

Morgan Stanley Growth Fund

Quarterly Newsletter

Dear Unit Holder,

It was only as recently as this April that much of the local financial commentary suggested India could do little right. The economy seemed mired in a disappointingly low growth trajectory. Policymakers appeared jaded and the political economy cycle argued against any major reform initiatives in the midst of a busy election schedule. The bloom was off the outsourcing story with the tech majors disappointing the marketplace. Systemic problems were countering the positive liquidity effect from record low interest rates. Even such lame topics as the fiscal deficit threatened to make a comeback in the public discourse.

Well, it all looks dramatically different today. There is a rush to ratchet up growth estimates. A new investment cycle is evidently at work with the over-investment of the mid-nineties weeded out of the system. The manufacturing sector is thought to be in particularly healthy shape, with much improved efficiency rates, high operating leverage and the potential to win outsourcing contracts.

Mood swings are rarely this violent. However, most equity markets across the world have witnessed a similar change in sentiment. The 'sweet spot' for equities is that period when growth is accelerating and yet central banks are far from tightening monetary policy. India, like several other countries, is currently in midst of such a period. The strong appreciation pressure on the rupee is adding to the surplus liquidity situation and is the main reason why long-term interest rates have been so indifferent to the improved prospects for nominal GDP growth in India.

Ironically, while such a heady environment is great for equity returns in absolute terms, the task of stock selection becomes more challenging. With buy ideas coming out of every nook and corner, it takes very strong discipline to stick with a core strategy. The temptation is to chase performance and let the guard down against fanciful thinking. Experience has shown us that nothing corrupts the mind more than a bull market.

It is our effort then to remain focused on buying companies with sound business models that might benefit from an upturn in the underlying economic sentiment but have staying power beyond one short cycle. We are more cautious than usual of adding any new stocks to the portfolio, mindful of the fact that the improved prospects reported for many companies may be more perception, related to improved sentiment, than reality. Analysis and rigor often tend to become casualties in a bull market.

We do expect a period of calm and consolidation to materialize soon on the marketplace. Our attempt currently is to clean out any short-term excesses in the portfolio that might have arisen because of the dizzying run. Beyond that, the long-term objective remains to identify companies offering sustainable growth prospects at some value to the shareholder.

RUCHIR SHARMA

October 15, 2003

MSGF NAV Performance v/s benchmark Indices (as of September 30, 2003)

Period	MSGF NAV*	Sensex	BSE 100
Returns during the year [(+) (-)]	59.29%	48.87%	57.04%
Returns during the half year [(+) (-)]	55.27%	46.07%	54.23%
Compounded Annualised Growth Rate			
(i) Last 3 years	11.72%	2.87%	3.70%
(ii) Last 5 years	16.97%	7.50%	10.90%
(iii) Since the launch of the scheme (1st January 1994)	8.17%	2.03%	2.89%

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 September 30, 2003 is Rs. 17.84 per unit

Holdings of MSGF as of September 30, 2003		
Sr. No.	Name of the Security	% of Total Net Assets
1	State Bank of India	8.93%
2	Bharat Heavy Electricals	6.24%
3	Infosys Technologies	5.37%
4	Oil and Natural Gas Corporation	5.12%
5	Container Corporation of India	4.54%
6	I T C	3.92%
7	Hero Honda	3.78%
8	Ranbaxy Laboratories	3.64%
9	S A I L	3.55%
10	Hindustan Lever	3.44%
11	Reliance Industries	3.30%
12	TISCO	3.02%
13	Tata Motors	2.83%
14	Hindalco Industries	2.29%
15	HDFC	2.02%
16	Wipro**	2.02%
17	Glaxosmithkline Pharmaceuticals	1.80%
18	Asian Paints	1.70%
19	Cipla	1.69%
20	A B B	1.67%
21	Gujarat Ambuja Cement	1.56%
22	HDFC Bank**	1.56%
23	Punjab National Bank	1.44%
24	M T N L**	1.42%
25	Nestle India	1.32%
26	Colgate Palmolive	1.25%
27	Dr. Reddy's Laboratories	1.22%
28	Neyveli Lignite Corporation	1.20%
29	Cummins India	1.18%
30	Kochi Refineries	1.13%
31	Glaxosmithkline Consumer Healthcare	1.13%
32	Grasim Industries	1.05%
33	Union Bank	1.05%
34	IDBI	1.04%
35	ACC	0.90%
36	Chennai Petroleum Corporation	0.89%
37	Dabur	0.84%
38	Siemens	0.75%
39	Ballarpur Industries	0.45%
40	Samtel Colour	0.22%
41	Cash and Others	7.53%
Total Net Assets		100.00%

** Includes Local Shares and ADR's

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 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 address mentioned herein, indicating the details of their investment in the fund.

Registrars to the Fund : Karvy Consultants Limited

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

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. 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.

Visit us at
www.msgfindia.com



Morgan Stanley

Forbes Building, Charanjit Rai Marg, Mumbai 400 001
Tel: 022 - 2209 6600