

Global Value Equity Fund

As of 30 September 2002

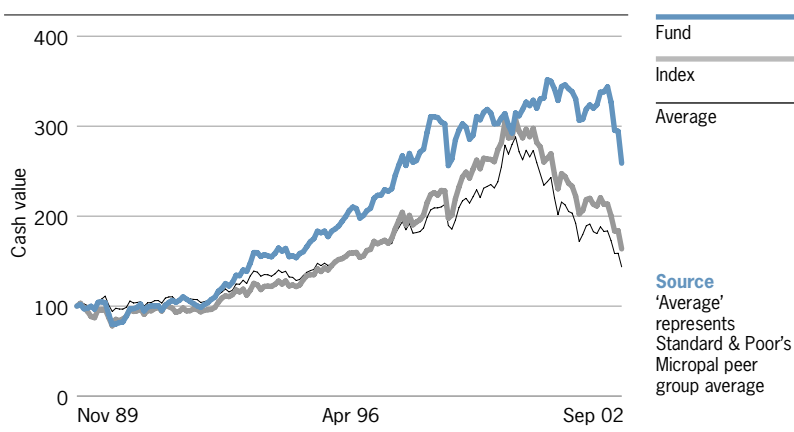
The Fund underperformed the index by 1.07% in September. Underperformance for the month was largely due to stock selection in Consumer Discretionary and Health Care. Many of the factors which have plagued markets over the last quarter remain at the forefront of investors' minds and uncertainty surrounding the threat of war in the Middle East, and its potential consequences, continue to hang over the market. In this environment we are comfortable with the defensive position of the portfolio and we will look for opportunities to build into the portfolio a degree of economic sensitivity in anticipation of the inevitable improvement in sentiment when the geo-political map becomes clearer. In the meantime, we continue to carefully monitor holdings in the portfolio and, as opportunities arise, acquire quality stocks in out-of-favour sectors that emphasize strong cash flow generation, strong financial position and capable management.

Returns in US dollars vs. MSCI World (Net) Index²

Period	Fund (net of fees) %			Index	Peer group ranking
	Class I	Class A	Class B		
Last three months	(20.78)	(20.89)	(21.09)	(18.38)	568/654
YTD 2002	(20.03)	(20.35)	(20.96)	(25.58)	183/645
One year	(15.54)	(16.03)	(16.86)	(19.18)	304/620
Three years (annualised)	(5.08)	(5.61)	(6.55)	(14.36)	44/418
Five years (annualised)	(0.82)	(1.38)	(2.37)	(4.02)	33/261
Ten years (annualised)	9.95	n/a	n/a	5.45	5/99

Class I shares vs. MSCI World (Net) Index³

Performance of 100 US dollars invested since inception



Facts and figures

As of 30 September 2002

Launch date	November 1989
Fund management team	Frances Campion Paul Boyne Emilio Alvarez
Location	London
Base currency	US dollars
Total assets	\$ 1.1 billion
NAV \$	26.35
NAV €	26.66

Statistics⁴

As of 30 September 2002	Class I	Index
Alpha	5.06	0.00
Beta	0.66	1.00
R Squared	0.65	1.00
Information ratio	1.07	0.00
Tracking error	10.15	0.00
Standard deviation	13.93	0.00

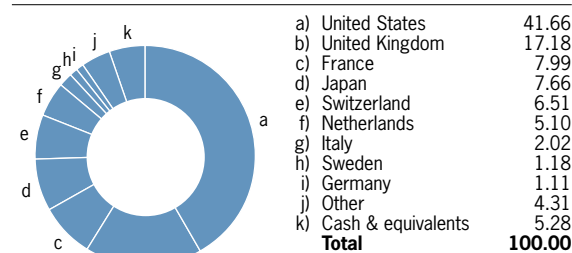
As of 1 September 2002

Portfolio valuations	Class I	Index
P/CF	9.30	11.18
P/BV	1.90	2.20
P/E	19.70	27.33
Yield	2.70	2.10
Number of securities	104	1510

Top 10 holdings

	%
Aventis	2.40
Philip Morris	2.39
Nestle	2.19
BAE Systems	2.17
Cadbury Schweppes	2.02
Allied Domecq	1.86
Wyeth	1.67
Alcoa	1.59
Reed International	1.58
Kimberly-Clark	1.55
Total	19.42

Geographic distribution



Fund aim

Using a disciplined value approach we seek to achieve an attractive long term rate of return, measured in US dollars, through investment principally in equity securities of companies listed on the world's Stock Exchanges.

Investment implementation

- We begin with preliminary valuation screens focusing primarily on P/CF, P/FCF and P/BV.
- Our stock selection discipline emphasises comprehensive fundamental analysis to scrutinise securities that pass the initial value screen. We focus on financial structure, management, business franchise, products and strategic value of assets.
- A stock is considered for sale when it reaches fair value as articulated in its research report. This fair value target may be re-appraised as part of the continuous re-evaluation process, or if the stock is close to fair value and a better opportunity is available elsewhere.

² Source: Standard & Poor's Micropal. Peer group rankings refer to Class I.

³ Calculations are NAV to NAV. Performance of the SICAV is calculated net of fees.

⁴ Based on monthly observations over last 3 years, Standard & Poor's Micropal.

Please refer to back cover for important information and risk warnings.

Useful addresses and contacts

Morgan Stanley Investment Management Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Tel: 44-(0)20-7513 8701
Fax: 44-(0)20-7513 8780

Morgan Stanley & Co. International Limited Succursale de Paris
25 rue Balzac
75406 Paris cedex 08
438 875 346 RCS Paris
Tel: 331-53 77 70 00
Fax: 331-53 77 70 99

Morgan Stanley Dean Witter Asia Limited
30th Floor
3 Exchange Square
Central
Hong Kong
Tel: 852-2848 5200
Fax: 852-2848 6618

Morgan Stanley Investment Management Limited
6B route de Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

Morgan Stanley Investment Management Limited
Rembrandt Tower
11th Floor Amstelplein 1
1096HA Amsterdam
The Netherlands
Tel: 31-20-462 1300
Fax: 31-20-462 1310

Morgan Stanley
Serrano 55
28006 Madrid
Spain
Tel: 34-91-412 11 00
(outside Spain)
Tel: 900-122 641
(in Spain)
Fax: 34-91-435 7707

Morgan Stanley Investment Management*
1221 Avenue of Americas
New York, New York 10020
United States of America
Tel: 1-800-231 2026

Meinl Bank Aktiengesellschaft
Bauermarkt 2
A-1014 Wien
Austria

Morgan Stanley Bank AG
Junghofstr.13-15
D-60311 Frankfurt a.M.
Germany
Tel: 49-69-2166 2610
Fax: 49-69-2166 2699

Morgan Stanley Dean Witter Bank Ltd
Palazzo Serbelloni
Corso Venezia 16
20121 Milan
Italy
Tel: 39-02-76331
Fax: 39-02-76335413

Bank Morgan Stanley AG
Bahnhofstrasse 92
CH-8023 Zurich
Switzerland
Tel: 41-1-220 9313
Fax: 41-1-220 9808

www.morganstanley.com/sicav

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Applications for shares in any Morgan Stanley SICAV Fund, should not be made without first consulting the current Prospectus, Annual Report and Semi-Annual Report ("Offering Documents"), which are available free of charge at the above addresses.

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The sources for all performance and index data are Standard & Poor's Micropal and Morgan Stanley Investment Management Limited. Performance is quoted net of investment management fees and with income reinvested. Currency conversions by Standard & Poor's Micropal for data after December 1993 have been made according to the 4PM GMT WM Reuters Spot Rate. Prior to the end of December 1993, the rate used was the 4PM GMT NatWest Rate. All Fund performance is shown since first full month after inception of Fund.

Risk warnings

Past performance is not necessarily a guide to future performance and the value of the Shares and income from them may fall as well as rise. On redemption of Shares, an investor may receive back an amount less than the original amount of his investment. The assets of the Funds will be in a variety of currencies and therefore movements in the value of currencies may also affect the value of an investor's holdings. Furthermore, the value of Shares may be adversely affected by fluctuations in exchange rates between the investor's reference currencies and the base currencies of the Funds.

There are special risk considerations associated with investing in:

- 1) Emerging country securities; including (1) restrictions on foreign investment and on repatriation of capital (2) currency fluctuations, (3) potential price volatility and lesser liquidity of shares, (4) political and economic risks, including the risk of nationalisation or expropriation of assets and the risk of war (5) settlement systems may be less well organised and less developed and (6) debt may not be rated by any internationally recognised credit rating organisation.

There are also varying levels of government supervision and regulation of exchanges, financial institutions and issuers in various countries. In addition, accounting, auditing, financial and other reporting standards are not equivalent to those of more developed countries, and therefore less information may be available than in more developed countries.

- 2) High yield securities; investment in higher yielding securities is speculative as it generally entails increased credit and market risks. Such securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk) and may be subject to price volatility due to such factors as interest rate sensitivity, market perception of the credit worthiness of the issuer and general market liquidity.
- 3) Securities of small capitalisation companies; these securities involve greater risk than large capitalisation companies and the markets for such securities may be more volatile and less liquid.
- 4) Securities of companies engaged in the real estate industry; including the cyclical nature of real estate values, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, demographic trends and variations in rental income, changes in zonal laws, casualty or condemnation losses, environmental risks, regulatory limitations on rents, changes in neighbourhood values, related party risks, changes in the appeal of properties to tenants, increases in interest rates and other real estate capital market influences. Generally, increases in interest rates will increase the costs of obtaining financing, which could directly and indirectly decrease the value of the relevant Fund.

Issued by Morgan Stanley Investment Management Limited, 25 Cabot Square, Canary Wharf, London E14 4QA.

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