOR THE PERIOD April 01, 2001 to June 29, 2001		
		01-04-2001 to
		29-06-2001
		(Rs. in Lacs)
1	INCOME	
1.1	Dividend	336
1.2	Interest	115
1.3	Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	-

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1.4	Net Profit on inter-scheme transfer/sale of Investments	-
1.5	Other Income	-
	TOTAL	451
2	EXPENSES & LOSSES	
2.1	Management, Trusteeship, Administrative & other Operating Expenses	370
2.2	Provision for Doubtful Income	-
2.3	Provision for Doubtful Deposits/Current Assets	-
2.4	Net Loss on sale /redemption of Investments (other than inter-scheme transfer/sale)	6,525
2.5	Net Loss on inter-scheme transfer/sale of Investments	-
2.6	Realised Loss on Foreign Currency Transactions	204
	TOTAL	505=====
	Excess of Income Over Expenses & Losses	(6,648)
	Net change in unrealised depreciation/appreciation of investments	5,969
	Net Surplus/(Deficit) transferred to Revenue Reserve	(679)

HIGHLIGHTS

- Total value of investments as of July 31, 2001, in American Depository Receipts/ Global Depository Receipts amounted to approx. Rs. 35.92 crores.
- We wish to remind you that MSGF has paid two dividends of Rs. 0.75 per unit each, the dividend warrants for which were despatched on 24/07/99 and 19/05/2000 respectively. Unit holders who have either not received or encashed their dividend warrants are requested to forward a duly signed written request to Karvy Consultants Ltd., at the below mentioned address, indicating the details of their investment in the Fund.

Karvy Consultants Limited
Unit: Morgan Stanley Growth Fund
46, Avenue 4, Street No. 1
Banjara Hills
Hyderabad – 500 034

- The Dividend warrants for the final dividend of 10% for the year ending March 31, 2001 have been despatched to all the unitholders by July 3, 2001.

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- MSGF has commenced releasing its NAV for every Wednesday on the same day. This is in addition to the current practice of publishing the NAV on each Tuesday (as of the previous Friday close) as per the terms of the Offer document.
- Name of Morgan Stanley Dean Witter Investment Management Private Limited, asset management company to Morgan Stanley Mutual Fund stands changed to Morgan Stanley Investment Management Private Limited effective August 16, 2001.

TOP HOLDINGS

Top 25 Holdings as on June 29,2001 (Represents 72.66% of total portfolio)

Sr. No.	Name of the Security	% of Total Net Assets
1	Infosys Technologies	7.28%
2	Hero Honda	6.50%
3	HDFC	6.25%
4	State Bank of India	5.23%
5	Cipla	3.92%
6	HDFC Bank	3.50%
7	Container Corporation	3.46%
8	Bharat Heavy Electricals	3.31%
9	Gujarat Ambuja Cements	3.10%
10	Wipro	2.74%
11	MTNL	2.49%
12	ITC	2.46%
13	Dabur	2.43%
14	Britannia Industries	2.04%
15	Tata Power	1.99%
16	Smithkline Consumer	1.97%
17	Hidustan Petroleum	1.86%
18	Telco	1.79%
19	Aztec Software	1.59%
20	Colgate Palmolive	1.58%
21	Cummins India	1.55%
22	Asian Paints	1.46%
23	Reliance Industries	1.39%

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24	Indian Hotels	1.38%
25	Bharat Petroleum	1.37%
	Total	72.66%