

Newsletters For MorganStanley Growth Fund

Dear Unit Holder,

Capital preservation has been the winning investment theme over the past year and the events of the third quarter (calendar year) once again re-emphasized the need to continue with such a portfolio strategy as the global bear market in equities intensified. The Indian market continued to reflect global (declining) trends. Given the severity of the falls, negative returns for equity funds have been the norm. In such an environment, our focus has been on outperforming the market, as represented by the benchmarks, and preserving capital. In this regard, the third quarter out-performance for the Fund was significant.

The out-performance was largely generated by a disciplined stock selection strategy that assigned a major weight to management quality and sector dynamics. Bear markets are about a flight to quality, and quality usually implies high standards of corporate governance. Our investment framework involved taking an active sector view and then restricting our sector investments to companies that fit strict quality criteria. The sector view in turn is derived from both frequent company visits and global or country-specific macroeconomic insights.

As we were less sanguine than consensus on global economic growth prospects, the Fund remained underweight on sectors more dependent on global growth (e.g. information technology and commodities). Financials have been one of our largest sector over-weights as interest rates continue to decline and on a more structural basis we think the representation of financials in the Indian market is too low in comparison with other emerging markets and so is set to grow. Our top holding remains Hero Honda as it is difficult to find other companies offering earnings growth of more than forty per cent, expanding margins and consistently increasing market share.

In early 2000 extreme bullish sentiment towards equities in general, and sectors like technology in particular, provided us with a clear warning that too much optimism has been built into stock prices. Similarly, we are now on the lookout for signs that sentiment towards equities maybe reaching a point of excessive pessimism. Whilst news-flow shows little signs of turning for the better it is important to remember that the equity markets typically begins to rally well before the economic and the earning cycles turn. Accordingly, we are prepared to look at opportunities with this historical perspective in mind.

RUCHIR SHARMA
Portfolio Manager

Mumbai
October 15, 2001

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MORGAN STANLEY MUTUAL FUND**Half Yearly Financial Results for the Period Ended September 30, 2001**

SL. NO.	PARTICULARS	Morgan Stanley Growth Fund
1.1	Unit Capital at the beginning of the half - year period (Rs in Crores)	679.46
1.2	Unit Capital at the end of the period (Rs in Crores)	658.59
2	Reserves & Surplus (Rs in Crores)	(40.93)
3.1	Total Net Assets at the beginning of the half - year period (Rs in Crores)	712.88
3.2	Total Net Assets at the end of the period (Rs in Crores)	617.67
4.1	NAV at the beginning of the half year period (Rs)	10.49
4.2	NAV at the end of the period (Rs)	9.38
4.3	Dividend paid per unit during the half - year # (Rs)	0.00
	INCOME	
5.1	Dividend (Rs in Crores)	13.68
5.2	Interest (Rs in Crores)	1.98
5.3	Profit/(Loss) on sale/redemption of investments (other than inter scheme transfer/sale.) (Rs in Crores)	(83.26)
5.4	Profit/(Loss) on inter-scheme transfer/sale of investments (Rs in Crores)	-
5.5	Other Income (Net Profit on Foreign exchange fluctuations) (Rs in Crores)	0.09
5.6	Total Income (5.1 to 5.5) (Rs in Crores)	(67.51)
	EXPENSES	
6.1	Management Fees (Rs in Crores)	3.76
6.2	Trustee Fees (Rs in Crores)	0.01
6.3	Total Recurring Expenses (including 6.1 and 6.2) (Rs in Crores)	6.49
6.4	Percentage of Management Fees to daily/weekly average net assets (%)	0.52
6.5	Total Recurring expenses as a percentage of daily/weekly average net assets (%)	0.89

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7.1	Returns during the half year * [(+) (-)]	-10.60%
7.2	Compounded Annualised yield in case of schemes in existence for more than 1 year **	
	(i) Last 1 year [%]	-26.72%
	(ii) Last 3 years [%]	4.79%
	(iii) Last 5 years [%]	7.83%
	(iv) Since the launch of the scheme (1st January 1994) [%]	1.59%
8	Provision for Doubtful Income/Debts @ (Rs in Crores)	0.00
9	Payments to associate/group companies (if applicable) (Rs in Crores)	-
10	Investments made in associate/group companies (if applicable) (Rs in Crores)	-

* Considering Movement of NAV during the half-year and after adjustment of dividend , bonus , etc.

** For the calculation of compounded annualised yield , the procedure prescribed in Standard Offer Document is followed. All Performance calculations is based only on NAV and payout to unit holders. The calculations of returns assumes that all payouts during the period has been reinvested in the units of the scheme at the then prevailing NAV

Dividend of Re. 1 per unit paid during the half-year relates to financial year ended March 31, 2001. NAV at beginning of the half-year period has been adjusted for this dividend payment.

@ During the half-year period, provision for doubtful income/debts amounted to Rs 10,244

Notes :

- 1 MSGF subscribed for 118,800 American Depository Receipts (ADS) of HDFC Bank Limited through Merrill Lynch (Singapore) pte. Morgan Stanley & Co. Inc. was the Joint Global Coordinator to the ADS public offer.
- 2 The unaudited half-yearly financial results have been placed by Morgan Stanley Investment Management and approved by the Trustees in the meeting of Board of Trustees held on October 9, 2001.

Highlights

- Top 25 securities of MSGF accounts for 73.81% of total portfolio.
- RBI renews the approval to invest in American Depository Receipts/ Global Depository receipts upto 101.85 crores for a further period of one year. The total cost of Investments in ADR/GDR's of Indian Companies amounted to approx. Rs. 36 crores

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- MSGF releases NAV twice a week on Wednesday and Friday by 8.00 P.M.
- We wish to remind you that MSGF has paid 3 dividends of Rs. 0.75 per unit on 24/7/1999, Rs. 0.75 on 19/05/2000 and Rs. 1.00 on 03/07/2001. 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.

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

Morgan Stanley Growth Fund
 Top 25 holdings as on September 30, 2001

Sr. No.	Name of the Security	% of Total Net Assets
1	Hero Honda	8.02%
2	HDFC	5.54%
3	HDFC Bank *	5.28%
4	Infosys Technologies	4.82%
5	State Bank of India *	4.26%
6	Container Corporation	4.04%
7	Wipro *	3.97%
8	Cipla	3.59%
9	MTNL *	3.52%
10	Gujarat Ambuja *	2.84%
11	ITC	2.61%
12	Dr. Reddy Laboratories *	2.47%
13	Bharat Heavy Electricals	2.38%
14	Smithkline Beecham Consumer	2.20%
15	Dabur	2.17%
16	TELCO	2.15%
17	Hindustan Lever	1.98%
18	Colgate Palmolive	1.84%

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19	Hindustan Petroleum	1.66%
20	Tata Power	1.66%
21	Cummins India	1.65%
22	Asian Paints	1.48%
23	Castrol	1.30%
24	Britannia Industries	1.24%
25	BSES	1.14%
	Total	73.81%