

Morgan Stanley

Growth Fund

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Annual Report (Abridged)

2007-2008

Morgan Stanley

Dear Unit Holders,

It gives us immense pleasure to inform you that Morgan Stanley Mutual Fund has made considerable progress in expanding its business proposition, across the retail and institutional customer segments. We have invested significant resources in augmenting our Investment Teams, and creating an efficient Sales, Marketing and Customer Service Infrastructure. We also intend to expand our product range, to offer you a variety of investment choices that you could consider, depending on your financial requirements. We hope that all of the above will translate into a more meaningful relationship with our unit holders in the coming years.

As you might be aware, the Trustees, during the year, approved the proposal of converting Morgan Stanley Growth Fund ('MSGF') into an open-ended scheme having perpetual duration. An application has been submitted to SEBI in this regard. On obtaining SEBI feedback, if any, on the proposal and completion of necessary formalities in this regard, we shall be shortly communicating to you the process involved in conversion of close-ended MSGF units you hold to open ended units and the various options and corresponding rights available to you during such process.

We would also like to emphasize that open-ending MSGF will provide unit holders an opportunity to continue with their investments in MSGF, but in addition, also allow them to avail of facilities like daily subscriptions and redemptions, switch options, Systematic Investment Plans, etc.

In that regard, we strongly urge unit holders who are holding physical unit certificates of MSGF and have yet not lodged their physical certificates for registration/transfer, to complete the necessary registration/transfer formalities to ensure that their name is reflected in the Register of unit holders of MSGF and thus avail of the benefits associated with proposed open ending of MSGF.

We thank you for your continued patronage and assure you that we will do our best to maintain the confidence and trust you have placed in us.

For Morgan Stanley Investment Management Private Limited



Anthony Heredia

Chief Executive Officer

Date: September 16, 2008

TRUSTEE REPORT

1 Scheme Performance, Future Outlook and Operations of Morgan Stanley Growth Fund: Performance of Morgan Stanley Growth Fund vis-à-vis benchmark Indices as of March 31, 2008:

(Figures in %)

Period	MSGF NAV*	BSE Sensex	BSE 100
Returns during the trailing year [(+) (-)]	11.12	19.68	24.98
Returns during the half year [(+) (-)]	-13.23	-9.52	-8.19
Compounded Annualised Growth Rate			
(i) Last 3 years	28.90	34.06	33.22
(ii) Last 5 years	38.73	38.69	40.56
(iii) Since the launch of the scheme (18th February 1994)	14.76	10.75	11.49

- 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.
- *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, 2008 is Rs. 52.85 per unit.

For the 12 months ended March 31, 2008, the Scheme underperformed its benchmark (BSE 100) by 13.86%. However, since inception the scheme has outperformed its benchmark by 3.27% on an annualised basis.

In the year that passed by, from a sector allocation perspective, overweight in Industrials and underweight in Consumer Staples helped performance while overweight in Consumer Discretionary and underweight in materials detracted from performance. Whereas, from a stock selection perspective, positive alpha resulted from stocks within Consumer Discretionary and Healthcare space while stock selection in Industrials and Utilities dragged on performance.

Future Outlook:

The sharp correction in equity markets since January 2008 shifted the paradigm for Indian equities and handed the baton of sector leadership to an entirely new set of sectors. A few erstwhile favorites whose growth characteristics or promised asset creation strategies were being disproportionately rewarded in the liquidity driven surge of late 2007 fell significantly this year at the slightest disappointments. In the first half of the year, industries that consume commodities as their primary inputs have had to face a situation of rising costs and capped realizations due to price targeting fiscal measures. We feel that the rally in the oil led commodity complex is over-extended and expect commodity prices to correct. This would incrementally augur well for the deficits and inflation expectations.

In line with this viewpoint, we have reduced our exposure to commodity related sectors and have positioned our portfolio to benefit from the changing macro dynamic. We are overweight Consumer Discretionary and Industrials sector. At the margin, we have trimmed our overweight in the Industrials sector and incrementally increased our holding in the Consumer related sectors. We have also reduced our underweight in the Financials sector.

Operations of the Scheme:

Morgan Stanley Growth Fund (MSGF), an equity oriented scheme launched in January 1994, is the first mutual fund scheme launched by Morgan Stanley Mutual Fund. MSGF is a 15 year closed ended scheme which will mature in February 2009. As of the date of this report, MSGF is listed on Bombay Stock Exchange, National Stock Exchange, Calcutta Stock Exchange, Delhi Stock Exchange, Chennai Stock Exchange and Ahmedabad Stock Exchange.

In order to provide our investors with an opportunity to continue with MSGF and to benefit from advantages associated with open ended funds e.g. daily subscriptions, redemptions, Systematic Investment Plans, declaration of NAV on all business days, etc., the Board of Trustees of Morgan Stanley Mutual Fund, subject to SEBI feedback have decided to convert MSGF into an open-ended scheme, and de-list MSGF from the aforesaid stock exchanges. Subject to SEBI feedback if any, all the unit holders will be notified of the proposed modifications to the scheme by way of a public advertisement in newspapers including individual communication.

There are no unit holders over 25% of the Net Asset Value of MSGF as of March 31, 2008.

2 Brief background of Sponsors, Trust, Trustee Co. and AMC

a. Morgan Stanley Mutual Fund

Morgan Stanley Mutual Fund (MSMF) was set up as a Trust by the Settler, Morgan Stanley vide Trust Deed dated November 3, 1993 with the Board of Trustees as a Trustee in accordance with the provisions of the Indian Trust Act, 1882 and is duly