Morgan Stanley

Growth Fund

Annual Report

March 31, 2002

Morgan Stanley

To our valued Unit Holders,

We are pleased to present to you the eighth annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 2002.

You will find enclosed detailed results of the Fund for the financial year ended March 31, 2002 along with a commentary from the portfolio manager in which he shares with you his views on the Indian economy and equity markets and factors impacting your Fund's performance.

As you are aware, effective November 29, 1999, the units of the Fund were included in the list of securities for compulsory dematerialisation. We encourage those of who have not dematerialised your holdings to do so and eliminate the risk of holding shares in physical or paper form. We also wish to remind you that the Fund has so far paid three dividends since inception viz., Rs. 1.50 per unit for year 2000 (Rs. 0.75 per unit on 24.07.1999 and 19.05.2000 respectively) and Rupee 1.00 for year 2001 on 3.07.2001. Unit holders who have either not received or encashed their dividend instrument are requested to forward a duly signed written request to Karvy Consultants Ltd. for issuance of a fresh dividend instrument.

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 E. Robison
Principal Trustee

May.15, 2002

Important information

Please note that the Board of Trustees of Morgan Stanley Mutual Fund (the "Fund") in their meeting held on May 15, 2002, has appointed, subject to regulatory approvals, if any, JP Morgan Chase Bank as Custodian to the Fund in place of Stockholding Corporation Limited. The Fund has intimated SEBI vide its letter dated May 15, 2002. The appointment will be effective from August 2, 2002.

In order to avoid fraudulent encashment of dividend warrants, unit holders are requested to intimate name, address and account number details of their bank to Karvy Consultants Ltd. at below mentioned address.

Karvy Consultants Limited
Unit: Morgan Stanley Growth Fund
21, Avenue 4, Street No. 1, Banjara Hills
Hyderabad - 500 034

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. Investments in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by exchange rate fluctuations.

PORTFOLIO MANAGER'S LETTER

Dear Unit Holders,

For the year ended March 31, 2002, the total return of the Morgan Stanley Growth Fund (the "Fund"), based on its net assets and assuming reinvestment of all dividend payouts, rose by 17.8%. For the same period, the benchmark indices, BSE 200 and S&P CNX 500 rose by 7.4% and 2.8% respectively. Since inception in January 1994, the Fund has outperformed the indices as shown in Table 1 below.

Table 1

MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV*	BSE 200	S&P CNX 500
Last 1 Year	17.80%	7.43%	2.83%
Last 3 Years	3.55%	1.20%	0.75%
Last 5 Years	13.03%	3.75%	4.20%
Inception (Jan 94) to March 31, 2002	4.94%	-1.87%	-3.12%

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.

The biggest challenge in the mutual fund business is to consistently generate meaningful out-performance. For example, even in a sophisticated market like the US the best performing funds in 1998 were all in the bottom decile of performance in 2000-01, while the bottom ten in 1998 were in the top decile last year. This is largely because a biased investment style that is successful in a particular cycle rarely works in the succeeding investment cycle. The key then is to not be wedded to a particular sector or a style that is heavily tilted towards growth or value and to understand that leadership is transient. Yet, there needs to be a disciplined and fundamental oriented approach when it comes to selecting companies within a sector or style.

We have been repeatedly making the point that when a new bull market begins, and India along with the rest of the world could well be in the midst of one, a new set of stocks will propel the market higher. What worked in the bull market of 1999-2000 will not necessarily work in 2002. We are increasingly seeing evidence of such a change. This year's price action so far shows that the market can move higher despite under-performance in the tech sector. In fact, the pulse of the market is being determined by the direction of the public sector stocks. Investors always knew there was value in such stocks but were waiting for some trigger and found it once the privatisation programme showed signs of acceleration.

Our strategy has been to overweight undervalued but well run public sector companies where privatisation would only be a bonus and to avoid chasing names hot off the privatisation rumour list.

Privatisation has come to be the most important theme on the marketplace because it currently lies at the heart of India's macro-economic reform effort. Therefore, the speed of the programme has an effect on not just the directly affected stocks. The Indian economy is at a stage where it needs further reforms to move to the next stage of the development / growth cycle. It is becoming increasingly difficult for even some of the leading domestic-oriented companies to generate top-line growth and there is a limit to which corporate India can keep squeezing costs to improve profitability. So we hope the privatisation programme continues to gather momentum and thereby keeps the market going.

Over the past year our strategy was to reduce the number of stocks in the portfolio and we were able to achieve this objective. The Fund currently is invested in a little over 50 stocks. The strength of our portfolio though lies in its diversity with sector preferences reflected at any point in time rarely any sector over-concentration. The portfolio continues to be overweight sectors and stock that we think have strong fundamentals to better the general environment and is correspondingly underweight sectors / stocks that carry much baggage (e.g. excessive speculative fervour) from the previous cycle.

RUCHIR SHARMA
Portfolio Manager

Mumbai
May 15, 2002

Table 2

Top Twenty Five holdings of MSGF

March 31, 2002	
Hero Honda	8.88%
State Bank of India	6.19%
Infosys Technologies	5.95%
Container Corporation of India	5.28%
HDFC	4.15%
Wipro	3.25%
Hindustan Petroleum	3.18%
HDFC Bank	3.08%
Ranbaxy Laboratories	3.04%
Hindustan Lever	3.02%
MTNL	2.97%
ITC	2.95%
Dr. Reddy's Laboratories	2.75%
Gujarat Ambuja Cement	2.65%
Bharat Heavy Electricals	2.51%
Hindalco Industries	2.36%
Wipro ADRs	2.32%
Bharat Petroleum	2.22%
Reliance Industries	1.93%
Cipla	1.91%
Reliance Petroleum	1.88%
Smithkline Beecham Consumer	1.77%
Zee Telefilms	1.69%
Tata Power	1.54%
TELCO	1.49%
	78.96% of Portfolio