

Quarterly Newsletter

Dear Unit Holder,

The path was rather volatile, but finally 2004 ended up being another year of reasonable returns for equities. Following the extremely strong finish to the year, most market participants in India carried the image of a thriving bull market into the new year, forgetting about the factors that caused all the volatility and pain in the second quarter of 2004. The prospect of higher US interest rates and a slowdown in China rattled financial markets in the spring and summer months of 2004. Unfortunately, those very factors are likely to dominate in the coming months making it a challenging environment for equity investing.

Domestic investors in emerging markets such as India are now much more globally oriented and recognize the strong linkages between various financial markets. Still, the correlation between the Indian equity market and all other emerging markets is running so tight that the bias is to still err on the side of underestimating the influence of global liquidity and global growth in driving local market performance.

The very same factors driving the US markets higher have also been propelling the Indian market higher, albeit more powerfully as has always been the case in liquidity-driven bull markets. The US Federal Reserve's extremely accommodative monetary policy has led to a boom in US financial assets and a massive spillover into the international arena, including emerging markets. India has been a particular beneficiary of this trend, attracting a very large share of the world's portfolio flows over the past eighteen months.

Over the last three years, India has received a disproportionately larger share of foreign inflows as compared to its weight in the Emerging Markets Index

Country	Weight in EM Index	Net Foreign Investor Flows in US\$ million			
		2004 YTD	2003	2002	Total
Korea	18.1%	10,143	11,797	(1,973)	19,967
Taiwan	10.3%	6,828	12,310	(93)	19,045
India	5.5%	7,427	6,702	736	14,865
Turkey	1.6%	3,016	1,010	3	4,029
Indonesia	2.0%	1,071	1,168	870	3,109
Brazil	9.3%	298	2,500	(490)	2,308
Philippines	0.5%	266	(83)	(50)	133
<b>Total</b>	<b>47.3%</b>	<b>29,049</b>	<b>35,404</b>	<b>(997)</b>	<b>63,456</b>

The above data is updated as on November 30, 2004. As on December 31, 2004, India had received net foreign inflows of US\$ 8.7 billion for the year 2004. Weight in EM Index refers to the weight in the MSCI Emerging Markets Free Index.

Source: ISE, Bovespa, KSE, SET, SEBI, TSE, JSE, KLSE and Morgan Stanley Research.

However, with the US Federal Reserve now determined to raise interest rates and China's economy slowing down, many of the tailwinds for emerging markets are in the process of either fading in intensity or turning into headwinds. We think that in the face of such headwinds, the domestic reform drive in any emerging market will have to be very strong for the local equity market to buck the natural global trend.

India has always had the potential to outperform but has disappointed when expectations have been high, to end up performing exactly in line with emerging markets over time. Currently we are at a similar juncture with many an optimist peddling 'a new dawn for India' story. Our hope is that history will not repeat itself here. The present government certainly has the opportunity to implement key reform measures over the next few months, which can in turn help the Indian market counter any global headwinds.

Sridhar Sivaram and Amay Hattangadi

Portfolio Managers

Ruchir Sharma

Co-Head Global Emerging Markets

January 17, 2005

MSGF NAV Performance v/s benchmark Indices (as of December 31, 2004)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the year [ (+) (-) ]	19.73%	13.08%	16.44%
Returns during the half year [ (+) (-) ]	41.45%	37.69%	39.79%
<b>Compounded Annualised Growth Rate</b>			
(i) Last 3 years	36.11%	26.49%	31.99%
(ii) Last 5 years	8.01%	5.69%	6.41%
(iii) Since the launch of the scheme (1st January 1994)	11.55%	5.50%	6.70%

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 December 31, 2004 is Rs. 25.80 per unit

Holdings of MSGF as of December 31, 2004		
Sr. No.	Name of the Security	% of Total Net Assets
1	Bharat Heavy Electricals	6.83%
2	Oil and Natural Gas Corporation	4.72%
3	Infosys Technologies	4.54%
4	Hero Honda	4.44%
5	HDFC Bank **	4.27%
6	HDFC	3.47%
7	Wipro **	3.36%
8	MTNL	3.20%
9	ABB	3.15%
10	SAIL	3.03%
11	Siemens	3.02%
12	Cipla	2.90%
13	ACC	2.84%
14	Container Corporation of India	2.73%
15	IDBI	2.70%
16	State Bank of India	2.58%
17	Grasim Industries	2.37%
18	ITC	2.35%
19	Hindalco Industries	2.20%
20	Tata Consultancy Services	2.10%
21	Aventis Pharma	1.93%
22	Mahindra & Mahindra	1.80%
23	Indian Oil Corporation	1.74%
24	TISCO	1.74%
25	Hindustan Lever	1.68%
26	Glaxosmithkline Pharmaceuticals	1.47%
27	Amtek Auto	1.42%
28	MICO	1.32%
29	Punjab National Bank	1.31%
30	UTI Bank	1.31%
31	HCL Technologies	1.19%
32	Cummins India	1.16%
33	Sun Pharmaceutical Industries	1.15%
34	Chennai Petroleum Corporation	1.11%
35	Hotel Leelaventure	1.04%
36	Gammon India	0.98%
37	New Delhi Television	0.93%
38	Ballarpur Industries	0.91%
39	I-Flex Solutions	0.83%
40	National Thermal Power Corporation	0.76%
	Cash and Others	7.42%
	<b>Total Net Assets</b>	<b>100.00%</b>

\*\* Includes Local Shares and ADRs / GDRs

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED DECEMBER 31, 2004

ABRIDGED BALANCE SHEET AS AT DECEMBER 31, 2004		ABRIDGED REVENUE ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2004	
As at 31-12-2004 (Rs. in Lacs)		01-04-2004 to 31-12-2004 (Rs. in Lacs)	
<b>LIABILITIES</b>		<b>1. INCOME</b>	
1. Unit Capital	60,018	1.1 Dividend	1,959
2. Reserves & Surplus		1.2 Interest	242
2.1 Unit Premium Reserve	4,124	1.3 Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	16,621
2.2 Revenue Reserves	90,716	1.4 Realised Gain/(Loss) on Foreign Currency Transactions	(8)
3. Current Liabilities & Provisions	2,121	<b>TOTAL</b>	<b>18,814</b>
<b>TOTAL</b>	<b>156,979</b>	<b>2. EXPENSES &amp; LOSSES</b>	
<b>ASSETS</b>		2.1 Management, Trusteeship, Administrative & other Operating Expenses	1,522
1. Investments		<b>TOTAL</b>	<b>1,522</b>
1.1 Equity & Preference Shares	146,319	<b>Excess of Income Over Expenses &amp; Losses</b>	<b>17,292</b>
1.2 Debenture & Bond Listed/Awaiting Listing on Recognised Stock Exchange	122	<b>Net Change in Unrealised Appreciation/(Depreciation) in Value of Investments and Foreign Currency Denominated Assets and Liabilities</b>	<b>11,740</b>
1.3 Government Securities (Treasury Bills)	5,947	<b>Net Surplus/(Deficit) transferred to Revenue Reserve</b>	<b>29,032</b>
2. Deposits	3,633		
3. Other Current Assets			
3.1 Cash & Bank Balances	603		
3.2 Others	355		
<b>TOTAL</b>	<b>156,979</b>		
<b>RECONCILIATION TO NET ASSET VALUE PER UNIT</b>			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities and Provisions)	154,858		
Number of Units in Issue (in Lacs)	6,002		
Net Asset Value per Unit (in Rs.)	25.80		

**NOTES :** (1) Investments are stated at market/fair value at the Balance Sheet date/valuation date. The investments have been valued in accordance with the guidelines for valuation of securities for Mutual Funds dated September 18, 2000 and amendments thereto, as applicable by the Securities and Exchange Board of India (SEBI) and approved by the Board of Trustees. (2) During the quarter ended December 2004 the AMC has not utilized the services of the sponsor or any of its affiliate, employees or their relatives for the purpose of any securities transaction as specified under Regulation 25(8) of SEBI Regulations. (3) In terms of Regulation 25(11) of SEBI Regulations, no investments have been made in companies, which have invested more than 5% of the NAV of the Scheme. (4) No unit holders hold over 25% of the NAV of the Scheme as at December 31, 2004. (5) The Scheme has not declared any bonus, not borrowed any money, not invested in derivative products during the period and no deferred revenue expenditure. (6) No changes have been carried out in the accounting policies during the period

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.

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Morgan Stanley