

Quarterly Newsletter

Dear Unit Holder,

Emerging markets have been the best performing equity asset this year. Every emerging stock market of consequence in the world is currently in positive territory. The Indian market belatedly joined in the revelry with a strong broad-based advance beginning May.

As has been the case in most parts of the world, the change in psychology towards equities in India has been quite dramatic. Concerns regarding the slowing pace of economic reforms and a moribund economy here have given way to optimism about a cyclical recovery and rising earnings momentum.

We think the excess liquidity in the global system is the most powerful factor at work and largely behind the altered investors' mindsets. Central banks across the world are spraying massive liquidity to reflate the global economy and the liquidity surge may not be providing much economic traction, but is leading to a bull market in financial assets. Some of that liquidity is understandably finding its way into India, partly reflected in the strong foreign fund flows.

While excess liquidity alone can cause a lot of distortions, we do not think that it is always a bad development per se. As seen in the Indian market, by affecting a change in psychology, liquidity can help unlock value in depressed stocks. Accordingly, a feature of the rally in India has been the wide breadth that has significantly lifted long undervalued mid-small cap stocks.

Emerging markets like India have the most to benefit from any liquidity driven p/e expansion. Many of these markets are trading at valuations well below the long-term historical average and at a significant discount to developed markets. There is no reason for the discount to persist though. As evident in India as well, significant improvements have taken place at the microeconomic level with corporate balance sheets in much healthier shape. This is reflected in the trend of a steadily rising return on equity capital compared to the declining cost of capital. At the macroeconomic level too the recurring pattern of external crisis seems to have run its course with domestic residents bringing capital back home.

The Fund has not made any significant shifts during the past quarter but has seen the portfolio perform well with the liquidity effect positively impacting most of the holdings. One of the features of a strong broad advance from the lows is that individual stock picking does not make a significant difference. However, that tends to be a short-term phenomenon and as the up trend enters a more mature phase, opportunities for differentiation through stock picking arise again.

RUCHIR SHARMA

July 11, 2003

MSGF NAV Performance v/s Benchmark Indices (as of June 30, 2003)

Period	MSGF NAV*	Sensex	BSE 100
Returns during the half-year [(+) (-)]	12.16%	6.81%	9.29%
Returns during the year [(+) (-)]	13.16%	11.17%	10.24%
Compounded Annualised Growth Rate			
(i) Last 3 years	-2.65%	-8.76%	-8.78%
(ii) Last 5 years	14.34%	2.62%	5.50%
(iii) Since the launch of the scheme (1st January 1994)	5.61%	-0.16%	0.39%

Past performance is no indication of future performance and may not necessarily provide basis for comparison with other investments. 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.

MSGF NAV as of June 30, 2003 is Rs. 13.93 per unit.

Morgan Stanley Growth Fund

Holdings of MSGF as of July 11, 2003

Sr. No.	Name of the Security	% of Total Net Assets
1	State Bank of India**	10.53%
2	Infosys Technologies	5.51%
3	Bharat Heavy Electricals	5.38%
4	Hero Honda	4.81%
5	I T C	4.61%
6	Oil and Natural Gas Corporation	4.02%
7	Hindustan Lever	3.99%
8	Ranbaxy Laboratories	3.91%
9	Container Corporation of India	3.88%
10	S A I L	3.16%
11	Reliance Industries	3.05%
12	TELCO	2.88%
13	Wipro*	2.81%
14	Gujarat Ambuja Cement	2.70%
15	Hindalco Industries	2.63%
16	TISCO	2.55%
17	M T N L*	2.28%
18	HDFC	2.09%
19	HDFC Bank*	2.05%
20	Asian Paints	1.85%
21	Cipla	1.69%
22	Glaxosmithkline Pharmaceuticals	1.64%
23	A B B	1.62%
24	Punjab National Bank	1.58%
25	Colgate Palmolive	1.58%
26	Nestle India	1.53%
27	Tata Power	1.37%
28	Cummins India	1.14%
29	Neyvelli Lignite Corporation	1.13%
30	HCL Technologies	1.13%
31	Glaxosmithkline Consumer Healthcare	1.12%
32	Dabur	0.91%
33	Bharti Tele-ventures	0.82%
34	Punjab Tractors	0.69%
35	Titan Industries	0.68%
36	Grasim Industries	0.67%
37	ACC	0.54%
38	Corporation Bank	0.54%
39	Union Bank	0.53%
40	Maruti Udyog	0.46%
41	Samtel Colour	0.33%
42	Cash and Others	3.61%
	Total Net Assets	100.00%

** The limit of 10% of the total net assets has been crossed due to market movement.

* Includes Local Shares and ADRs/GDRs

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED JUNE 30, 2003

ABRIDGED BALANCE SHEET AS AT JUNE 30, 2003		ABRIDGED REVENUE ACCOUNT FOR THE PERIOD ENDED JUNE 30, 2003	
As at 30-06-2003 (Rs. in Lacs)		01-04-2003 to 30-06-2003 (Rs. in Lacs)	
LIABILITIES		1 INCOME	
1 Unit Capital		1.1 Dividend	497
1.1 Initial Contribution by settlor	-	1.2 Interest	60
1.2 Unit Capital	60,614	1.3 Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	1,340
2 Reserves & Surplus		1.4 Net Profit on inter-scheme transfer/sale of Investments	-
2.1 Unit Premium Reserve	4,308	1.5 Other Income	-
2.2 Revenue Reserves	19,541	1.6 Realised Gain on Foreign Currency Transactions	-
3 Loans & Borrowings		TOTAL	1,897
3.1 From Banks	-	2 EXPENSES & LOSSES	
3.2 From Others	-	2.1 Management, Trusteeship, Administrative & other Operating Expenses	362
4 Current Liabilities & Provisions		2.2 Provision for Doubtful Income	-
4.1 Provision for loss/depreciation in value of Investments	-	2.3 Provision for Doubtful Deposits/ Current Assets/Investments	16
4.2 Provision for doubtful Income/Deposits	23	2.4 Net Loss on sale/redemption of Investments (other than inter-scheme transfer/sale)	-
4.3 Proposed Income Distribution	-	2.5 Net Loss on inter-scheme transfer/sale of Investments	-
4.4 Other Current Liabilities & Provisions	2,160	2.6 Realised Loss on Foreign Currency Transactions	-
TOTAL	86,646	TOTAL	378
ASSETS		Excess of Income Over Expenses & Losses	1,519
1 Investments		Net change in unrealised (depreciation)/appreciation of investments	13,126
1.1 Equity & Preference Shares	81,334	Net Surplus/(Deficit) transferred to Revenue Reserve	14,645
1.2 Privately Placed Debentures/Bonds	-		
1.3 Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange	122		
1.4 Term Loans	-		
1.5 Government Securities	-		
1.6 Others	81,456		
2 Deposits			
2.1 With Scheduled Banks	4,571		
2.2 With Others	4,571		
3 Other Current Assets			
3.1 Cash & Bank Balances	5		
3.2 Others	614		
4 Fixed Assets (At depreciated value)			
5 Deferred Revenue Expenditure (to the extent not written off)			
TOTAL	86,646		
RECONCILIATION TO NET ASSET VALUE PER UNIT			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities & Provisions and Settlor's Contribution)	84,463		
Number of Units in Issue (in Lacs)	6,061		
Net Asset Value per Unit (in Rs.)	13.93		

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

Record Date	Date of Declaration	Dividend per unit	NAV as of	NAV per unit
July 09, 1999	June 23, 1999	Rs. 0.75	June 25, 1999	Rs. 12.83
April 29, 2000	April 18, 2000	Rs. 0.75	April 20, 2000	Rs. 16.60
June 11, 2001	June 04, 2001	Rs. 1.00	June 06, 2001	Rs. 10.72

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



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who have either not received or encashed their dividend warrants are requested to forward a duly signed written request to Kary Consultants Ltd., at the below mentioned address, indicating the details of their investment in the fund.

Registrars to the Fund : Kary Consultants Limited

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

All investments in Mutual Funds and securities are subject to market risks and the NAV of the scheme may go up or down depending upon the factors and forces affecting the securities market. There can be no assurance that the fund's objectives will be achieved. The name of the scheme do not indicate the quality of the scheme, its future prospects or returns. Please read the Offer Document before investing.

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.

Morgan Stanley

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