

Morgan Stanley Growth Fund

Quarterly Newsletter

Dear Unit Holder,

Global equity markets have been amazingly resilient over the past few months. Emerging markets such as India have performed particularly well in the face of slowing global growth momentum, rising interest rates and of course higher oil prices. In fact, a few months ago an oil price north of \$50 a barrel was part of disaster scenarios for equities. Instead, some emerging markets are currently close to their all-time highs.

Many analysts still find it hard to explain how markets have been able to take higher oil prices in their stride. All sorts of explanations have been bandied about to rationalize the muted impact of rising oil prices on equity markets. The most popular one being that oil matters less to the global economy today than it did in the 1970s - when a similar price increase seriously undermined the growth. While it is true that oil now forms a far reduced part of the world's economy, what matters is the change in prices and the magnitude of the price increase has been unusually large over the past year.

What probably partly explains this contradiction is the changed dynamic in the oil market. Historically, supply disruptions have caused large increases in oil prices. Although there is an element of that in the current episode, we think what has truly surprised the markets this time has been the sustained increase in demand, principally out of China. The Chinese economy is growing at a breakneck speed and in turn guzzling commodities at a frenetic pace. China's growth splurge has made for a demand shock in the commodity markets.

While we think that China's current growth pace is unsustainable, it is hard to predict when the Chinese economy will finally return to a more sustainable growth path. Meanwhile, the rest of the world is getting a growth lift from China, particularly commodity producing emerging markets. Therefore, we think commodity prices and equity markets are reacting together to a similar factor.

Our portfolio continues to have some exposure to commodity stocks, principally SAIL and Hindalco. We had bought SAIL long before the China frenzy and did so because at that time investors shunned commodities and drove the valuations of their stocks to distress levels. The cycle may now be reaching the opposite point, with feverish-paced Chinese buying cited in far-flung parts of the world buying commodities. We believe that having the right view on China will be very important in determining many trends on the marketplace in the coming months and China is the destination of many a visit of our emerging markets team.

Sridhar Sivaram and Amay Hattangadi
Portfolio Managers

Ruchir Sharma
Co-Head Global Emerging Markets

October 18, 2004

MSGF NAV Performance v/s benchmark Indices (as of September 30, 2004)

Period	MSGF NAV*	Sensex	BSE 100
Returns during the year [(+) (-)]	28.19%	25.38%	29.52%
Returns during the half year [(+) (-)]	1.86%	-0.13%	1.07%
Compounded Annualised Growth Rate			
(i) Last 3 years	34.61%	25.70%	31.70%
(ii) Last 5 years	8.16%	3.22%	6.26%
(iii) Since the launch of the scheme (1st January 1994)	9.89%	4.00%	5.12%

Past performance is no indication of future performance and may not necessarily provide basis for comparison with other investments. Past performance may or may not be sustained in future. Distribution tax has been included in the calculation of returns. 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, 2004 is Rs. 21.35 per unit.

Holdings of MSGF as of September 30, 2004		
Sr. No.	Name of the Security	% of Total Net Assets
1	Bharat Heavy Electricals	6.16%
2	Hero Honda	4.66%
3	Infosys Technologies	4.46%
4	Cipla	4.15%
5	Oil and Natural Gas Corporation	4.11%
6	HDFC Bank*	3.97%
7	HDFC	3.34%
8	State Bank of India	3.33%
9	Wipro*	3.22%
10	Siemens	3.09%
11	Grasim Industries	3.05%
12	ABB	2.96%
13	IDBI	2.86%
14	SAIL	2.73%
15	ACC	2.71%
16	Container Corporation of India	2.64%
17	Hindalco Industries	2.51%
18	MTNL	1.95%
19	ITC	1.92%
20	Tata Consultancy Services	1.92%
21	Indian Oil Corporation	1.80%
22	Hindustan Lever	1.78%
23	Indian Petrochemical	1.70%
24	TISCO	1.57%
25	Glaxosmithkline Pharmaceuticals	1.55%
26	Asian Paints	1.53%
27	Mahindra & Mahindra	1.48%
28	Sun Pharmaceutical Industries	1.47%
29	Cummins India	1.43%
30	MICO	1.43%
31	Amtek Auto	1.40%
32	Matrix Laboratories	1.23%
33	Bharat Petroleum Corporation	1.20%
34	Alok Industries	1.16%
35	UTI Bank	1.11%
36	Chennai Petroleum Corporation	1.04%
37	Punjab National Bank	1.02%
38	I-Flex Solutions	1.01%
39	Ballarpur Industries*	1.00%
40	Mphasis BFL	0.99%
	Cash and Others	7.36%
	Total Net Assets	100.00%

*Includes Local Shares and ADRs / GDRs

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 4, 2001	Rs. 1.00	June 06, 2001	Rs. 10.72
May 13, 2004	April 28, 2004	Rs. 1.50	April 29, 2004	Rs. 21.82

Unit holders who have either not received or encashed their dividend warrants are requested to forward a duly signed written request to Karvy Computershare Private Limited, at the address mentioned herein, indicating the details of their investment in the fund.

Registrars to the Fund : Karvy Computershare Private 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. Investments in close-ended schemes are subject to market risks of infrequent trading, possibility of market price of units being traded at a discount to NAV etc. 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.



fortune1915

Visit us at
www.msgfindia.com



Morgan Stanley

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