

Quarterly Newsletter

Dear Unit Holder,

In investing circles, the first quarter was characterized as a period when nothing worked. Across the world, almost every asset class - from stocks to bonds - posted marginal negative declines in January to March, 2005. Furthermore, the performance differential within the various asset classes was unusually narrow. For example, in emerging markets, the larger countries' equity returns were compressed within a +/- 10% range. In the US too, apart from the energy sector, returns elsewhere were rather subdued. All of this made the task of making money rather difficult.

Needless to say, in today's globalised world, the behavioral characteristics of the Indian market continue to closely resemble those of other major markets. Both the Indian equity and bond markets registered small declines. Concerns about tighter liquidity conditions and a slowing global economy are currently negatively hurting investor sentiment. This is only natural given the fact that the two-year-old bull market in global equities was built on the foundation of a strong world economy and accommodative monetary conditions.

While there is no doubt that core economic fundamentals of emerging markets, such as India, are much healthier now and higher equity prices reflect the new reality, there is still a strong global element in the two-year rally. Additionally, we know from experience that Fed tightening has never been positive for emerging markets. Historically, almost every major Fed tightening cycle has led to financial turbulence in some part of the world. As a result, we are currently on high alert for any negative repercussions emanating from higher US interests and a slowing global economy.

Even though in the final analysis we do think that the Indian equity market will be able to hold its own because any major global crisis will be averted and the local economy is in fine shape, we are using this opportunity of dullness in equity markets to carefully examine every position in the portfolio. We are particularly looking at some of the small to mid-cap companies as many of these stocks have run up significantly in the bull market.

Once again, while the rally in these stocks took place for some very fundamental reasons - ranging from low starting point valuations to better growth prospects - we are conscious of the fact that small and mid-cap stocks outperform in abundant liquidity and high-risk appetite conditions. Conversely, these stocks don't fare well when liquidity dries up and investors become more risk averse. More importantly, small and mid-cap stocks no longer have the support of low valuations and the earnings growth of large-cap companies continues to be superior.

From a current portfolio standpoint, our largest overweight in the portfolio is the engineering and capital goods sector, where we think government and corporate spending will be directed in the effort to facilitate better infrastructure. Here too, though, we realize that this is a time to be wise with our capital and to be very selective about what we buy as markets are likely to be in much more unforgiving mood than was the case over the past two years.

Sridhar Sivaram and Amay Hattangadi
Portfolio Managers

Ruchir Sharma
Co-Head Global Emerging Markets

April 19, 2005

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

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the year [(+) (-)]	22.76%	16.14%	17.38%
Returns during the half year [(+) (-)]	20.52%	16.28%	16.14%
Compounded Annualised Growth Rate			
(i) Last 3 years	30.67%	23.23%	26.59%
(ii) Last 5 years	9.63%	5.36%	3.71%
(iii) Since the launch of the scheme (6th January 1994)	11.26%	5.22%	6.29%

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 March 31, 2005 is Rs. 25.73 per unit

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.

Morgan Stanley Growth Fund

Holdings of MSGF as of March 31, 2005

Sr. No.	Name of the Security	% of Total Net Assets
1	Bharat Heavy Electricals	6.83%
2	Oil and Natural Gas Corporation	5.09%
3	Infosys Technologies	4.91%
4	Hero Honda	4.48%
5	HDFC Bank*	4.31%
6	Siemens	3.89%
7	ITC	3.84%
8	ABB	3.76%
9	HDFC	3.49%
10	ACC	3.03%
11	Wipro*	2.97%
12	State Bank of India	2.60%
13	Gujarat Ambuja Cement	2.43%
14	Hindustan Construction Co.	2.42%
15	Container Corporation of India	2.39%
16	UTI Bank*	2.34%
17	Tata Consultancy Services	2.26%
18	Cipla	2.02%
19	Hindalco Industries	2.00%
20	Punjab National Bank	1.98%
21	Aventis Pharma	1.98%
22	TISCO	1.81%
23	SAIL	1.78%
24	MTNL	1.74%
25	Mahindra & Mahindra	1.65%
26	IDBI	1.61%
27	Hindustan Lever	1.55%
28	Indian Oil Corporation	1.49%
29	National Thermal Power Corporation	1.49%
30	Hotel Leelaventure	1.46%
31	Gammon India	1.41%
32	MICO	1.41%
33	Glaxosmithkline Pharmaceuticals	1.38%
34	HCL Technologies	1.29%
35	Chennai Petroleum Corporation	1.21%
36	New Delhi Television	1.18%
37	Ballarpur Industries	1.03%
38	Sun Pharmaceutical	0.98%
39	Welspun India	0.92%
40	Cummins India	0.83%
	Cash and Others	4.76%
	Total Net Assets	100.00%

*Includes Local Shares and ADRs / GDRs

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

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