

Quarterly Newsletter

Dear Unit Holder,

A violent correction has often punctuated bull markets, but a remarkable feature of the current bull-run is the amazing regularity with which lightning has struck at the same time and the same place. Ever since the secular uptrend in global equities began in 2003, every year somewhere between March and May, asset prices have been slammed.

However, it is not the nature of the beast to let most people anticipate its movements for too long. The script was overdue for a change and that's why this year's correction turned out to be rather shallow even though most market participants were readying themselves for more violence at the first sign of a wobble.

What helped the market achieve the benign outcome is the stunningly high degree of fear in the marketplace, which is highly unusual for a bull-run that has extended so long. Bull markets climb a wall of worry and it seems there are plenty of walls left for stocks to mount.

A time will come in the ongoing cycle when investors completely buy into the secular bull market thesis and become certain about its longevity. The feeling of acrophobia will make way for an ever-rising comfort level with higher valuations. Markets are still some distance away from such sociological excesses.

Historically, the single most important factor that has terminated bull markets is rapidly rising real interest rates. Bear markets occur when earnings collapse due to an economic recession, which in turn is brought about by real interest rates crossing the threshold of pain. In developed economies, higher rates are the consequence of central banks either trying to contain inflation or attempting to prick an asset market bubble. In emerging markets, in addition to inflation, currency weakness has often precipitated higher interest rates.

Benign inflation, which has allowed central banks in most countries to maintain low real interest rates, has given the current global economic cycle its legs. To be sure, there are enough central banks out there raising interest rates but they are all doing so at a very measured pace; their objective is to normalize low short-term interest rates rather than squeeze economic growth to contain inflation.

India is a bit of an oddball in this regard with inflation gaining precedence as a central issue. It is for the first time in recent history that India's inflation rate is running above the average level in developing countries. However, in a globalised world, it's difficult to imagine that India's inflation profile, and by implication its interest rate policy, will get too out of sync with the rest of the world to precipitate a local bear market. More likely, global inflation trends and interest rate movements will still play a dominant role in setting the local market's direction as well.

The odds then favor a continuation of the broad bull market even as some parts of the financial complex, from small caps last year to real estate plays this year, keep imploding.

Sridhar Sivaram and Amay Hattangadi
Portfolio Managers

Ruchir Sharma
Head Global Emerging Markets

April 17, 2007

MSGF NAV Performance v/s Benchmark Indices (as of March 31, 2007)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the trailing year [(+) (-)]	2.90	15.89	11.57
Returns during the half year [(+) (-)]	5.02	4.96	4.09
Compounded Annualised Growth Rate			
(i) Last 3 years	33.25	32.73	30.47
(ii) Last 5 years	33.87	30.38	30.86
(iii) Since the launch of the scheme (6th January 1994)	15.04	10.10	10.53

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 one year are compounded annualised returns period.

* 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 31st, 2007 is Rs. 47.56 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	0.75	June 25, 1999	12.83
April 29, 2000	April 18, 2000	0.75	April 20, 2000	16.60
June 11, 2001	June 4, 2001	1.00	June 06, 2001	10.72
May 13, 2004	April 28, 2004	1.50	April 29, 2004	21.82
October 27, 2006	October 13, 2006	2.00	October 16, 2006	46.88

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, 2007

Sr No.	Name of the Security	% of Total Net Assets
1	Infosys Technologies**	9.12%
2	Bharti Airtel	7.13%
3	ICICI Bank	6.51%
4	ABB	5.61%
5	Bharat Heavy Electricals	4.36%
6	HDFC Bank**	3.51%
7	Aban Offshore	3.33%
8	ITC	3.17%
9	Mahindra & Mahindra	2.68%
10	HCL Technologies	2.35%
11	NTPC	2.35%
12	Praj Industries	2.28%
13	Cipla	2.27%
14	Glenmark Pharma	2.12%
15	Pantaloon Retail (India)	2.11%
16	Wipro	2.05%
17	Maruti Udyog	1.95%
18	Marico Industries	1.85%
19	UTI Bank	1.84%
20	Punjab National Bank	1.74%
21	ACC	1.70%
22	Jyoti Structures	1.60%
23	Deccan Chronicle	1.45%
24	Geodesic Information Systems	1.42%
25	Ashok Leyland	1.37%
26	Unitech	1.36%
27	Container Corporation of India	1.32%
28	Hotel Leelaventure	1.23%
29	Gujarat Ambuja Cement	1.21%
30	New Delhi Television	1.11%
31	Reliance Communication	1.09%
32	Aventis Pharma	1.07%
33	Gujarat Fluorochemicals	1.07%
34	Siemens	1.04%
35	Hindustan Construction Co	1.00%
36	Emco	0.79%
37	Television Eighteen India	0.71%
38	Shree Cement	0.71%
39	Himatsingka Seide	0.70%
40	SSI	0.63%
	Other Securities	4.12%
	Cash and Cash Equivalents	4.97%
	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.

Morgan Stanley Mutual Fund - In India Since 1994

Visit us at www.msgfindia.com

Forbes Building, Charanjit Rai Marg, Mumbai 400 001.
Tel: 022 - 2209 6600

Morgan Stanley