Morgan Stanley
Growth Fund

Quarterly Newsletter

Dear Unit Holder,

It's now a well publicised fact that 2002 was one of the worst years for global equities in the post World War II period and further extended the misery streak that's been in place for equities since early 2000. Global equities ended 2002 down 20.5% in dollar terms, as measured by the Morgan Stanley Capital International Index (MSCI). Not a single major developed market came close to generating positive returns for the year. Only 15 out of the 50 markets tracked worldwide by MSCI ended 2002 in positive territory and 14 of them were emerging markets.

India was one of the very few equity markets to generate positive returns (albeit small). Emerging market investing showed signs of returning to the days when country-specific factors played the most important role in differentiating performance. However, markets globally remained tightly correlated and it required a strong domestic policy impulse for the country effect to outweigh the overarching negative global effect. Accordingly, markets of the Czech Republic, Indonesia, Thailand and Hungary were amongst the best performing markets in the world, all powered by a meaningful domestic economic reform story.

India's better than usual effort in carrying through with its privatisation drive was probably the main reason for the market's out-performance over the past year. Privatisation themes both rallied significantly and kept interest in the broader market alive. Investors were also impressed by the solidity of the Indian outsourcing model. The relatively strong business performance of the Indian tech majors in an otherwise challenging global environment was widely appreciated.

We were able to position the portfolio well to capture such themes. However the Fund's out-performance for the year was not driven by just one or two powerful trends since these, in our view, inevitably weaken with time. In addition, the Fund has had relatively low turnover compared to other mutual funds in the industry.

One of the biggest contributors to the Fund's performance was the long-term overweight in financials, led by State Bank of India (SBI). Although a number of reasons were cited for the rally in banking stocks (e.g. new legislation on foreclosure laws and declining interest rates), our view for quite some time has been that the Indian banking sector is under-represented in the Indian Market, especially when compared to the structure of other emerging markets and despite the presence of increasingly profitable institutions like SBI. We believe it was always going to be only a matter of time before such an anomaly would be corrected.

With the focus returning to country-specific factors, such as reform impulses, the focus with regard to India will be more than ever on policy statements, principally the Budget speech. Also, there will be continued focus on positioning the Fund to take any advantage of the timing and characteristics of a potential economic recovery.

RUCHIR SHARMA

January 15, 2003

MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV*	SENSEX	BSE 100
Returns during the year 2002 [(+) (-)]	13.36%	3.52%	6.90%
Last 6 months	0.94%	4.09%	0.87%
Compounded Annualised Growth Rate			
(i) Last 3 years	-12.81%	-12.29%	-14.08%
(i) Last 5 years	13.03%	-1.45%	1.11%
(iii) Since the launch of the scheme (1st January 1994)	4.62%	-0.90%	-0.57%

Past performance is no indication of future performance. 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.

Holdings of MSGF as of December 31, 2002

Sr. No.	Name of the Security	% of Total Net Assets
1	Infosys Technologies	9.15%
2	State Bank of India	8.62%
3	Hero Honda	6.57%
4	Wipro **	6.13%
5	HDFC	3.92%
6	Container Corporation of India	3.64%
7	Bharat Heavy Electricals	3.50%
8	Ranbaxy Laboratories	3.37%
9	Reliance Industries	3.35%
10	Hindustan Lever	3.10%
11	I T C	2.82%
12	TISCO	2.62%
13	Gujarat Ambuja Cement**	2.33%
14	TELCO	2.24%
15	Hindustan Petroleum	2.24%
16	M T N L**	2.13%
17	Oil and Natural Gas Corporation	2.09%
18	Cipla	2.07%
19	Hindalco Industries	2.07%
20	HCL Technologies	1.98%
21	S A I L	1.95%
22	Asian Paints	1.70%
23	Nestle India	1.65%
24	HDFC Bank**	1.55%
25	Colgate Palmolive	1.44%
26	Smithkline Beecham Consumer	1.21%
27	Dabur	1.17%
28	Tata Power	1.16%
29	ICICI Bank	1.09%
30	A B B	1.06%
31	Britannia Industries	1.01%
32	Indo Gulf Corporation	0.92%
33	Titan Industries	0.85%
34	Cummins India	0.80%
35	Punjab Tractors	0.70%
36	Bharti Tele-ventures	0.56%
37	Samtel Colour	0.45%
38	Cash/Others	6.79%
	Total	**100.00%**

** Includes Local Shares and ADRs / GDRs**

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED DECEMBER 31, 2002

ABRIDGED BALANCE SHEET AS AT DECEMBER 31, 2002

	As at 31-12-2002 (Rs. in Lacs)	
LIABILITIES		
1. Unit Capital		
1.1 Initial Contribution by Settlor	-	
1.2 Unit Capital	62,093	62,093
2. Reserves & Surplus		
2.1 Unit Premium Reserve	4,164	
2.2 Revenue Reserves	10,835	14,999
3. Loans & Borrowings		
3.1 From Banks	-	
3.2 From Others	-	-
4. Current Liabilities & Provisions		
4.1 Provision for doubtful Income/Deposits	48	
4.2 Proposed Income Distribution	-	
4.3 Other Current Liabilities & Provisions	1,305	1,353
TOTAL		**78,445**
ASSETS		
1. Investments		
1.1 Equity & Preference Shares	72,048	
1.2 Privately Placed Debentures/Bonds	-	
1.3 Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange	10	
1.4 Term Loans	-	
1.5 Government Securities	-	
1.6 Others	-	72,058
2. Deposits		
2.1 With Scheduled Banks	5,268	
2.2 With Others	-	5,268
3. Other Current Assets		
3.1 Cash & Bank Balances	653	
3.2 Others	466	1,119
4. Fixed Assets (At depreciated value)		-
5. Deferred Revenue Expenditure (to the extent not written off)		-
TOTAL		**78,445**

RECONCILIATION TO NET ASSET VALUE PER UNIT

Net Assets as per Balance Sheet (Total Assets less Initial Contribution by Settlor and Current Liabilities and Provisions)	77,092
Number of Units in Issue (in Lacs)	6,209
Net Asset Value per Unit (in Rs.)	12.42

ABRIDGED REVENUE ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2002

	01-04-2002 to 31-12-2002 (Rs. in Lacs)
1. INCOME	
1.1 Dividend	1,681
1.2 Interest	175
1.3 Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	2,103
1.4 Net Profit on inter-scheme transfer/sale of Investments	-
1.5 Other Income (Profit on account of foreign currency fluctuations)	15
TOTAL	**3,974**
2. EXPENSES & LOSSES	
2.1 Management, Trusteeship, Administrative & other Operating Expenses	1,022
2.2 Provision for Doubtful Income	-
2.3 Provision For Doubtful Deposits/Current Assets	46
2.4 Net Loss on sale/redemption of Investments (other than inter-scheme transfer/sale)	-
2.5 Net Loss on inter-scheme transfer/sale of Investments	-
TOTAL	**1,068**
Excess of Income Over Expenses & Losses	**2,906**
Net change in unrealised (depreciation)/ appreciation of investments	**(3,420)**
Net Surplus/(Deficit) transferred to Revenue Reserve	**(514)**

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

Date of declaration	Dividend per unit	NAV as of date	NAV per unit
June 4, 2001	Rs. 1.00	June 6, 2001	Rs. 10.72
April 18, 2000	Rs. 0.75	April 20, 2000	Rs. 16.60
June 23, 1999	Rs. 0.75	June 25, 1999	Rs. 12.83

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

Registrars to the Fund :
Karvy Consultants Limited, 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel: 040 - 2331 2454, 2332 0251.

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