Morgan Stanley

Growth Fund

Quarterly Newsletter

Dear Unit Holder,

Earlier this decade, the investing fraternity was convinced that after the collapse of the tech bubble the world was condemned to an extended period of subpar returns - the norm following a boom-bust cycle. Investment planners stressed about meeting return targets and searched for out-of-the-box ideas to juice up the projected low return profile. It now seems as if they worried too much, to the extent that simultaneous moves of so many asset classes across the investment spectrum represent somewhat of an economic contradiction.

In the past, higher oil and gold prices haven't gone down well with equity markets. Yet, in 2005 an increase of more than 30% in crude oil futures and a 15% rally in gold were accompanied by another year of double-digit returns for global equities.

In India too, investors in almost every asset class raked it in big, with stocks, real estate, commodities and even art generating outsized returns. The breadth and depth of the return profile is probably most impressive in India's investing history. Furthermore, in terms of duration this is longest equity bull market since foreign investors were first allowed in just over a decade ago. Little wonder, their appetite for Indian equity risk remains high.

While in aggregate terms, the Indian equity market continues to closely track the performance of other emerging markets, the breakdown of returns reveals one important point of distinction. Over the last three years, almost the entire gain in most other emerging markets can be attributed to earnings growth, whereas the Indian markets has seen a combination of earnings growth and a re-rating as evident in the expansion of the price-to-earnings (p/e) multiple.

The trailing p/e multiple for the Indian market has expanded by 49% over the last three years. At the start of current bull market in April 2003, India had a similar p/e ratio as emerging markets but now India trades at a significant premium. This change reflects both a stronger increase in earnings of other emerging markets as well as higher investor expectations out of India. The relative expensiveness of the Indian market is one reason why some investment analysts are nervous about the Indian equity market's outlook in 2006.

While investing is a more complex game than merely comparing p/e multiples and then expecting some resulting convergence, it is always important to know where the market stands. And the message out of the marketplace is that investors expect more out of India than most other emerging markets, which is positive statement in current terms but also suggests there is less room for disappointment hereon. The Indian corporate sector and the policy apparatus will have to deliver on the expectations embedded in the market's relatively higher valuation if India is to keep up with other emerging markets.

Sridhar Sivaram and Amay Hattangadi
Portfolio Managers

Ruchir Sharma
Co-Head Global Emerging Markets

January 23, 2006

MSGF NAV Performance v/s benchmark Indices (as of December 31, 2005)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the half year [(+) (-)]	35.63%	30.64%	30.34%
Returns during the year [(+) (-)]	47.83%	42.33%	38.35%
Compounded Annualised Growth Rate			
(i) Last 3 years	48.74%	40.66%	43.83%
(ii) Last 5 years	25.59%	18.80%	19.50%
(iii) Since the launch of the scheme (6th January 1994)	14.20%	8.18%	9.06%

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, 2005 is Rs. 38.13 per unit.

Holdings of MSGF as of December 31, 2005

Sr. No.	Name of the Security	% of Total Net Assets
1	Bharat Heavy Electricals	8.63%
2	Siemens	5.58%
3	Hindustan Lever	5.09%
4	Infosys Technologies	4.41%
5	ABB	4.24%
6	Hindustan Construction Co	4.23%
7	HDFC	3.73%
8	HDFC Bank **	3.66%
9	ITC	3.49%
10	Hero Honda	3.13%
11	Container Corporation of India	2.87%
12	Punjab National Bank	2.78%
13	Wipro **	2.58%
14	Gujarat Ambuja Cement	2.44%
15	Mahindra & Mahindra	2.29%
16	Cipla	2.21%
17	State Bank of India	1.93%
18	UTI Bank **	1.91%
19	Hotel Leelaventure	1.83%
20	Aventis Pharma	1.80%
21	Gammon India	1.79%
22	ACC	1.76%
23	Rico Auto Industries	1.70%
24	ICICI Bank	1.53%
25	Reliance Industries	1.50%
26	Glenmark Pharma	1.35%
27	NTPC	1.32%
28	Indian Oil Corporation	1.28%
29	HCL Technologies	1.27%
30	Infrastructure Development Finance Company	1.26%
31	MTNL	1.23%
32	Tata Tea	1.14%
33	Marico Industries	1.06%
34	Aban Loyd Chiles Offshore	0.97%
35	Jet Airways (India)	0.96%
36	Himatsingka Seide GDR	0.94%
37	New Delhi Television	0.90%
38	Geodesic Information Systems	0.84%
39	Balkrishna Industries	0.83%
40	Ballarpur Industries	0.82%
	Cash and Other Securities	6.72%
	Total Net Assets	**100.00%**

**** Includes Local Shares and ADRs / GDRs**

UNAUDITED FINANCIAL RESULTS FOR THE PERIOD ENDED DECEMBER 31, 2005

ABRIDGED BALANCE SHEET AS AT DECEMBER 31, 2005

		As at December 31, 2005 (Rs. in Lacs)
LIABILITIES		
1. Unit Capital		60,018
2. Reserves & Surplus		
2.1 Unit Premium Reserve	4,124	
2.2 Revenue Reserves	164,701	168,825
3. Current Liabilities & Provisions		3,271
TOTAL		**232,114**
ASSETS		
1. Investments		
1.1 Equity & Preference Shares	223,276	
1.2 Government Securities (Treasury Bills)	3,490	226,766
2. Deposits		972
3. Other Current Assets		
3.1 Cash & Bank Balances	77	
3.2 Others	4,299	4,376
TOTAL		**232,114**
RECONCILIATION TO NET ASSET VALUE PER UNIT		
Net Assets as per Balance Sheet (Total Assets less Current Liabilities and Provisions)		228,843
Number of Units in Issue (in Lacs)		6,002
Net Asset Value per Unit (in Rs.)		38.13

ABRIDGED REVENUE ACCOUNT FOR THE PERIOD ENDED DECEMBER 31, 2005

	April 01, 2005 to December 31, 2005 (Rs. in Lacs)
1. INCOME	
1.1 Dividend	2,103
1.2 Interest	299
1.3 Net Profit on sale/redemption of Investments (other than inter-scheme transfer/sale)	23,243
1.4 Realised Gain/(Loss) on Foreign Currency Transactions	49
TOTAL	**25,694**
2. EXPENSES & LOSSES	
2.1 Management, Trusteeship, Administrative & other Operating Expenses	2,053
TOTAL	**2,053**
Excess of Income Over Expenses & Losses	**23,641**
Net change in unrealised (depreciation) / appreciation in value of Investments and Foreign currency Denominated Assets and Liabilities	**50,767**
Net Surplus / (Deficit) transferred to Revenue Reserve	**74,408**

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)** Disclosure Under Regulation 25(8) of the Securities And Exchange Board Of India (Mutual Funds) Regulations, 1996 as Amended. Morgan Stanley Investment Management Private Limited (MSIMPL) has not utilised the services of the Sponsor or any of its affiliates, employees or their relatives for the purpose of any securities transaction as specified under Regulation 25(8) of the SEBI Regulation. However, during the period the Fund subscribed to the issue of equity shares of the following company where JM Morgan Stanley Private Limited, an associate of MSIMPL was the lead manager/co-manager to these issue. The subscriptions were made through non-affiliate entities as given below:-

Name of Company	Amount invested (Rs.)	Entities through whom investment made
Suzlon Energy Limited	59,058,000+	Enam Financial Consultants Pvt. Ltd.
ICICI Bank Limited	83,231,925	DSP Merrill Lynch Limited

+Application was made on September 26, 2005, however confirmation of allotment of shares has been received on October 7, 2005.

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, 2005. **5)** The Scheme has not declared any bonus, nor borrowed any money, however, there was a temporary overdraft in the account for Rs. 55,965 on October 7, 2005 due to erroneous cash forecast and the scheme was not charged any interest on this temporary overdraft, nor invested in derivative products during the period and has no deferred revenue expenditure. **6)** No changes have been carried out in the accounting policies during the quarter.

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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