Morgan Stanley

Growth Fund

Annual Report

March 31, 2005

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Morgan Stanley

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To our valued Unit Holders,

We are pleased to present to you the eleventh annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 2005.

You will find enclosed detailed results of the Fund for the financial year ended March 31, 2005 along with a commentary from the portfolio managers in which they share with you their views on the Indian economy and equity markets and factors impacting your fund's performance.

As you are aware, the Securities and Exchange Board of India (SEBI) had mandated Straight Through Processing (STP) norms for domestic mutual funds in 2002 and further announced that all institutional trades executed on the stock exchange should be processed through STP systems from July 1, 2004. We are pleased to inform you that your Fund has implemented the STP initiatives. Further, effective December 1, 2004, SEBI discontinued the issuance of physical contracts for all institutional trades thus moving towards a total electronic environment.

During the year, SEBI issued various guidelines on the Central Database of Market Participants (MAPIN) database. We wish to inform you that your Fund has taken necessary steps to ensure compliance.

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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

April 29, 2005

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.

Please refer to page 13 for investment objective of the Fund, liabilities of the Trustees and settlor, statutory details, other risk factors and disclosures and important investor information.

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PORTFOLIO MANAGER'S LETTER

Dear Unit Holders,

For the year ended March 31, 2005, 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 22.76%. For the same period the benchmark indices, Sensex and BSE 100 rose by 16.14% and 17.38% 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 (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.

The path was rather volatile, but in the end financial year 2004-05 was another year of high returns for equities. The prospect of higher US interest rates and a slowdown in China rattled financial markets in the spring and summer months of 2004, before giving way to revelry in the September to December period of 2004. However, concerns about tighter liquidity conditions and a slowing global economy have now returned to haunt financial markets. The coming months are likely to be challenging for equity investing. 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 was 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

Mumbai
April 29, 2005

Table 2

Top Twenty Five holdings of MSGF

March 31, 2005	
Bharat Heavy Electricals	6.83%
Oil and Natural Gas Corporation	5.09%
Infosys Technologies	4.91%
Hero Honda	4.48%
HDFC Bank*	4.31%
Siemens	3.89%
ITC	3.84%
ABB	3.76%
HDFC	3.49%
ACC	3.03%
Wipro*	2.97%
State Bank of India	2.60%
Gujarat Ambuja Cement	2.43%
Hindustan Construction Co.	2.42%
Container Corporation of India	2.39%
UTI Bank*	2.34%
Tata Consultancy Services	2.26%
Cipla	2.02%
Hindalco Industries	2.00%
Punjab National Bank	1.98%
Aventis Pharma	1.98%
TISCO	1.81%
SAIL	1.78%
MTNL	1.74%
Mahindra & Mahindra	1.65%
	76% of Portfolio

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

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