

Morgan Stanley Growth Fund

Quarterly Newsletter

Dear Unit Holder,

One of the enduring features of the current bull run in global emerging markets is the dichotomy between foreign and local investor sentiment. For global investors, emerging markets have undoubtedly been the asset class of choice. They have poured nearly \$150 billion of portfolio money into emerging market stocks over the past three years. But domestic investors, from Brazil to India, have been more skeptical and haven't committed much incremental capital to equities.

Only recently have we started to see more domestic participation. In India, mutual fund inflows have picked up with \$2 billion flowing in this year. Still, that's just a fraction of foreign inflows. Overseas ownership in Indian equities has risen more than four-fold over the past five years, with Foreign Institutional Investors (FIIs) currently holding more than \$80 billion of Indian equities. Although the remarkable rise in several penny stocks this year is another sign of increased domestic retail participation in the Indian stock market, it doesn't change the bigger picture - which shows ebullient FIIs pitched against more cautious domestic investors.

Furthermore, the commentary in the financial community reflects the stark difference in opinion. Most commentators in India have been trying to call a market peak for a while now, whereas new foreign investors have been more inclined to buy first and think about index targets later. So will there be a convergence of views or shall the twain never meet?

Equally strong arguments can be made on whether the rally in emerging markets, which includes India, has a further run or if the enthusiasm is overdone. Valuations in most emerging markets are at the higher end of their recent trading range but, in general, well below levels that prevailed in 1994 and 2000 - the last major turning points in emerging market bull phases. On the economic fundamentals side, global investors point to the dramatic improvement in emerging markets' macroeconomic profile - such as balance-of-payments and inflation indicators - while local investors cite the fading reform momentum in several large countries as part of their long list of negatives.

We come out on this debate saying that a correction is required to get rid of some froth in the marketplace. However, investors should not lose the main plot: emerging markets are in the midst of a secular bull run, which is likely to be one of the main investment themes this decade. India behaves as the archetypal emerging market and is likely to continue participating in that trend unless retrograde policies on the economic front eventually drag down the country's growth prospects.

The way to invest in an environment where the assumption is that emerging markets are in the midst of a secular bull run is to zone in to certain themes that will drive economic growth and the investment cycle. We believe that powerful trends in the power and construction sectors will drive India's growth, and we own a cluster of those stocks. Thematic investing has long been a successful investment strategy in India, particularly during up-trends. The only caveat at these heady levels is that investors will need to be more discerning on which companies will deliver on the themes and those that merely offer hope.

Sridhar Sivaram and Amay Hattangadi
Portfolio Managers

Ruchir Sharma
Co-Head Global Emerging Markets

October 17, 2005

MSGF NAV Performance v/s benchmark Indices (as of September 30, 2005)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the year [(+) (-)]	62.53%	54.64%	52.32%
Returns during the half year [(+) (-)]	34.86%	32.99%	31.15%
Compounded Annualised Growth Rate			
(i) Last 3 years	49.18%	42.38%	45.73%
(ii) Last 5 years	23.77%	16.12%	17.08%
(iii) Since the launch of the scheme (6th January 1994)	13.61%	7.59%	8.51%

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, 2005 is Rs. 34.70 per unit

Holdings of MSGF as of September 30, 2005		
Sr No.	Name of the Security	% of Total Net Assets
1	Bharat Heavy Electricals	8.37%
2	ITC	4.72%
3	Siemens	4.45%
4	ABB	4.13%
5	Hindustan Lever	4.08%
6	Infosys Technologies	4.07%
7	Hindustan Construction Co.	4.04%
8	HDFC BANK *	3.92%
9	HDFC	3.54%
10	Hero Honda	3.07%
11	Container Corporation of India	2.93%
12	State Bank of India	2.76%
13	Gujarat Ambuja Cement	2.59%
14	Punjab National Bank	2.41%
15	Wipro *	2.28%
16	Cipla	2.09%
17	UTI Bank *	1.94%
18	Gammon India	1.93%
19	Mahindra & Mahindra	1.86%
20	Hotel Leelaventure	1.84%
21	Rico Auto Industries	1.78%
22	ACC	1.76%
23	Aventis Pharma	1.73%
24	Glenmark Pharma	1.50%
25	MTNL	1.44%
26	Hindalco Industries	1.43%
27	TISCO	1.42%
28	National Thermal Power Corporation	1.37%
29	IDFC	1.34%
30	MICO	1.25%
31	HCL Technologies	1.18%
32	Indian Oil Corporation	1.14%
33	Tata Tea	1.11%
34	Jet Airways (India)	1.03%
35	New Delhi Television	1.03%
36	Reliance Industries	1.00%
37	Ballarpur Industries	0.97%
38	Marico Industries	0.92%
39	Geodesic Information Systems	0.91%
40	Aban Loyd Chiles Offshore	0.88%
	Cash and Other Securities	7.79%
	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.

