MorganStanley
Growth Fund

Quarterly Newsletter

Dear Unit Holder,

In what has otherwise been a very difficult past twelve months for equity investing, with the benchmark indices remaining essentially flat, the Fund has managed to generate meaningful absolute returns (as seen in the Table below).

MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV*	SENSEX	BSE 100
Returns during the half year [(+) (-)]	12.32%	-0.54%	5.98%
Compounded Annualised Growth Rate			
(i) Last 1 year	18.37%	-6.14%	1.25%
(ii) Last 3 years	3.12%	-7.59%	-2.30%
(iii) Last 5 years	9.36%	-4.73%	-1.39%
(iv) Since the launch of the scheme (1st January 1994)	4.79%	-1.41%	-0.71%

Past performance is no indication of future performance. All returns except for half year and 1 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.

The Fund continued to stay clear of the speculative craze and stuck to a disciplined task of identifying sectors and stocks with growth potential. At times this required being early (like our overweight in commodities) but eventually such positions paid off. Similarly, we are now orienting the portfolio towards companies that might benefit from a cyclical rebound in the economy while sticking to our basic model of buying high management quality, under valued large-mid cap stocks.

The past quarter was otherwise again a reminder of what a potent negative mix an unfavorable global environment for equities and adverse local developments can be for the Indian stock market. Market sentiment was left to alternate between concerns of a possible military conflict and the growing international disenchantment with equities.

However there were signs that the trend of systematic under-performance of the Indian equity market was beginning to exhaust itself. Since the start of the global bear market in equities, dating back to March 2000, the Indian market has consistently under-performed its emerging market peers. The poor relative performance was due to excessive speculative mania being washed out with a series of negative events (ranging from political to financial) constantly playing out resulting in the slowdown in the economy. The pattern of an adverse headline news event out of India every other month has left investors worried about event risks in the country.

Indeed, there is no obvious sign of a change in the trend regarding event risks and that has further raised the India risk premium. However, trends don't last forever and there is some indication that the de-rating process is limited in nature. This just might be the message from the market given the very recent resilience. For example, the tensions in the sub-continent in May were cited as one of the main reasons for weakness in global financial markets. Now for world markets to react to a negative event in an otherwise emerging region in the global economic sweepstakes one would expect the Indian market to be in a free-fall mode. Instead, through the cross-border crisis, the Indian market just moved in line with other emerging markets that in turn were negatively impacted by troubles in the US. Then by the end of the quarter, when global equity investors were truly capitulating, the Indian market fell as well but by a far lesser margin.

Of course, these are still early days and maybe this is a lull before another (event risk related) storm. But it is encouraging to see such relative strength. The bigger test will come if and when global equities begin a recovery process. It's one thing to hold up on the downside and quite another to outperform on the upside. Also, the Indian investor, with little freedom to invest overseas is interested in generating absolute returns and would want to see India more than participate in any revival. This will be difficult unless India accelerates the reform programme rather than just waiting to rise and fall with global tide. The conditions are falling into place for absolute returns to be generated in Indian equities but India needs to be pro-active on the policy front to fully capitalise on that situation.

RUCHIR SHARMA

July 10, 2002

Holding of MSGF as of June 30, 2002

Sr. No.	Name of the Security	% of Total Net Assets
1	Hero Honda	7.95%
2	State Bank of India	6.53%
3	Infosys Technologies	5.95%
4	Container Corporation of India	5.67%
5	Wipro **	4.88%
6	HDFC	3.39%
7	HDFC Bank**	3.27%
8	Ranbaxy Laboratories	3.23%
9	M T N L**	3.14%
10	I T C	3.11%
11	Gujarat Ambuja Cement**	3.10%
12	Hindustan Lever	2.71%
13	Bharat Heavy Electricals	2.55%
14	Dr. Reddy's Laboratories**	2.51%
15	S A I L	2.31%
16	Hindustan Petroleum	2.26%
17	Hindalco Industries	2.18%
18	Reliance Petroleum	1.95%
19	Reliance Industries	1.91%
20	TISCO	1.88%
21	TELCO	1.77%
22	Bharat Petroleum	1.74%
23	Cipla	1.70%
24	Tata Power	1.70%
25	HCL Technologies	1.61%
26	Smithkline Beecham Consumer	1.48%
27	Colgate Palmolive	1.48%
28	National Aluminium	1.41%
29	Dabur	1.27%
30	Asian Paints	1.10%
31	A B B	1.08%
32	Indo Gulf Fertilizer	1.01%
33	Reckitt Benckiser	0.99%
34	Britannia Industries	0.99%
35	Oil and Natural Gas Corporation	0.98%
36	Nestle India	0.95%
37	Cummins India	0.94%
38	Titan Industries	0.86%
39	Bharti Tele-ventures	0.82%
40	Punjab Tractors	0.75%
41	Samtel Colour	0.57%
42	Aventis Crop Science	0.35%
43	New Delhi Television	0.11%
44	Shanta Bio Technologies	0.10%
45	Cash / Others	3.76%
	Total	**100.00%**

** Includes Local Shares and ADRs / GDRs

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED JUNE 30, 2002

ABRIDGED BALANCE SHEET AS AT JUNE 30, 2002

		As at 30-06-2002 (Rs. in Lacs)
LIABILITIES		
1 Unit Capital		
1.1 Initial Contribution by settlor	-	
1.2 Unit Capital	63,600	63,600
2 Reserves & Surplus		
2.1 Unit Premium Reserve	3,973	
2.2 Revenue Reserves	10,735	14,708
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	2	
4.3 Proposed Income Distribution	-	
4.4 Other Current Liabilities & Provisions	1,436	1,438
TOTAL		**79,746**
ASSETS		
1 Investments		
1.1 Equity & Preference Shares	75,421	
1.2 Privately Placed Debentures/Bonds		
1.3 Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange	12	
1.4 Term Loans	-	
1.5 Government Securities	-	
1.6 Others	-	75,433
2 Deposits		
2.1 With Scheduled Banks	3,481	
2.2 With Others	-	3,481
3 Other Current Assets		
3.1 Cash & Bank Balances	0	
3.2 Others	832	832
4 Fixed Assets (At depreciated value)		-
5 Deferred Revenue Expenditure (to the extent not written off)		-
TOTAL		**79,746**
RECONCILIATION TO NET ASSET VALUE PER UNIT		
Net Assets as per Balance Sheet (Total Assets less Current Liabilities & Provisions and Settlor's Contribution)		78,308
Number of Units in Issue (in Lacs)		6,360
Net Asset Value per Unit (in Rs.)		12.31

ABRIDGED REVENUE ACCOUNT FOR THE PERIOD APRIL 01, 2002 TO JUNE 30, 2002

	01-04-2002 to 30-06-2002 (Rs. in Lacs)
1 INCOME	
1.1 Dividend	265
1.2 Interest	57
1.3 Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	677
1.4 Net Profit on inter-scheme transfer/sale of Investments	-
1.5 Other Income	-
1.6 Realised Gain on Foreign Currency Transactions	8
TOTAL	**1,007**
2 EXPENSES & LOSSES	
2.1 Management, Trusteeship, Administrative & other Operating Expenses	359
2.2 Provision for Doubtful Income	(0)
2.3 Provision for Doubtful Deposits/Current Assets	-
2.4 Net Loss on sale /redemption of Investments (other than inter-scheme transfer/sale)	-
2.5 Net Loss on inter-scheme transfer/sale of Investments	-
2.6 Realised Loss on Foreign Currency Transactions	-
TOTAL	**359**
Excess of Income Over Expenses & Losses	**648**
Net change in unrealised depreciation/appreciation of investments	**(1,264)**
Net Surplus/(Deficit) transferred to Revenue Reserve	**(616)**

FORTUNE 1676

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 closed end 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.

Dividend History

Date of declaration	Dividend per unit	NAV as of date	NAV per unit
June 4, 2001	Rs. 1.00	June 6, 2001	Rs. 10.72
April 18, 2000	Rs. 0.75	April 20, 2000	Rs. 16.60
June 23, 1999	Rs. 0.75	June 25, 1999	Rs. 12.83

We wish to remind you that MSGF has paid 3 dividends of Rs. 0.75 per unit on 24.07.1999, Rs. 0.75 on 19.05.2000 and Re. 1.00 on 02.07.2001. 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.

Registrars to the Fund : Karvy Consultants Limited, 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments. The information is not necessarily indicative of future results and may not necessarily provide basis for comparison with other investments.

Visit us at www.msgfindia.com

MorganStanley
Forbes Building, Charanjit Rai Marg, Mumbai 400 001

Size: 51 x 6 col. (24.6 cms.)