Morgan Stanley

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Annual Report

March 31, 2001

To our valued Unit Holders,

We are pleased to present to you the seventh annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 2001.

The year under review was a very volatile and challenging one for investment managers and investors. The first half of calendar year 2000 was one of the most volatile phases for the global financial markets. With accelerating integration into global markets, the Indian market historically referred to as a defensive play was less insulated from the turbulence in the global markets, particularly in the re-rating of technology stocks. In such market conditions, the Fund's strategy during the year has been to move systematically to a defensive stance by adopting a sector-neutral position, where sector allocation closely tracks benchmark indices. Despite a volatile year, your Fund is in a position to pay a 10 % dividend for the year ended March 31, 2001 which was largely facilitated by realizing gains during the initial part of the year. Currently, our ability to generate meaningful absolute returns is somewhat constrained by the broad trends in the market.

During this past year, the Fund's performance has earned recognition in the investment community and was awarded the " Best Performing Equity Fund Scheme (Closed) for 3 and 5 years period award" by the Standards and Poor's Fund Services. Also during the year the Fund initiated investing in foreign currency denominated investments all of which were U.S. dollar denominated American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) issued by Indian companies that are traded on the stock exchanges abroad.

As you are aware, effective November 29, 1999, the Fund was included in the list of securities for compulsory dematerialisation. We encourage those of you that have not dematerialised your holdings to do so and eliminate the risk of holding shares in physical or paper form.

We wish to remind you that the Fund had paid two dividends of Rupees 0.75 per unit, the dividend instruments for which were dispatched on 24.07.1999 and 19.05.2000, respectively, for each of the dividends. Unitholders who have, either not received or encashed their dividend instrument are requested to forward a duly signed written request to Karvy Consultants Limited for issuance of a fresh dividend instrument.

You will find enclosed detailed results of the Fund for the financial year ended March 31, 2001 along with a commentary from the portfolio manager in which he shares with you his views on the Indian economy and equity markets, their prospects and factors influencing the Fund's performance. The industry classification of securities in the Fund's portfolio has been changed to classification based on Morgan Stanley Capital International (MSCI) index. This will provide the investors with a more globally accepted broad based and diversified classification. We hope that you find the report useful and informative.

We wish to inform you that Harold J. Schaaff, Jr., former Principal Trustee of the Fund, resigned from Morgan Stanley Dean Witter in March 2001 and has also resigned from the Board of Trustees of the Fund.

As Trustees of the Fund, it is our duty to safeguard the assets of the Fund and to ensure that the Fund is managed in accordance with the law and good business practice. To this end, we are pleased to report that over the past year, your Fund and its asset management company have maintained high standards in their reporting and control systems.

We greatly appreciate your participation as a unit holder of the Fund and look forward to your continued support.

Sincerely,

*Ronald Robison**
Principal Trustee

June 4, 2001

**Effective June 4, 2001, Mr. Robison was appointed to the Board of Trustees of the Fund. Mr. Robison has been associated with Morgan Stanley Dean Witter since 1998.*

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments. Past performance is no indication of future performance.

Dear Unit Holder,

For the year ended March 31, 2001, the total return of the Morgan Stanley Growth Fund (the "Fund"), based on its net asset and assuming reinvestment of all dividend payouts, was down by 39.8%. For the same period, the benchmark indices, BSE 200 and S&P CNX 500 were down 41.2% and 43.0% respectively. Since inception in January 1994, the Fund has outperformed the benchmark indices as shown in Table I.

The continued turbulence in the global equity markets combined with some local negative developments dragged down the broad Indian market by the end of the first quarter of 2001 to levels not seen since May 1999. The speculative excesses of the past few years, facilitated by the worldwide boom in Technology, Media and Telecom shares, were brutally washed out of the system. However, the selling frenzy extended beyond just clearing the froth, with local sentiment towards equities deteriorating markedly. Local investors, particularly at the retail level, were disillusioned by the rapid erosion in their equity market related wealth leading to both a capitulation and lack of buying interest regardless of price levels.

On the policy front, the government did attempt to accelerate its privatization drive and also presented a growth-oriented budget centered on tax and interest rate cuts. Both fiscal and monetary policies moved in line with international trends to be growth-supportive as the data on the economic front suggested the Indian economy was also being adversely affected by the synchronized global slowdown. However, corporate profitability outside the technology sector did not show any meaningful corresponding drop, probably reflecting the continued productivity increases.

The technology sector in India, which until even late last year seemed to bear no impact of the slump in global technology spending, finally did show signs of a marked deceleration in the growth profile. The debate is still live on whether the Indian technology sector can offset the drop in overall technology spending by increasing outsourcing, given the country's low-cost and low-base advantage. The bigger challenge though is for India to get its domestic act together and carry on with the reform momentum at a time when the risk appetite of investors is low.

One of the main strategies of the portfolio over the past few months has been to be underweight the technology sector and keep the focus on identifying and owning well-run, high return on capital employed and reasonably valued companies. Accordingly, some of our large holdings in the Fund are HDFC Bank (India's largest private sector bank), Cipla (one of the largest pharmaceutical companies) and a diversified financial like Housing Development and Finance Corporation (HDFC). Following the carnage in the technology sector, we are also keenly examining any investment opportunities in that space but still think caution is warranted. It usually takes time for confidence to be rebuilt following the sort of devastating blow the sector has undertaken.

Meanwhile, the Indian market is likely to continue keying off global trends, though we do feel some of the more domestic-oriented companies are at levels that, regardless of the international environment, represent very good value. On most valuation parameters the Indian market is obviously cheap, but at a time when psychology has come to dominate valuations it appears the market needs to go through a period of consolidation first to calm a lot of frayed nerves.

RUCHIR SHARMA
Portfolio Manager

Mumbai
June 4, 2001

Table 1

MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV*	BSE 200	S&P CNX 500
Last 1 Year	-39.75%	-41.16%	-42.99%
Last 3 Years	11.37%	-0.89%	1.77%
Last 5 Years	8.11%	1.20%	1.50%
Inception (Jan 94) to March 31, 2001	3.28%	-3.08%	-3.91%

Past performance is no indication of future performance. All returns except for last 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.

Table 2

Highlights

- Final Dividend of 10% declared for the financial year ending March 31, 2001
- MSGF being awarded as the "The Best Performing Equity Fund scheme (Closed) for a period of 3 years and 5 years" by CNBC India – BNP Paribas in association with Standard & Poor's Fund Services.
- Total investments as of March 31, 2001, in American Depository Receipts/ Global Depository Receipts amounted to Rs. 26.12 crores
- The industry-wise classification of MSGF portfolio holdings changed to reflect the classification adopted by Morgan Stanley Capital International (MSCI) Index. This will provide investors with a more globally accepted, broad based and diversified classification

Table 3

Comparison of Top Twenty Five holdings of MSGF

March 31, 1999	March 31, 2000	March 31, 2001
Infosys Technologies	Infosys Technologies	Infosys Technologies
Bharat Heavy Electricals	Zee Telefilms	Hero Honda
Hero Honda	Hero Honda	HDFC
HDFC	SSI	Cipla
Zee Telefilms	HDFC	Wipro
Tata Tea	Telco	State Bank of India
Burroughs Wellcome	Tata Tea	Container Corp. of India
Telco	Cipla	HDFC Bank
Container Corp. of India	Bharat Heavy Electricals	Bharat Heavy Electricals
SSI	Global Electronic Commerce Services	Dabur
Marico Industries	Container Corp. of India	Britannia Industries
Cipla	VSNL	Hindustan Petroleum
Bata India	Subex Systems	Reliance Industries
Glaxo India	Dabur	Cummins India
Agrevo India	Hughes Software	Telco
E Merck	Cummins India	Smithkline Consumer
Dr. Reddy Labs	MRF	Gujarat Ambuja Cements
ITC	Sundaram Fasteners	Asian Paints
Hind Lever Chemicals	Visualsoft	Indian Hotels
Abbot Laboratories	HDFC Bank	Bharat Petroleum
Larsen & Toubro	ITC	Tata Tea
Tata Infotech	Smithkline Consumer	Tata Power
Novartis India	Asian Paints	Hindustan Lever
Wyeth Ledrerle	Indian Hotels	ITC
Cummins India	Larsen & Toubro	Tisco
80.03% of Portfolio	**83.90% of Portfolio**	**74.41% of Portfolio**