FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

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MORGAN STANLEY FUND INC

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73 TREMONT ST
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6175578742

SUPPLEMENT DATED MARCH 31, 1995
TO PROSPECTUS DATED OCTOBER 28, 1994 OF
MORGAN STANLEY FUND, INC.
P.O. BOX 2798
BOSTON, MASSACHUSETTS
02208-2798

CLASS B SHARES TO BE RENAMED CLASS C SHARES, EFFECTIVE MAY 1, 1995

The prospectus dated October 28, 1994 of the Morgan Stanley Fund, Inc. (the "Fund") is hereby amended and supplemented as follows:

Stockholders of the Fund's Class B shares are hereby notified that, effective May 1, 1995, such Class B shares will be renamed the Class C shares. All references to the Class B shares are hereby amended accordingly. The Fund is renaming the Class B shares in order to follow the industry practice of naming classes with level loads Class C shares. All other characteristics of the shares remain the same.

MORGAN STANLEY FUND, INC.
MORGAN STANLEY LATIN AMERICAN FUND

SUPPLEMENT dated January 9, 1995 to the Prospectus dated October 28, 1994

FINANCIAL HIGHLIGHTS
(Unaudited)

The following table provides financial highlights for the Morgan Stanley Latin American Fund (the "Latin American Fund") for the period from commencement of operations on July 6, 1994 to November 30, 1994, and is included in the financial statements in the Statement of Additional Information of the Morgan Stanley Fund, Inc. The Statement of Additional Information is available at no cost and can be requested by writing the address or calling the telephone number on the cover of the Prospectus. The following information should be read in conjunction with the financial statements and notes thereto.

<TABLE>
<CAPTION>

<S>	Class A July 6, 1994** to November 30, 1994 <C>	Class B July 6, 1994** to November 30, 1994 <C>
NET ASSET VALUE, BEGINNING OF PERIOD	$12.00	$12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	(0.05)	(0.12)
Net Realized and Unrealized Gain on Investments	2.36	2.36
Total from Investment Operations	2.31	2.24
NET ASSET VALUE, END OF PERIOD	$14.31	$14.24
TOTAL RETURN (1)	19.25%***	18.67%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$7,213	$3,279
Ratio of Expenses to Average Net Assets	2.10%*	2.85%*
Ratio of Net Investment Income to Average Net Assets	-0.91%*	-1.66%*
Portfolio Turnover Rate	41.53%***	41.53%***

During the period, various fees and expenses were waived and reimbursed. The ratios of expenses and net investment income to average net assets had such waiver and reimbursement not occurred are as follows(2):

Ratio of Expenses to Average Net Assets	2.53%	3.28%
Ratio of Net Investment Income to Average Net Assets	-1.34%	-2.09%

<FN>
*   Annualized.
**   Commencement of operations.

*** Not Annualized.
(1) Total return is calculated exclusive of sales charges or deferred sales charges.
(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 1.25% of the average daily net assets of the Latin American Fund. The Adviser has agreed to waiver a portion of this fee and/or reimburse expenses of the Latin American Fund to the extent that total operating expenses exceed 2.10% of the average daily net assets relating to the Class A Shares and 2.85% of the average daily net assets relating to the Class B Shares. For the period ended November 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $33,000 and $38,000, respectively, for the Latin American Fund.

</TABLE>

MORGAN STANLEY FUND, INC.
MORGAN STANLEY EMERGING MARKETS FUND

SUPPLEMENT dated January 9, 1995 to the Prospectus dated October 28, 1994

FINANCIAL HIGHLIGHTS
(Unaudited)

The following table provides financial highlights for the Morgan Stanley Emerging Markets Fund (the "Emerging Markets Fund") for the period from commencement of operations on July 6, 1994 to November 30, 1994, and is included in the financial statements in the Statement of Additional Information of the Morgan Stanley Fund, Inc. The Statement of Additional Information is available at no cost and can be requested by writing the address or calling the telephone number on the cover of the Prospectus. The following information should be read in conjunction with the financial statements and notes thereto.

<TABLE>
<CAPTION>

<S>	Class A July 6, 1994** to November 30, 1994 <C>	Class B July 6, 1994** to November 30, 1994 <C>
NET ASSET VALUE, BEGINNING OF PERIOD	$12.00	$12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	0.00	(0.03)
Net Realized and Unrealized Gain on Investments	0.01	0.01
Total from Investment Operations	0.01	(0.02)
NET ASSET VALUE, END OF PERIOD	$12.01	$11.98
TOTAL RETURN (1)	0.08%***	-0.17%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$14,860	$11,568
Ratio of Expenses to Average Net Assets	2.15%*	2.90%*
Ratio of Net Investment Income to Average Net Assets	0.27%*	-0.48%*
Portfolio Turnover Rate	8.13%***	8.13%***

During the period, various fees and expenses were waived and reimbursed. The ratios of expenses and net investment income to average net assets had such waiver and reimbursement not occurred are as follows(2):

Ratio of Expenses to Average Net Assets	2.77%	3.52%
Ratio of Net Investment Income to Average Net Assets	-0.35%	-1.10%

<FN>
* Annualized.
** Commencement of operations.
*** Not Annualized.
(1) Total return is calculated exclusive of sales charges or deferred sales

charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 1.25% of the average daily net assets of the Emerging Markets Fund. The Adviser has agreed to waiver a portion of this fee and/or reimburse expenses of the Emerging Markets Fund to the extent that total operating expenses exceed 2.15% of the average daily net assets relating to the Class A Shares and 2.90% of the average daily net assets relating to the Class B Shares. For the period ended November 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $61,000 and $3,000, respectively, for the Emerging Markets Fund.

</TABLE>

P R O S P E C T U S

MORGAN STANLEY GLOBAL EQUITY ALLOCATION FUND
MORGAN STANLEY GLOBAL FIXED INCOME FUND
MORGAN STANLEY ASIAN GROWTH FUND
MORGAN STANLEY EMERGING MARKETS FUND
MORGAN STANLEY LATIN AMERICAN FUND
MORGAN STANLEY EUROPEAN EQUITY FUND
MORGAN STANLEY AMERICAN VALUE FUND
MORGAN STANLEY WORLDWIDE HIGH INCOME FUND
MORGAN STANLEY GROWTH AND INCOME FUND
MORGAN STANLEY MONEY MARKET FUND

PORTFOLIOS OF THE
MORGAN STANLEY FUND, INC.

P.O. BOX 2798, BOSTON, MASSACHUSETTS 02208-2798
FOR INFORMATION CALL 1-800-282-4404

Morgan Stanley Fund, Inc. (the "Fund") is an open-end management investment company, or mutual fund, which offers redeemable shares in a series of diversified and nondiversified investment portfolios (each, an "Investment Fund"). The Fund is designed to make available to retail investors the expertise of Morgan Stanley Asset Management Inc., the Investment Adviser and Administrator. Shares are available through Morgan Stanley & Co. Incorporated ("Morgan Stanley"), the Distributor, and investment dealers, banks and financial services firms that provide distribution, administrative or shareholder services ("Participating Dealers"). The Fund currently consists of ten Investment Funds offering the following range of investment choices:

GLOBAL AND INTERNATIONAL EQUITY FUNDS:
Morgan Stanley Global Equity Allocation Fund (the "Global Equity Allocation Fund")
Morgan Stanley Asian Growth Fund (the "Asian Growth Fund")
Morgan Stanley Emerging Markets Fund (the "Emerging Markets Fund")
Morgan Stanley Latin American Fund (the "Latin American Fund")
Morgan Stanley European Equity Fund (the "European Equity Fund")
Morgan Stanley Growth and Income Fund (the "Growth and Income Fund")

UNITED STATES EQUITY FUND:
Morgan Stanley American Value Fund (the "American Value Fund")

GLOBAL FIXED INCOME FUNDS:
Morgan Stanley Global Fixed Income Fund (the "Global Fixed Income Fund")
Morgan Stanley Worldwide High Income Fund (the "Worldwide High Income Fund")

MONEY MARKET FUND:
Morgan Stanley Money Market Fund (the "Money Market Fund").

The Morgan Stanley Worldwide High Income Fund invests predominantly in lower rated and unrated bonds, commonly referred to as "junk bonds." Bonds of this type are considered to be speculative with regard to the payment of interest and return of principal and are subject to greater risk of loss of principal and interest. Purchasers should carefully assess the risks associated with an investment in this Investment Fund. See "Additional Investment Information -- Risk Factors Relating to Investing in Lower Rated Securities."

Certain Investment Funds invest in emerging markets securities, which are subject to special risks. See "Foreign Investment Risk Factors."

INVESTORS SHOULD NOTE THAT AN INVESTMENT FUND MAY INVEST UP TO 15% OF ITS NET ASSETS (10% OF THE NET ASSETS OF THE MONEY MARKET FUND) IN ILLIQUID ASSETS, INCLUDING RESTRICTED SECURITIES (OTHER THAN RULE 144A SECURITIES THAT ARE DETERMINED TO BE LIQUID). SEE "ADDITIONAL INVESTMENT INFORMATION -- NON-PUBLICLY TRADED SECURITIES, PRIVATE PLACEMENTS AND RESTRICTED SECURITIES." INVESTMENTS IN RESTRICTED SECURITIES IN EXCESS OF 5% OF AN INVESTMENT FUND'S TOTAL ASSETS MAY BE CONSIDERED A SPECULATIVE ACTIVITY, MAY INVOLVE GREATER RISK AND MAY INCREASE THE INVESTMENT FUND'S EXPENSES.

INVESTMENTS IN THE INVESTMENT FUNDS ARE NEITHER INSURED NOR GUARANTEED BY THE UNITED STATES GOVERNMENT. THERE IS NO ASSURANCE THAT THE MORGAN STANLEY MONEY MARKET FUND WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE.

THE MORGAN STANLEY MONEY MARKET FUND IS NOT CURRENTLY OFFERING SHARES.

This Prospectus is designed to set forth concisely the information about the Investment Funds that a prospective investor should know before investing and it should be retained for future reference. Additional information about the Fund is contained in a "Statement of Additional Information," dated October 28, 1994, which is incorporated herein by reference. The Statement of Additional Information is available upon request and without charge by writing or calling the Fund at the address and telephone number set forth above.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS OCTOBER 28, 1994.

FUND EXPENSES

The following table illustrates all expenses and fees that a shareholder of an Investment Fund will incur:

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	GLOBAL EQUITY ALLOCATION FUND CLASS A	GLOBAL EQUITY ALLOCATION FUND CLASS B	GLOBAL FIXED INCOME FUND CLASS A	GLOBAL FIXED INCOME FUND CLASS B
<S>	<C>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases...........................	4.75%(1)	None	4.75%(1)	None
Maximum Sales Load Imposed on Reinvested Dividends................	None	None	None	None
Deferred Sales Load				
For purchases up to $999,999...................................	None	1.00%(2)	None	1.00%(2)
For purchases of $1,000,000 or more............................	1.00%(1)	1.00%(2)	1.00%(1)	1.00%(2)
Redemption Fees (3)...	None	None	None	None
Exchange Fees...	None	None	None	None

</TABLE>

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	ASIAN GROWTH FUND CLASS A	ASIAN GROWTH FUND CLASS B	EMERGING MARKETS FUND CLASS A	EMERGING MARKETS FUND CLASS B
<S>	<C>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases...........................	4.75%(1)	None	4.75%(1)	None
Maximum Sales Load Imposed on Reinvested Dividends................	None	None	None	None
Deferred Sales Load				
For purchases up to $999,999...................................	None	1.00%(2)	None	1.00%(2)
For purchases of $1,000,000 or more............................	1.00%(1)	1.00%(2)	1.00%(1)	1.00%(2)
Redemption Fees (3)...	None	None	None	None
Exchange Fees...	None	None	None	None

</TABLE>

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	LATIN AMERICAN FUND CLASS A	LATIN AMERICAN FUND CLASS B	EUROPEAN EQUITY FUND CLASS A	EUROPEAN EQUITY FUND CLASS B
<S>	<C>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases...........................	4.75%(1)	None	4.75%(1)	None
Maximum Sales Load Imposed on Reinvested Dividends................	None	None	None	None
Deferred Sales Load				
For purchases up to $999,999...................................	None	1.00%(2)	None	1.00%(2)
For purchases of $1,000,000 or more............................	1.00%(1)	1.00%(2)	1.00%(1)	1.00%(2)
Redemption Fees (3)...	None	None	None	None
Exchange Fees...	None	None	None	None

</TABLE>

<TABLE>
<CAPTION>

WORLDWIDE WORLDWIDE

SHAREHOLDER TRANSACTION EXPENSES	AMERICAN VALUE FUND CLASS A	AMERICAN VALUE FUND CLASS B	HIGH INCOME FUND CLASS A	HIGH INCOME FUND CLASS B
<S>	<C>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases.......	4.75%(1)	None	4.75%(1)	None
Maximum Sales Load Imposed on Reinvested Dividends..................................	None	None	None	None
Deferred Sales Load				
For purchases up to $999,999...............	None	1.00%(2)	None	1.00%(2)
For purchases of $1,000,000 or more.........	1.00%(1)	1.00%(2)	1.00%(1)	1.00%(2)
Redemption Fees (3)..........................	None	None	None	None
Exchange Fees................................	None	None	None	None

</TABLE>

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	GROWTH AND INCOME FUND CLASS A	GROWTH AND INCOME FUND CLASS B	MONEY MARKET FUND
<S>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases..................	4.75%(1)	None	None
Maximum Sales Load Imposed on Reinvested Dividends........	None	None	None
Deferred Sales Load			
For purchases up to $999,999...........................	None	1.00%(2)	None
For purchases of $1,000,000 or more....................	1.00%(1)	1.00%(2)	None
Redemption Fees (3)......................................	None	None	None
Exchange Fees..	None	None	None

</TABLE>

<TABLE>
<CAPTION>

ANNUAL FUND OPERATING EXPENSES	GLOBAL EQUITY ALLOCATION FUND CLASS A	GLOBAL EQUITY ALLOCATION FUND CLASS B	GLOBAL FIXED INCOME FUND CLASS A	GLOBAL FIXED INCOME FUND CLASS B
<S>	<C>	<C>	<C>	<C>
(AS A PERCENTAGE OF AVERAGE NET ASSETS AFTER EXPENSE REIMBURSEMENT AND/OR FEE WAIVER)				
Investment Advisory Fee and Administrative and Shareholder Account Costs (4).....................	0.25%	0.25%	0.25%	0.25%
12b-1 Fees..	0.25%	1.00%	0.25%	1.00%
Custody Fees......................................	0.42%	0.42%	0.16%	0.16%
Other Expenses....................................	0.78%	0.78%	0.79%	0.79%
Total Operating Expenses (4)....................	1.70%	2.45%	1.45%	2.20%

</TABLE>

<TABLE>
<CAPTION>

ANNUAL FUND OPERATING EXPENSES	ASIAN GROWTH FUND CLASS A	ASIAN GROWTH FUND CLASS B	EMERGING MARKETS FUND CLASS A	EMERGING MARKETS FUND CLASS B
<S>	<C>	<C>	<C>	<C>
(AS A PERCENTAGE OF AVERAGE NET ASSETS AFTER EXPENSE REIMBURSEMENT AND/OR FEE WAIVER)				
Investment Advisory Fee and Administrative and Shareholder Account Costs q(4)......................	1.25%	1.25%	1.50%	1.50%
12b-1 Fees..	0.25%	1.00%	0.25%	1.00%
Custody Fees..	0.30%	0.30%	0.30%	0.30%
Other Expenses......................................	0.10%	0.10%	0.10%	0.10%
Total Operating Expenses (4)......................	1.90%	2.65%	2.15%	2.90%

</TABLE>

<TABLE>
<CAPTION>

ANNUAL FUND OPERATING EXPENSES	LATIN AMERICAN FUND CLASS A	LATIN AMERICAN FUND CLASS B	EUROPEAN EQUITY FUND CLASS A	EUROPEAN EQUITY FUND CLASS B
<S>	<C>	<C>	<C>	<C>
(AS A PERCENTAGE OF AVERAGE NET ASSETS AFTER EXPENSE REIMBURSEMENT AND/OR				

FEE WAIVER)

Investment Advisory Fee and Administrative and Shareholder Account Costs (4)	1.50%	1.50%	1.25%	1.25%
12b-1 Fees	0.25%	1.00%	.25%	1.00%
Custody Fees	0.25%	0.25%	0.10%	0.10%
Other Expenses	0.10%	0.10%	.10%	.10%
Total Operating Expenses (4)	2.10%	2.85%	1.70%	2.45%

</TABLE>

<TABLE>
<CAPTION>

ANNUAL FUND OPERATING EXPENSES	AMERICAN VALUE FUND CLASS A	AMERICAN VALUE FUND CLASS B	WORLDWIDE HIGH INCOME FUND CLASS A	WORLDWIDE HIGH INCOME FUND CLASS B
<S>	<C>	<C>	<C>	<C>
(AS A PERCENTAGE OF AVERAGE NET ASSETS AFTER EXPENSE REIMBURSEMENT AND/OR FEE WAIVER)				
Investment Advisory Fee and Administrative and Shareholder Account Costs (4)	1.10%	1.10%	1.00%	1.00%
12b-1 Fees	0.25%	1.00%	0.25%	1.00%
Custody Fees	0.05%	0.05%	0.20%	0.20%
Other Expenses	0.10%	0.10%	0.10%	0.10%
Total Operating Expenses (4)	1.50%	2.25%	1.55%	2.30%

</TABLE>

<TABLE>
<CAPTION>

ANNUAL FUND OPERATING EXPENSES	GROWTH AND INCOME FUND CLASS A	GROWTH AND INCOME FUND CLASS B	MONEY MARKET
<S>	<C>	<C>	<C>
(AS A PERCENTAGE OF AVERAGE NET ASSETS AFTER EXPENSE REIMBURSEMENT AND/OR FEE WAIVER)			
Investment Advisory Fee and Administrative and Shareholder Account Costs (4)	1.00%	1.00%	0.60%
12b-1 Fees	0.25%	1.00%	0.25%
Custody Fees	0.10%	0.10%	0.01%
Other Expenses	0.10%	0.10%	0.04%
Total Operating Expenses (4)	1.45%	2.20%	0.90%

<FN>

- ------------------------------

(1) Purchases of Class A shares of the Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund, Emerging Markets Fund, Latin American Fund, European Equity Fund, American Value Fund, Worldwide High Income Fund and Growth and Income Fund (the "Non-Money Funds") which, when combined with the net asset value of the purchaser's existing investment in Class A shares of these Funds, aggregate $1 million or more are not subject to a sales load (an "initial sales charge"). A contingent deferred sales charge ("CDSC") of 1.00% will be imposed, however, on shares from any such purchase that are redeemed within one year following such purchase. Any such CDSC will be paid to the Distributor. Certain other purchases are not subject to an initial sales charge. (See "Purchase of Shares")

(2) Purchases of Class B shares of the Non-Money Funds are subject to a CDSC of 1.00% for redemptions made within one year of purchase. Any such CDSC will be paid to the Distributor.

(3) A charge of $8.00 may be imposed on redemptions by wire which is not an expense of the Fund.

</TABLE>

<TABLE>
<S> <C>

(4) The Adviser has agreed to waive its advisory fees and/or to reimburse expenses of the Investment Funds, if necessary, if such fees would cause the total annual operating expenses of the Investment Funds, as a percentage of average daily net assets, to exceed the percentages set forth in the table above. Absent the fee waivers, investment advisory fees are as follows:

</TABLE>

<TABLE>
<S> <C>

Global Equity Allocation Fund	1.00%
Global Fixed Income Fund	0.75%
Asian Growth Fund	1.00%
Emerging Markets Fund	1.25%
Latin American Fund	1.25%
European Equity Fund	1.00%
American Value Fund	0.85%
Worldwide High Income Fund	0.75%
Growth and Income Fund	0.75%
Money Market Fund	0.35%

</TABLE>

If such advisory fees were not waived and/or expenses reimbursed, the total operating expenses of such Investment Funds would be estimated to be a percentage of their respective average daily net assets as follows:

<TABLE>
<CAPTION>

<S>	CLASS A <C>	<C>	CLASS B <C>
Global Equity Allocation Fund	2.58%		3.34%
Global Fixed Income Fund	2.48%		3.29%
Asian Growth Fund	2.17%		2.92%
Emerging Markets Fund	N/A		N/A
Latin American Fund	N/A		N/A
European Equity Fund	N/A		N/A
American Value Fund	2.48%		3.28%
Worldwide High Income Fund	N/A		N/A
Growth and Income Fund	N/A		N/A
Money Market Fund		N/A%	

</TABLE>

These reductions became or will become effective as of the inception of each Investment Fund. As a result of these reductions, the Investment Advisory Fees stated above are lower than contractual fees stated under "Management of the Fund." The Adviser reserves the right to terminate any of its fee waivers at any time in its sole discretion. For further information on Fund expenses see "Management of the Fund."

The purpose of the above table is to assist the investor in understanding the various expenses that an investor in any of the Investment Funds will bear directly or indirectly. The expenses and fees for the Global Equity Allocation, Global Fixed Income and Asian Growth Funds are based on actual figures for the one year period ended June 30, 1994. The expenses and fees for the Emerging Markets, Latin American, European Equity, American Value, Worldwide High Income, Growth and Income and Money Market Funds are based on estimates. For purposes of calculating the estimated expenses and fees set forth above, the table assumes that each Investment Fund's average daily net assets will be $50,000,000. "Other Expenses" include, among others, Directors' fees and expenses, amortization of organizational costs, filing fees, professional fees, and the costs for reports to shareholders. Due to the continuous nature of Rule 12b-1 fees, long-term shareholders may pay more than the equivalent of the maximum front-end sales charges otherwise permitted by the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD").

The following example illustrates the expenses that you would pay on a $1,000 investment in (i) Class A shares of each of the Non-Money Funds, including the maximum 4.75% sales charge, (ii) Class B shares of each

of such Non-Money Funds, which are purchased without an initial sales charge, and (iii) shares of the Money Market Fund, assuming (1) a 5% annual rate of return and (2) redemption at the end of each time period. (If it is assumed there are no redemptions, the expenses are the same.)

<TABLE>
<CAPTION>

<S>	1 YEAR <C>	3 YEARS <C>	5 YEARS* <C>	10 YEARS* <C>
GLOBAL EQUITY ALLOCATION FUND				
Class A shares	$ 64(1)	$ 99	$ 135	$ 239
Class B shares	25(2)	76	131	278
GLOBAL FIXED INCOME FUND				
Class A shares	$ 62(1)	$ 91	$ 123	$ 213
Class B shares	22(2)	69	118	253
ASIAN GROWTH FUND				
Class A shares	$ 66(1)	$ 104	$ 145	$ 259
Class B shares	27(2)	82	140	298
EMERGING MARKETS FUND				
Class A shares	$ 68(1)	$ 112	--	--
Class B shares	29(2)	90	--	--
LATIN AMERICAN FUND				
Class A shares	$ 68(1)	$ 110	--	--

Class B shares..	29(2)	88	--	--
EUROPEAN EQUITY FUND				
Class A shares..	$ 64(1)	$ 99	--	--
Class B shares..	25(2)	76	--	--
AMERICAN VALUE FUND				
Class A shares..	$ 62(1)	$ 93	--	--
Class B shares..	23(2)	70	--	--
WORLDWIDE HIGH INCOME FUND				
Class A shares..	$ 63(1)	$ 94	--	--
Class B shares..	23(2)	72	--	--
GROWTH AND INCOME FUND				
Class A shares..	$ 62(1)	$ 91	--	--
Class B shares..	22(2)	69	--	--
Money Market Fund.....................................	$ 9	$ 29	--	--

<FN>

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* Because the Emerging Markets, Latin American, European Equity, American Value, Worldwide High Income, Growth and Income, and Money Market Funds were either not operational or had just become operational as of the Fund's fiscal year end, the Fund has not projected expenses beyond the three- year period shown.

(1) Reduced sales charges apply to purchases of $100,000 or more of the Class A shares of the Non-Money Funds. See "Purchase of Shares." For Class A shares of the Non-Money Funds, generally purchases of $1 million or more may be accomplished at net asset value without an initial sales charge, but may be subject to a 1.00% CDSC if liquidated within one year of purchase.

(2) If Class B shares of the Non-Money Funds are redeemed within one year of purchase, the expense figures in the first year increase to the following amounts for each of the Investment Funds: Global Equity Allocation Fund, $35 ; Global Fixed Income Fund, $32 ; Asian Growth Fund, $37 ; Emerging Markets Fund, $39; Latin American Fund, $39; European Equity Fund, $35; American Value Fund, $33; Worldwide High Income Fund, $34; and Growth and Income Fund, $32.

</TABLE>

This example should not be considered a representation of past or future expenses or performance. Actual expenses may be greater or less than those shown. The Adviser in its discretion may terminate voluntary fee waivers and/or reimbursements at any time. Absent the waiver of fees or reimbursement of expenses, the amounts in the example above would be greater.

FINANCIAL HIGHLIGHTS

The following tables provide financial highlights for each class of the Global Equity Allocation, Global Fixed Income, Asian Growth, American Value and Worldwide High Income Funds for each of the respective periods presented. The financial highlights for the period ended June 30, 1994 for such Investment Funds are part of the Fund's financial statements, which appear in the Fund's June 30, 1994 Annual Report to Shareholders, which is incorporated by reference into the Fund's Statement of Additional Information. The Fund's financial highlights for the period ended June 30, 1994 have been audited by Price Waterhouse LLP, whose opinion thereon (which was unqualified) is also incorporated by reference into the Statement of Additional Information. Additional performance information about the Fund is contained in the Fund's Annual Report. The Annual Report and the financial statements contained therein, along with the Statement of Additional Information, are available at no cost from the Fund at the address and telephone number noted on the cover page of this Prospectus. The Emerging Markets, Latin American, European Equity and Growth and Income Funds were not operational as of the date of the Annual Report. The Money Market Fund ceased offering shares as of August 6, 1994. The following information should be read in conjunction with the financial statements and notes thereto. The financial statements for the Worldwide High Income Fund from July 1, 1994 to August 31, 1994, which commenced operations on April 21, 1994, are unaudited.

FINANCIAL HIGHLIGHTS CONTINUED
GLOBAL EQUITY ALLOCATION FUND

<TABLE>
<CAPTION>

	CLASS A		CLASS B	
SELECTED PER SHARE DATA AND RATIOS	JANUARY 4, 1993** TO JUNE 30, 1993	YEAR ENDED JUNE 30, 1994	JANUARY 4, 1993** TO JUNE 30, 1993	YEAR ENDED JUNE 30, 1994
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD...........	$ 10.00	$ 11.09	$ 10.00	$ 11.05
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Income........................	0.04	0.10	0.01	0.06

Net Realized and Unrealized Gain On Investments	1.05	0.90	1.04	0.86
Total From Investment Operations	1.09	1.00	1.05	0.92
DISTRIBUTIONS				
Net Investment Income	--	(0.03)	--	--
Realized Gains	--	(0.07)	--	(0.07)
Total Distributions	--	(0.10)	--	(0.07)
NET ASSET VALUE, END OF PERIOD	$ 11.09	$ 11.99	$ 11.05	$ 11.90
TOTAL RETURN (1)	10.90%***	9.02%	10.50%***	8.34%
RATIOS AND SUPPLEMENTAL DATA				
Net Assets, End of Period (Thousands)	$10,434	$33,425	$6,995	$29,892
Ratio of Net Expenses to Average Net Assets	1.70%*	1.70%	2.45%*	2.45%
Ratio of Net Investment Income to Average Net Assets	1.04%*	0.98%	0.29%*	0.23%
Portfolio Turnover Rate	14%***	30%	14%***	30%

</TABLE>

During each period, various fees and expenses were waived and reimbursed. The ratios of net expenses and net investment income/(loss) to average net assets had such waiver and reimbursement not occurred are as follows (2):

<TABLE>

<S>	<C>	<C>	<C>	<C>
Ratio of net expenses to average net assets	3.65%*	2.58%	4.40%*	3.34%
Ratio of net investment income/ (loss) to average net assets	(0.91)%*	0.10%	(1.66)%*	(0.66)%

</TABLE>

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* Annualized.
** Commencement of Operations.
*** Not Annualized.

(1) Total Return is calculated exclusive of sales charges or deferred sales charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 1.00% of the average daily net assets of the Global Equity Allocation Fund. The Adviser has agreed to waive a portion of this fee and/or reimburse expenses of the Investment Fund to the extent that the total operating expenses of the Investment Fund exceed 1.70% of the average daily net assets relating to the Class A shares and 2.45% of the average daily net assets relating to the Class B shares. For the fiscal periods ended June 30, 1993 and June 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $130,000 and 353,000, respectively, for the Global Equity Allocation Fund.

FINANCIAL HIGHLIGHTS CONTINUED
GLOBAL FIXED INCOME FUND

<TABLE>
<CAPTION>

	CLASS A		CLASS B	
SELECTED PER SHARE DATA AND RATIOS	JANUARY 4, 1993** TO JUNE 30, 1993	YEAR ENDED JUNE 30, 1994	JANUARY 4, 1993** TO JUNE 30, 1993	YEAR ENDED JUNE 30, 1994
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 10.00	$ 10.55	$ 10.00	$ 10.56
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Income	0.25	0.52	0.21	0.43
Net Realized and Unrealized Gain (Loss) On Investments	0.55	(0.42)	0.55	(0.40)
Total From Investment Operations	0.80	0.10	0.76	0.03
DISTRIBUTIONS				
Net Investment Income	(0.25)	(0.50)	(0.20)	(0.44)
In Excess of Net Investment Income	--	(0.12)	--	(0.11)
Realized Gains	--	(0.47)	--	(0.47)

In Excess of Realized Gains.................	--	(0.03)	--	(0.03)
Total Distributions........................	(0.25)	(1.12)	(0.20)	(1.05)
NET ASSET VALUE, END OF PERIOD................	$ 10.55	$ 9.53	$ 10.56	$ 9.54
TOTAL RETURN (1)..............................	8.02%***	0.41%	7.61%***	(0.25)%
RATIOS AND SUPPLEMENTAL DATA				
Net Assets, End of Period (Thousands)........	$6,633	$10,369	$6,120	$5,407
Ratio of Net Expenses to Average Net Assets....................................	1.45%*	1.45%	2.20%*	2.20%
Ratio of Net Investment Income to Average Net Assets....................................	5.00%*	4.70%	4.25%*	3.95%
Portfolio Turnover Rate......................	55%***	168%	55%***	168%

</TABLE>

- --

During each period, various fees and expenses were waived and reimbursed. The ratios of net expenses and net investment income/(loss) to average net assets had such waiver and reimbursement not occurred are as follows (2):

<TABLE>

<S>	<C>	<C>	<C>	<C>
Ratio of net expenses to average net assets................................	2.88%*	2.48%	3.63*	3.29%
Ratio of net investment income/(loss) to average net assets....................	3.57%*	3.67%	2.82%*	2.86%

</TABLE>

- --

* Annualized.

** Commencement of Operations.

*** Not Annualized.

(1) Total return is calculated exclusive of sales charges or deferred sales charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 0.75% of the average daily net assets of the Global Fixed Income Fund. The Adviser has agreed to waive a portion of this fee and/or reimburse expenses of the Investment Fund to the extent that the total operating expenses of the Investment Fund exceed 1.45% of the average daily net assets relating to the Class A shares and 2.20% of the average daily net assets relating to the Class B shares. For the fiscal periods ended June 30, 1993 and June 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $77,000 and $150,000, respectively, for the Global Fixed Income Fund.

FINANCIAL HIGHLIGHTS CONTINUED
ASIAN GROWTH FUND

<TABLE>
<CAPTION>

	CLASS A		CLASS B	
SELECTED PER SHARE DATA AND RATIOS	JANUARY 4, 1993** TO JUNE 30, 1993	YEAR ENDED JUNE 30, 1994	JANUARY 4, 1993** TO JUNE 30, 1993	YEAR ENDED JUNE 30, 1994
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD...........	$ 12.00	$ 12.00	$ 12.00	$ 12.00
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Loss..........................	--	(0.03)	--	(0.10)
Net Realized and Unrealized Gain On Investments................................	--	3.53	--	3.50
Total From Investment Operations...........	--	3.50	--	3.40
NET ASSET VALUE, END OF PERIOD................	$ 12.00	$ 15.50	$ 12.00	$ 15.40
TOTAL RETURN (1)..............................	0.00%***	29.17%	0.00%***	28.33%
RATIOS AND SUPPLEMENTAL DATA				
Net Assets, End of Period (Thousands)........	$11,770	$138,212	$8,491	$116,889
Ratio of Net Expenses to Average Net Assets....................................	1.90%*	1.90%	2.65%*	2.65%

Ratio of Net Investment Income/(Loss) to Average Net Assets	(0.81)%*	(0.24)%	(1.56)%*	(0.99)%
Portfolio Turnover Rate	0%***	34%	0%***	34%

</TABLE>

- --

During each period, various fees and expenses were waived and reimbursed. The ratios of net expenses and net investment income/(loss) to average net assets had such waiver and reimbursement not occurred are as follows (2):

<TABLE>
<S> <C> <C> <C> <C>

Ratio of net expenses to average net assets	11.83%*	2.17%	12.64%*	2.92%
Ratio of net investment income/(loss) to average net assets	(10.74)%*	(0.51)%	(11.55)%*	(1.26)%

</TABLE>

- --

* Annualized.
** Commencement of Operations.
*** Not Annualized.
(1) Total return is calculated exclusive of sales charges or deferred sales charges.
(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 1.00% of the average daily net assets of the Asian Growth Fund. The Adviser has agreed to waive a portion of this fee and/ or reimburse expenses of the Investment Fund to the extent that the total operating expenses of the Investment Fund exceed 1.90% of the average daily net assets relating to the Class A shares and 2.65% of the average daily net assets relating to the Class B shares. For the fiscal periods ended June 30, 1993 and June 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $29,000 and $464,000, respectively, for the Asian Growth Fund.

FINANCIAL HIGHLIGHTS CONTINUED
AMERICAN VALUE FUND

<TABLE>
<CAPTION>

SELECTED PER SHARE DATA AND RATIOS	CLASS A OCTOBER 18, 1993** TO JUNE 30, 1994	CLASS B OCTOBER 18, 1993** TO JUNE 30, 1994
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 12.00	$ 12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	0.17	0.11
Net Realized and Unrealized Loss On Investments	(0.30)	(0.31)
Total From Investment Operations	(0.13)	(0.20)
DISTRIBUTIONS		
Net Investment Income	(0.17)	(0.11)
NET ASSET VALUE, END OF PERIOD	$ 11.70	$ 11.69
TOTAL RETURN (1)	(1.12)%***	(1.70)%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$10,717	$7,237
Ratio of Net Expenses to Average Net Assets	1.50%*	2.25%*
Ratio of Net Investment Income to Average Net Assets	2.14%*	1.39%*
Portfolio Turnover Rate	17%***	17%***

</TABLE>

- --

During each period, various fees and expenses were waived and reimbursed. The ratios of net expenses and net investment income/(loss) to average net assets had such waiver and reimbursement not occurred are as follows(2):

<TABLE>
<S> <C> <C>

Ratio of net expenses to average net assets	2.48%*	3.28%*
Ratio of net investment income/(loss) to average net assets	1.16%*	0.36%*

</TABLE>

- --

* Annualized.
** Commencement of Operations.
*** Not Annualized.

(1) Total return is calculated exclusive of sales charges or deferred sales charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 0.85% of the average daily net assets of the American Value Fund. The Adviser has agreed to waive a portion of this fee and/or reimburse expenses of the Investment Fund to the extent that the total operating expenses of the Investment Fund exceed 1.50% of the average daily net assets relating to the Class A shares and 2.25% of the average daily net assets relating to the Class B shares. For the fiscal period ended June 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $102,000 for the American Value Fund.

FINANCIAL HIGHLIGHTS CONTINUED
WORLDWIDE HIGH INCOME FUND

<TABLE>
<CAPTION>

SELECTED PER SHARE DATA AND RATIOS	CLASS A APRIL 21, 1994** TO JUNE 30, 1994	CLASS A JULY 1, 1994 AUGUST 31, 1994 UNAUDITED	CLASS B APRIL 21, 1994** TO JUNE 30, 1994	CLASS B JULY 1, 1994 AUGUST 31, 1994 UNAUDITED
NET ASSET VALUE, BEGINNING OF PERIOD	$ 12.00	$ 12.17	$ 12.00	$ 12.16
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Income	0.18	0.15	0.17	0.17
Net Realized and Unrealized Gain On Investments	0.16	0.10	0.15	0.08
Total From Investment Operations	0.34	0.25	0.32	0.25
DISTRIBUTIONS				
Net Investment Income	(0.17)	(0.20)	(0.16)	(0.18)
NET ASSET VALUE, END OF PERIOD	$ 12.17	$ 12.22	$ 12.16	$ 12.23
TOTAL RETURN (1)	2.86%***	4.99%***	2.62%***	4.77%***
RATIOS AND SUPPLEMENTAL DATA				
Net Assets, End of Period (Thousands)	$6,857	$9,144	$6,081	$7,157
Ratio of Net Expenses to Average Net Assets	1.55%*	1.55%*	2.30%*	2.30%*
Ratio of Net Investment Income to Average Net Assets	8.29%*	8.38%*	7.54%*	7.63%*
Portfolio Turnover Rate	19%***	21%***	19%***	21%***

</TABLE>

- --

During each period, various fees and expenses were waived and reimbursed. The ratios of net expenses and net investment income/(loss) to average net assets had such waiver and reimbursement not occurred are as follows(2):

<TABLE>

Ratio of net expenses to average net assets	3.23%*	2.19%*	4.00%*	2.94%*
Ratio of net investment income/ (loss) to average net assets	6.61%*	7.74%*	5.84%*	6.99%*

</TABLE>

- --

* Annualized.
** Commencement of Operations.
*** Not Annualized.

(1) Total return is calculated exclusive of sales charges or deferred sales charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 0.75% of the average daily net assets of the Worldwide High Income Fund.

The Adviser has agreed to waive a portion of this fee and/or reimburse expenses of the Investment Fund to the extent that the total operating expenses of the Investment Fund exceed 1.55% of the average daily net assets relating to the Class A shares and 2.30% of the average daily net assets relating to the Class B shares. For the periods ended June 30, 1994 and August 31, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $39,000 and $16,000, respectively, for the Worldwide High Income Fund.

PROSPECTUS SUMMARY

THE FUND

The Fund currently consists of ten Investment Funds, offering investors a range of investment choices with Morgan Stanley providing services as Adviser, Administrator and Distributor. Each Investment Fund has its own investment objectives and policies designed to meet its specific goals. This prospectus pertains to the Class A and Class B shares of the following Investment Funds (the Money Market Fund has only one class of shares, which are not currently being offered):

- The GLOBAL EQUITY ALLOCATION FUND seeks long-term capital appreciation by investing in common stocks of U.S. and non-U.S. issuers in accordance with country weightings determined by the Adviser and with stock selection within each country designed to replicate a broad market index.

- The GLOBAL FIXED INCOME FUND seeks to produce an attractive real rate of return while preserving capital by investing in fixed income securities of issuers throughout the world, including U.S. issuers.

- The ASIAN GROWTH FUND seeks long-term capital appreciation by investing primarily in the common stocks of Asian issuers, excluding Japan.

- The EMERGING MARKETS FUND seeks long-term capital appreciation by investing primarily in common stocks of emerging country issuers.

- The LATIN AMERICAN FUND seeks long-term capital appreciation by investing primarily in equity securities of Latin American issuers and investing in debt securities issued or guaranteed by Latin American governments or governmental entities.

- The EUROPEAN EQUITY FUND seeks long-term capital appreciation by investing primarily in the common stocks of European issuers.

- The AMERICAN VALUE FUND seeks high long-term total return by investing in undervalued common stocks of small-to medium-sized corporations.

- The WORLDWIDE HIGH INCOME FUND seeks high current income consistent with relative stability of principal and, secondarily, capital appreciation, by investing primarily in a portfolio of high yielding fixed income securities of issuers throughout the world.

- The GROWTH AND INCOME FUND seeks capital appreciation and current income by investing primarily in equity and equity-linked securities.

- The MONEY MARKET FUND seeks to maximize current income and preserve capital while maintaining high levels of liquidity through investing in high quality money market instruments with remaining maturities of 397 days or less.

INVESTMENT MANAGEMENT

Morgan Stanley Asset Management Inc. (the "Adviser" and the "Administrator"), a wholly owned subsidiary of Morgan Stanley Group Inc., which at September 30, 1994 had approximately $51 billion in assets under management as an investment manager or as a fiduciary adviser, acts as investment adviser to the Fund and each of its Investment Funds. See "Management of the Fund -- Investment Adviser" and "-- Administrator."

HOW TO INVEST

Class A shares of the Global Equity Allocation, Global Fixed Income, Asian Growth, Emerging Markets, Latin American, European Equity, American Value, Worldwide High Income and Growth and Income Funds (the "Non-Money Funds") are offered at net asset value plus an initial sales charge of up to 4.75% in graduated percentages based on the investor's aggregate investments in the Non-Money Funds. Shares of the Money Market Fund and Class B shares of the Non-Money Funds are offered at net asset value. Share purchases may be made through Morgan Stanley, through Participating Dealers or by sending payments directly to the Transfer Agent on behalf of the Fund. The minimum initial investment is $1,000 for each Investment Fund, except that the minimum initial investment amount for individual retirement accounts ("IRAs") is $250. The minimum for subsequent investments is $100, except that the minimum for subsequent investments for IRAs is $50 and there is no minimum for automatic reinvestment of dividends and distributions. See "Purchase of Shares."

HOW TO REDEEM

Shares of each Investment Fund may be redeemed at any time at the net asset value per share of the Investment Fund next determined after receipt of the redemption request. The redemption price may be more or less than the purchase price. A Class A shareholder of a Non-Money Fund who did not pay an initial sales charge due to the size of the purchase and redeems shares within one year of purchase will be subject to a contingent deferred sales charge ("CDSC") of 1.00% on the lesser of the current market value of the shares redeemed or the total cost of such shares. A Class B shareholder of a Non-Money Fund who redeems shares within one year of purchase will be subject to a CDSC of 1.00% on the lesser of the current market value of the shares redeemed or the total cost of such shares. In determining whether either of such CDSCs is payable, and, if so, the amount of the charge, it is assumed that shares not subject to such charge are the first redeemed followed by other shares held for the longest period of time. If a shareholder reduces his/her total investment in shares of an Investment Fund to less than $1,000, the entire investment may be subject to involuntary redemption. See "Redemption of Shares."

RISK FACTORS

The investment policies of each Investment Fund entail certain risks and considerations of which an investor should be aware. The American Value, Growth and Income and Money Market Funds may, and the remaining Investment Funds will, invest in securities of foreign issuers. Securities of foreign issuers are subject to certain risks not typically associated with domestic securities, including, among other risks, changes in currency rates and in exchange control regulations, costs in connection with conversions between various currencies, limited publicly available information regarding foreign issuers, lack of uniformity in accounting, auditing and financial standards and requirements, potential price volatility and lesser liquidity of shares traded on securities markets, less government supervision and regulation of securities markets, changes in taxes on income on securities, possible seizure, nationalization or expropriation of the foreign issuer or foreign deposits, the risk of war and potentially greater difficulty in obtaining a judgment in a court outside the U.S. The Asian Growth, Emerging Markets, Latin American, European Equity and Worldwide High Income Funds invest in securities of issuers located in developing countries and emerging markets. These securities may impose greater liquidity risks and other risks not typically associated with investing in more established markets. The American Value Fund seeks high long-term total return by investing primarily in small- to medium-sized corporations which are more vulnerable to financial risks and other risks than larger corporations, and therefore may involve a

higher degree of risk and price volatility than investments in the securities of larger corporations. The Emerging Markets, Latin American and Worldwide High Income Funds' investments in emerging markets may also be in small- to medium-sized companies. The Non-Money Funds, except for the American Value and Growth and Income Funds, may invest in sovereign debt. The Emerging Markets, Latin American, Growth and Income and Worldwide High Income Funds may invest in lower rated and unrated debt securities (including in the case of the Latin American Fund, sovereign debt) which are considered speculative with regard to the payment of interest and return of principal. In addition, each Investment Fund may invest in repurchase agreements, borrow money, lend its portfolio securities, and purchase securities on a when-issued or delayed delivery basis. The Latin American, Worldwide High Income, Growth and Income and Money Market Funds may invest in reverse repurchase agreements. The Non-Money Funds may invest in forward foreign currency exchange contracts, and the Worldwide High Income, Emerging Markets, American Value, European Equity, Growth and Income and Latin American Funds may invest in foreign currency exchange futures and options, to hedge the currency risks associated with investment in non-U.S. dollar denominated securities. The Emerging Markets, Latin American, European Equity, Growth and Income and Worldwide High Income Funds may invest in options. The Worldwide High Income Fund may invest in structured investments and the Emerging Markets, Latin American, European Equity and Worldwide High Income Funds may engage in short selling. The Growth and Income Fund may invest in PERCS, ELKS, LYONs and similar securities which are convertible upon various terms and conditions into equity securities. Each of these investment strategies involves specific risks which are described under "Investment Objectives and Policies" and "Additional Investment Information" herein and under "Investment Objectives and Policies" in the Statement of Additional Information. See "Investment Limitations" for a description of the risks associated with the non-diversified status of the Global Fixed Income, Emerging Markets and Latin American Funds.

INVESTMENT OBJECTIVES AND POLICIES

The investment objectives of each Investment Fund are described below, together with the policies the Fund employs in its efforts to achieve these objectives. Each Investment Fund's investment objectives are fundamental policies which may not be changed by an Investment Fund without the approval of a majority of the Investment Fund's outstanding voting securities. There is no assurance that an Investment Fund will attain its objectives. The investment policies described below are not fundamental policies and may be changed without shareholder approval.

THE GLOBAL EQUITY ALLOCATION FUND

The investment objective of the Global Equity Allocation Fund is to provide long-term capital appreciation by investing in common stocks of U.S. and non-U.S. issuers in accordance with country weightings determined by the Adviser and with stock selection within each country designed to replicate a broad market index. The Investment Fund will, under normal market conditions, invest at least 65% of the value of its total assets in equity securities of issuers in at least three different countries. The Adviser utilizes a top-down approach in selecting investments for the Investment Fund that emphasizes country selection and weighting rather than individual stock selection. This approach reflects the Adviser's philosophy that a diversified selection of securities representing exposure to world markets based upon the economic outlook and current valuation levels for each country is an effective way to maximize the return and minimize the risk associated with global investment.

The Adviser determines country allocations for the Investment Fund on an ongoing basis within policy ranges dictated by each country's market capitalization and liquidity. The Investment Fund will invest in the United States and other industrialized countries throughout the world that comprise the Morgan Stanley Capital International World Index. These countries currently are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, the Netherlands, New Zealand, Norway, Singapore/ Malaysia, Spain, Sweden, Switzerland, the United Kingdom and the United States. In addition, the Investment Fund may invest a portion of its assets in emerging country equity securities, which are described in detail in the discussion of the Emerging Markets Fund, below. The Adviser intends to use the same criteria as used for the Emerging Markets Fund in selecting emerging market securities for investment. The Investment Fund currently intends to invest in some or all of the following countries:

<TABLE>

<S>	<C>	<C>	<C>
Argentina	Indonesia	Portugal	South Africa
Brazil	Malaysia	Philippines	Thailand
India	Mexico	South Korea	Turkey

</TABLE>

By analyzing a variety of macroeconomic and political factors, the Adviser develops fundamental projections on interest rates, currencies, corporate profits and economic growth for each country. These country projections are then used to determine what the Adviser believes to be a fair value for the stock market of each country. Discrepancies between actual value and fair value, as determined by the Adviser, provide an expected return for each stock market. The expected return is adjusted by currency return expectations derived from the Adviser's purchasing-power parity exchange rate model to arrive at an expected total return in U.S. dollars. The final country allocation decision is then reached by considering the expected total return in light of various country specific considerations such as market size, volatility, liquidity and country risk.

Within a particular country, investments are made through the purchase of common stocks which, in the aggregate, replicate a broad market index, which in most cases will be the Morgan Stanley Capital International index for the given country. The Morgan Stanley Capital International ("MSCI") Indices measure the performance of stock markets worldwide. The various MSCI Indices are based on the share prices of companies listed on the local stock exchange of the specified country or countries within a specified region. The combined market capitalization of companies in these indices represent approximately 60 percent of the aggregate market value of the covered stock exchanges. Companies included in the MSCI country index replicate the industry composition of the local market and are a representative sampling of large, medium and small companies, subject to liquidity. Non-domiciled companies traded on the local exchange and companies with restricted float due to dominant shareholders or cross-ownership are avoided. The Adviser may overweight or underweight an industry segment of a particular index if it concludes this would be advantageous to the Investment Fund. Common stocks purchased for the Investment Fund include common stocks and equivalents, such as securities convertible into common stocks and securities having common stock characteristics, such as rights and warrants to purchase common stocks. Debt securities convertible into common stocks will be investment grade (rated in one of the four highest rating categories by a nationally recognized statistical rating organization ("NRSRO")) or, if unrated, will be of comparable quality as determined by the Adviser under the supervision of the Board of Directors. Indexation of the Investment Fund's stock selection reduces stock-specific risk through diversification and minimizes transaction costs, which can be substantial in foreign markets.

The Investment Fund may, to a limited extent, invest in non-publicly traded securities, private placements and restricted securities. See "Additional Investment Information -- Non-Publicly Traded Securities, Private Placements and Restricted Securities."

The Investment Fund will normally purchase common stocks listed on a major stock exchange in the subject country. For a description of special considerations and certain risks associated with investments in foreign issuers, see "Additional Investment Information." The Investment Fund may temporarily reduce its equity holdings for defensive purposes in response to adverse market conditions and invest in domestic, Eurodollar and foreign short-term money market instruments. See "Additional Investment Information -- Money Market Instruments" in this Prospectus and "Investment Objectives and Policies" in the Statement of Additional Information.

THE GLOBAL FIXED INCOME FUND

The investment objective of the Global Fixed Income Fund is to produce an attractive real rate of return while preserving capital by investing in fixed income securities of U.S. and foreign issuers denominated in U.S. Dollars and in other currencies. The Investment Fund will, under normal market conditions, invest at least 65% of the value of its total assets in fixed income securities of issuers in at least three different countries. The Investment Fund seeks to achieve its objectives by investing in United States government securities, foreign government securities, securities of supranational entities, Eurobonds, and corporate bonds with varying maturities denominated in various currencies. In selecting portfolio securities, the Adviser evaluates the currency, market, and individual features of the securities being considered for investment. For a description of special considerations and certain risks associated with investments in foreign issuers, see "Additional Investment Information."

The Adviser seeks to minimize investment risk by investing in a high quality portfolio of debt securities, the majority of which will be rated in one of the two highest rating categories by an NRSRO or, if unrated, will be of comparable quality as determined by the Adviser under the supervision of the Board of Directors. U.S. Government securities in which the Investment Fund may invest include obligations issued or guaranteed by the U.S. Government, such as U.S. Treasury securities, as well as those backed by the full faith and credit of the United States, such as obligations of the Government National Mortgage Association and The Export-Import Bank. The Investment Fund may also invest in obligations issued or guaranteed by U.S. Government agencies or instrumentalities where the Investment Fund must look principally to the issuing or guaranteeing agency for ultimate repayment. The Investment Fund may invest in obligations issued or guaranteed by foreign governments and their political subdivisions, authorities, agencies or instrumentalities, and by supranational entities (such as the World Bank, The European Economic Community, The Asian Development Bank and the European Coal and Steel Community). Investment in foreign government securities will be limited to those of developed nations which the Adviser believes to pose limited credit risk. These countries currently include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland and The United Kingdom. Corporate and supranational obligations in which the Investment Fund will invest will be limited to those rated "A" or better by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("Standard & Poor's") or IBCA Ltd., or if unrated, of comparable quality as determined by the Adviser under the supervision of the Fund's Board of Directors.

The Adviser's approach to multi-currency, fixed-income management is strategic and value-based and designed to produce an attractive real rate of return. The Adviser's assessment of the bond markets and currencies is based on an analysis of real interest rates. Current nominal yields of securities are adjusted for inflation prevailing in each currency sector using an analysis of past and projected inflation rates. The Investment Fund's aim is to invest in bond markets which offer the most attractive real returns relative to inflation.

Under normal circumstances, the Investment Fund will have a neutral investment position in medium-term securities (i.e., those with a remaining maturity of between three and seven years) and will respond to changing interest rate levels by shortening or lengthening portfolio maturity through investment in longer- or shorter-term instruments. For example, the Investment Fund will respond to high levels of real interest rates through a lengthening in portfolio maturity. Current and historical yield spreads among the three main market segments -- the Government, Foreign and Euro markets -- guide the Adviser's selection of markets and particular securities within those markets. The analysis of currencies is made independent of the analysis of markets. Value in foreign exchange is determined by relative purchasing power parity of a given currency. The Investment Fund seeks to invest in currencies currently undervalued based on purchasing power parity. The Adviser analyzes current account and capital account performance and real interest rates to adjust for shorter-term currency flows.

For temporary defensive purposes, the Investment Fund may invest part or all of its total assets in cash or in short-term securities, including certificates of deposit, commercial paper, notes, obligations issued or guaranteed by the

U.S. Government or any of its agencies or instrumentalities, and repurchase agreements involving such government securities.

The Investment Fund may, to a limited extent, invest in non-publicly traded securities, private placements and restricted securities. See "Additional Investment Information -- Non-Publicly Traded Securities, Private Placements and Restricted Securities."

The Investment Fund will occasionally enter into forward foreign currency exchange contracts. These are used to hedge foreign currency exchange exposures when required. See "Additional Investment Information -- Forward Foreign Currency Exchange Contracts and Futures Contracts" in this Prospectus and "Investment Objectives and Policies -- Forward Foreign Currency Contracts" in the Statement of Additional Information.

THE ASIAN GROWTH FUND

The investment objective of the Asian Growth Fund is long-term capital appreciation through investment primarily in common stocks of Asian issuers, excluding Japan. The production of any current income is incidental to this objective. The Investment Fund seeks to achieve its objective by investing under normal market conditions at least 65% of the value of its total assets in common stocks which are traded on recognized stock exchanges of the countries in Asia described below and in common stocks of companies organized under the laws of an Asian country whose business is conducted principally in Asia. The Investment Fund does not intend to invest in securities which are traded in markets in Japan or in companies organized under the laws of Japan. The Investment Fund may also invest in sponsored or unsponsored American Depositary Receipts of Asian issuers that are traded on stock exchanges in the United States. See "Additional Investment Information."

The Investment Fund will invest in countries having more established markets in the Asian region. The Asian countries to be represented in the Investment Fund will consist of three or more of the following countries: Hong Kong, Singapore, Malaysia, Thailand, the Philippines and Indonesia. The Investment Fund may also invest in common stocks traded on markets in China, Taiwan, South Korea, India, Pakistan, Sri Lanka and other developing markets that are open to foreign investment. There is no requirement that the Investment Fund, at any given time, invest in any one particular country or in all of the countries listed above or in any other Asian countries. The Investment Fund has no set policy for allocating investments among the several Asian countries. Allocation of investments among the various countries will depend on the relative attractiveness of the stocks of issuers in the respective countries. Government regulation and restrictions in many of the countries of interest may limit the amount, mode and extent of investment in companies in such countries.

At least 65% of the total assets of the Investment Fund will be invested in common stocks of issuers in Asian countries under normal circumstances. The remaining portion of the Investment Fund will be kept in any combination of debt instruments, bills and bonds of governmental entities in Asia and the U.S., in notes, debentures, and bonds of companies in Asia and in money market instruments in the U.S. Common stocks for this purpose include common stocks and equivalents such as securities convertible into common stocks and securities having common stock characteristics, such as rights and warrants to purchase common stocks. Debt securities convertible into common stocks will be investment grade (rated in one of the four highest rating categories by a NRSRO) or, if unrated will be of comparable quality as determined by the Adviser under the supervision of the Board of Directors.

The Adviser's approach in selecting investments for the Investment Fund is oriented to individual stock selection and is value driven. In selecting stocks for the Investment Fund, the Adviser initially identifies those

stocks which it believes to be undervalued in relation to the issuer's assets, cash flow, earnings and revenues, and then evaluates the future value of such stocks by running the results of an in-depth study of the issuer through a dividend discount model. The Adviser utilizes the research of a number of sources, including its affiliate in Geneva, Morgan Stanley Capital International, in identifying attractive securities, and applies a number of proprietary screening criteria to identify those securities it believes to be undervalued. Investment Fund holdings are regularly reviewed and subjected to fundamental analysis to determine whether they continue to conform to the Adviser's value criteria. Those which no longer conform are sold. The Adviser will analyze assets, revenues and earnings of an issuer. In selecting industries and particular issuers, the Adviser will evaluate costs of labor and raw materials, access to technology, export of products and government regulation. Although the Investment Fund seeks to invest in larger companies, it may invest in small- and medium-sized companies that, in the Adviser's view, have potential for growth.

The Investment Fund may invest in equity securities of smaller capitalized companies, which are more vulnerable to financial and other risks than larger companies. Investment in securities of smaller companies may involve a higher degree of risk and price volatility than in securities of larger companies. The Investment Fund's investments will include securities of issuers located in developing countries and traded in emerging markets. These securities pose greater liquidity risks and other risks than securities of companies located in developed countries and traded in more established markets. For a description of special considerations and certain risks associated with investment in foreign issuers, see "Additional Investment Information." See also "Investment Objectives and Policies" in the Statement of Additional Information.

Although the Investment Fund intends to invest primarily in securities listed on stock exchanges, it may also invest in securities traded in over-the-counter markets and, to a limited extent, in non-publicly traded securities. Securities traded in over-the-counter markets and non-publicly traded securities pose liquidity risks. See "Additional Investment Information - -- Non-Publicly Traded Securities, Private Placements and Restricted Securities" in this Prospectus.

Pending investment or settlement, and for liquidity purposes, the Investment Fund may invest in domestic, Eurodollar and foreign short-term money market instruments. As determined by the Adviser, the Investment Fund may also purchase such instruments to temporarily reduce the Investment Fund's equity holdings for defensive purposes in response to adverse market conditions.

Because of the lack of hedging facilities in the currency markets of Asia, no active currency hedging strategy is anticipated currently. Instead, each investment will be considered on a total currency adjusted basis with the United States dollar as a base currency. The Investment Fund may engage in foreign currency exchange contracts. See "Additional Investment Information -- Forward Foreign Currency Exchange Contracts and Futures Contracts" in this Prospectus.

THE AMERICAN VALUE FUND

The American Value Fund's investment objective is to provide high total return by investing in common stocks of small-to medium-sized corporations that the Adviser believes to be undervalued relative to the stock market in general at the time of purchase. The Investment Fund invests primarily in corporations domiciled in the United States with equity market capitalizations which range generally from $70 million up to $1 billion, but

may from time to time invest in similar size foreign corporations. Under normal circumstances, the Investment Fund will invest at least 65% of the value of its total assets in corporations whose equity market capitalization is up to $1 billion. The Investment Fund may invest up to 35% of the value of its total assets in corporations which are generally smaller than the 500 largest corporations in the United States. Common stocks for this purpose consist of common stocks and equivalents of any class or series, such as securities convertible into common stock and securities having common stock characteristics, such as rights and warrants to purchase common stocks, and similar equity interests, such as trusts or partnership interests. Debt securities convertible into common stocks will be investment grade (rated in one of the four highest rating categories by a NRSRO) or, if unrated, will be of comparable quality as determined by the Adviser under the supervision of the Board of Directors. These investments may or may not carry voting rights.

The Adviser invests with the philosophy that a diversified portfolio of undervalued, small- to medium-sized companies will provide high total return in the long run.

Companies considered attractive will have the following characteristics:

1. Stocks will most often have yields distinctly above the average of companies with similar capitalizations.

2. The market prices of the stocks will be undervalued relative to the normal earning power of the companies.

3. Stock prices will be low relative to the intrinsic value of the companies' assets.

4. Stocks will be of high quality, in the Adviser's judgment, as evaluated by the companies' balance sheets, income statements, franchises and product competitiveness.

The thrust of this approach is to seek investments in stocks for which investor enthusiasm is currently low, as reflected in their valuation, but which have the financial and fundamental features which, according to the Adviser's assessment, will allow the stocks to achieve a higher valuation. Value is achieved and exposure is reduced for the Investment Fund when the investment community's perceptions improve and the stocks approach what the Adviser believes is fair valuation. The Investment Fund will invest in equity securities of smaller capitalized companies, which are more vulnerable to financial and other risks than larger companies. Investment in securities of smaller companies may involve a higher degree of risk and price volatility than in securities of larger companies.

The Adviser takes a long-term approach by placing a strong emphasis on its ability to identify attractive values. The Adviser does not intend to respond to short-term market fluctuations or to acquire securities for the purpose of short-term trading. The Adviser may take advantage of short-term opportunities, however, that are consistent with its objective of high total return. The Investment Fund will maintain diversity among industries and does not expect to invest more than 25% of its total assets in the stocks of issuers in any one industry.

For temporary defensive purposes, the Investment Fund may invest part or all of its total assets in cash or in short-term securities, including certificates of deposit, commercial paper, notes, obligations issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, and repurchase agreements involving such government securities.

The Investment Fund primarily invests in small- to medium-sized companies domiciled in the United States. The Investment Fund may, to a limited extent, invest in non- publicly traded securities, private placements and restricted securities. See "Additional Investment Information -- Non-Publicly Traded Securities, Private Placements and Restricted Securities." The Investment Fund may on occasion invest in common stocks of foreign issuers that trade on a United States exchange or over-the-counter in the form of American Depositary Receipts or common stocks. See "Additional Investment Information."

THE EMERGING MARKETS FUND

The investment objective of the Emerging Markets Fund is to provide long-term capital appreciation by investing primarily in common stocks of emerging country issuers. Common stocks for this purpose include common stocks and equivalents, such as securities convertible into common stocks and securities having common stock characteristics, such as rights and warrants to purchase common stocks. Under normal conditions, at least 65% of the Investment Fund's total assets will be invested in emerging country equity securities. As used in this Prospectus, the term "emerging country" applies to any country which, in the opinion of the Adviser, is generally considered to be an emerging or developing country by the international financial community, including the International Bank for Reconstruction and Development (more commonly known as the World Bank) and the International Finance Corporation. There are currently over 130 countries which, in the opinion of the Adviser, are generally considered to be emerging or developing countries by the international financial community, approximately 40 of which currently have stock markets. These countries generally include every nation in the world except the United States, Canada, Japan, Australia, New Zealand and most nations located in Western Europe. Currently, investing in many emerging countries is not feasible or may involve unacceptable political risks. The Investment Fund will focus its investments on those emerging market countries in which it believes the economics are developing strongly and in which the markets are becoming more sophisticated. The Investment Fund intends to invest primarily in some or all of the following countries:

<TABLE>

<S>	<C>	<C>	<C>
Argentina	Hungary	Nigeria	South Korea
Botswana	India	Pakistan	Sri Lanka
Brazil	Indonesia	Peru	Taiwan
Chile	Jamaica	Philippines	Thailand
China	Jordan	Poland	Turkey
Colombia	Kenya	Portugal	Venezuela
Greece	Malaysia	Russia	Zimbabwe
Hong Kong	Mexico	South Africa	

</TABLE>

As markets in other countries develop, the Investment Fund expects to expand and further diversify the emerging countries in which it invests. The Investment Fund does not intend to invest in any security in a country where the currency is not freely convertible to U.S. dollars, unless the Investment Fund has obtained the necessary governmental licensing to convert such currency or other appropriately licensed or sanctioned contractual guarantee to protect such investment against loss of that currency's external value, or the Investment Fund has a reasonable expectation at the time the investment is made that such governmental licensing or other appropriately licensed or sanctioned guarantee would be obtained or that the currency in which the security is quoted would be freely convertible at the time of any proposed sale of the security by the Investment Fund.

An emerging country security is one issued by a company that, in the opinion of the Adviser, has one or more of the following characteristics: (i) its principal securities trading market is in an emerging country; (ii) alone or on a consolidated basis it derives 50% or more of its annual revenue from either goods produced, sales made or services performed in emerging countries; or (iii) it is organized under the laws of, and has a principal office in, an emerging country. The Adviser will base determinations as to eligibility on publicly available information and inquiries made to the companies. (See "Foreign Investment Risk Factors" for a discussion of the nature of information publicly available for non-U.S. companies).

To the extent that the Investment Fund's assets are not invested in emerging country common stocks, the remainder of the assets may be invested in (i) debt securities denominated in the currency of an emerging country or issued or guaranteed by an emerging country company or the government of an emerging country; (ii) equity or debt securities of corporate or governmental issuers located in industrialized countries; and (iii) short-term and medium-term debt securities of the type described below under "Temporary Instruments." The Investment Fund's assets may be invested in debt securities when the Investment Fund believes that, based upon factors such as relative interest rate levels and foreign exchange rates, such debt securities offer opportunities for long-term capital appreciation. It is likely that many of the debt securities in which the Investment Fund will invest will be unrated, and whether or not rated, such securities may have speculative characteristics. When deemed appropriate by the Adviser, the Investment Fund may invest up to 10% of its total assets (measured at the time of the investment) in lower quality debt securities. Lower quality debt securities, also known as "junk bonds," are often considered to be speculative and involve greater risk of default or price changes due to changes in the issuer's creditworthiness. The market prices of these securities may fluctuate more than those of higher quality securities and may decline significantly in periods of general economic difficulty, which may follow periods of rising interest rates. Securities in the lowest quality category may present the risk of default, or may be in default. For temporary defensive purposes, the Investment Fund may invest less than 65% of its total assets in emerging country equity securities, in which case the Investment Fund may invest in other equity securities or may invest in debt securities of the kind described under "Temporary Investments" below.

The Investment Fund may invest indirectly in securities of emerging country issuers through sponsored or unsponsored American Depositary Receipts ("ADRs"). ADRs may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. In addition, the issuers of the stock of unsponsored ADRs are not obligated to disclose material information in the United States and, therefore, there may not be a correlation between such information and the market value of the ADR. The Investment Fund may, to a limited extent, invest in non-publicly traded securities, private placements and restricted securities. See "Additional Investment Information -- Non-Publicly Traded Securities, Private Placements and Restricted Securities."

The Investment Fund intends to purchase and hold securities for long-term capital appreciation and does not expect to trade for short-term gain. The rate of portfolio turnover will not be a limiting factor when the Investment Fund deems it appropriate to purchase or sell securities. However, the U.S. federal tax requirement that the Investment Fund derive less than 30% of its gross income from the sale or disposition of securities held less than three months may limit the Investment Fund's ability to dispose of its securities.

PERFORMANCE INFORMATION FOR THE EMERGING MARKETS FUND

The Emerging Markets Fund has identical investment objectives and policies and substantially similar investment restrictions as those used by the Emerging Markets Portfolio of the Morgan Stanley Institutional Fund, Inc. (the "Emerging Markets Portfolio"), an investment portfolio currently managed by the Adviser. Set forth below is representative performance data which an investor may find relevant in considering whether to invest in the Emerging Markets Fund. However, the performance data is not necessarily indicative of the future performance of the Emerging Markets Fund. The Adviser expects that the Emerging Markets Fund initially will be somewhat smaller in asset size than the Emerging Markets Portfolio, but anticipates that the Emerging Markets Fund will reach the same asset size as the Emerging Markets Portfolio before the end of the Emerging Markets Fund's first year of operation and will continue to grow in size thereafter. (Investment in the Emerging Markets Portfolio is open to certain clients of the Adviser.)

The Emerging Markets Portfolio incurred expenses during the periods shown that are different from the estimated advisory, administrative and other fees to which the Emerging Markets Fund will be subject. Accordingly, the following performance information has been adjusted by applying the anticipated total expense ratios for the Emerging Markets Fund rather than the total expense ratios experienced by the Emerging Markets Portfolio. The data set forth below under the heading "Return With Sales Charge" for the Class A shares is adjusted to take into account a 4.75% sales charge applicable to purchases of Class A shares of the Emerging Markets Fund and for the Class B shares is adjusted to take into account a 1.00% contingent deferred sales charge that is imposed if Class B shares are redeemed within one year of their purchase. The data set forth below under the heading "Return Without Sales Charge" is not adjusted to take into account such sales charges. See "Performance Information" below and in the Statement of Additional Information.

AVERAGE ANNUAL TOTAL RETURN FOR THE PERIODS ENDED JUNE 30, 1994
(ADJUSTED TO REFLECT ESTIMATED EMERGING MARKETS FUND EXPENSES)

Emerging Markets Portfolio (date of inception September 25, 1992)

	1 YEAR	SINCE INCEPTION
RETURN WITH SALES CHARGE		
Class A	31.3%	31.7%
Class B	35.8%	33.9%
RETURN WITHOUT SALES CHARGE		
Class A	37.9%	35.4%
Class B	37.2%	34.7%

THE LATIN AMERICAN FUND

The investment objective of the Latin American Fund is long-term capital appreciation. The Investment Fund seeks to achieve this objective by investing primarily in equity securities (i) of companies organized in or for which the principal securities trading market is in Latin America, (ii) denominated in a Latin American

currency issued by companies to finance operations in Latin America, or (iii) of companies that alone or on a consolidated basis derive 50% or more of their annual revenues from either goods produced, sales made or services performed in Latin America (collectively, "Latin American issuers") and by investing, from time to time, in debt securities issued or guaranteed by a Latin American government or governmental entity ("Sovereign Debt"). Income is not a consideration in selecting investments or an investment objective.

The securities markets of Latin American countries are substantially smaller, less liquid and more volatile than the major securities markets in the United States. A high proportion of the shares of many Latin American issuers may be held by a limited number of persons, which may limit the number of shares available for investment by the Fund. A limited number of issuers in most, if not all, Latin American securities markets may represent a disproportionately large percentage of market capitalization and trading value. The limited liquidity of Latin American securities markets may also affect the Fund's ability to acquire or dispose of securities at the price and time it wishes to do so. In addition, certain Latin American securities markets, including those of Argentina, Brazil, Chile and Mexico, are susceptible to being influenced by large investors trading significant blocks of securities or by large dispositions of securities resulting from the failure to meet margin calls when due.

In addition to their smaller size, lesser liquidity and greater volatility, Latin American securities markets are less developed than U.S. securities markets. Disclosure and regulatory standards are in many respects less stringent than U.S. standards. Furthermore, there is a low level of monitoring and regulation of the markets and the activities of investors in such markets, and enforcement of existing regulations has been extremely limited. Consequently, the prices at which the Fund may acquire investments may be affected by other market participants' anticipation of the Fund's investing, by trading by persons with material non-public information and by securities transactions by brokers in anticipation of transactions by the Fund in particular securities. Commissions and other transaction costs on most, if not all, Latin American securities exchanges are generally higher than in the United States, although the Fund will endeavor to achieve the most favorable net results on its portfolio transactions.

The economies of individual Latin American countries may differ favorably or unfavorably from the U.S. economy in such respects as the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments of many Latin American countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions in the future could have a significant effect on economic conditions in a Latin American country, which could affect private sector companies and the Fund, and on market conditions, prices and yields of securities in the Fund's portfolio. Expropriation, confiscatory taxation, nationalization, political, economic or social instability or other developments could adversely affect the assets of the Fund held in particular Latin American countries.

Currently, Brazil is the largest debtor among developing countries, Mexico is the second largest and Argentina the third. Beginning in 1982, certain Latin American countries experienced difficulty in servicing their sovereign debt. Over the last few years, the major Latin American countries, including Brazil, Mexico and

Argentina, have successfully restructured and are now servicing their external debt. Obligations arising from past restructuring agreements have affected, and those arising from future restructuring agreements may affect, the economic performance and political stability of certain Latin American countries.

Under normal conditions, substantially all, but not less than 80%, of the Investment Fund's total assets are invested in equity securities of Latin American issuers and in Sovereign Debt. For purposes of this Prospectus, unless otherwise indicated, Latin America consists of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. See "Additional Investment Information -- Foreign Investment Risk Factors" for a discussion of the nature of information publicly available for non-U.S. companies. An equity security is defined as common or preferred stocks (including convertible preferred stock), bonds, notes or debentures convertible into common or preferred stock, stock purchase warrants or rights, equity interests in trusts or partnerships or American, Global or other types of Depositary Receipts. See "Additional Investment Information -- Depositary Receipts."

The Investment Fund focuses its investments in listed equity securities in Argentina, Brazil, Chile and Mexico, the most developed capital markets in Latin America. The Investment Fund expects, under normal market conditions, to have at least 55% of its total assets invested in listed equity securities of issuers in these four countries. In addition, the Investment Fund actively invests in markets in other Latin American countries such as Colombia, Peru and Venezuela. The Investment Fund is not limited in the extent to which it may invest in any Latin American country and intends to invest opportunistically as markets develop. The portion of the Investment Fund's holdings in any Latin American country will vary from time to time, although the portion of the Investment Fund's assets invested in Chile may tend to vary less than the portions invested in other Latin American countries because, with limited exceptions, capital invested in Chile currently cannot be repatriated for one year. See "Additional Investment Information -- Investment Procedures: Argentina, Brazil, Chile and Mexico" in the Statement of Additional Information.

The governments of some Latin American countries have been engaged in programs of selling part or all of their stakes in government owned or controlled enterprises ("privatization"). The Adviser believes that privatization may offer investors opportunities for significant capital appreciation and intends to invest assets of the Investment Fund in privatization in appropriate circumstances. In certain Latin American countries, the ability of foreign entities, such as the Investment Fund, to participate in privatization may be limited by local law, or the terms on which the Investment Fund may be permitted to participate may be less advantageous than those for local investors. There can be no assurance that Latin American governments will continue to sell companies currently owned or controlled by them or that any privatization programs in which the Investment Fund participates will be successful.

Several Latin American countries have adopted debt conversion programs, pursuant to which investors may use Sovereign Debt of a country, directly or indirectly, to make investments in local companies. The terms of the various programs vary from country to country although each program includes significant restrictions on the application of the proceeds received in the conversion and on the remittance of profits on the investment and of the invested capital. The Investment Fund may participate in Latin American debt conversion programs. The Adviser will evaluate opportunities to enter into debt conversion transactions as they arise.

Securities in which the Investment Fund may invest include those that are neither listed on a stock exchange nor traded over-the-counter. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. See "Additional Investment Information - -- Non-Publicly Traded Securities, Private Placements and Restricted Securities."

To the extent that the Investment Fund's assets are not invested in equity securities of Latin American issuers or in Sovereign Debt, the remainder of the assets may be invested in (i) debt securities of Latin American issuers, (ii) equity or debt securities of corporate or governmental issuers located in countries outside Latin America, and (iii) short-term and medium-term debt securities of the type described below under "Temporary Investments." The Investment Fund's assets may be invested in debt securities when the Investment Fund believes that, based upon factors such as relative interest rate levels and foreign exchange rates, such debt securities offer opportunities for long-term capital appreciation. It is likely that many of the debt securities in which the Investment Fund will invest will be unrated. The Fund may invest up to 20% of its total assets in securities that are determined by the Adviser to be comparable to securities rated below investment grade by Standard & Poor's or Moody's. Such lower-quality securities are regarded as being predominantly speculative and involve significant risks. See "Additional Investment

Information -- Risk Factors Relating to Investing in Lower Rated Debt Securities."

The Investment Fund's holdings of lower-quality debt securities will consist predominantly of Sovereign Debt, much of which trades at substantial discounts from face value and which may include Sovereign Debt comparable to securities rated as low as D by Standard & Poor's or C by Moody's. The Investment Fund may invest in Sovereign Debt to hold and trade in appropriate circumstances, as well as to use to participate in debt for equity conversion programs. The Investment Fund will invest in Sovereign Debt only when the Investment Fund believes such investments offer opportunities for long-term capital appreciation. Investment in Sovereign Debt involves a high degree of risk and such securities are generally considered to be speculative in nature.

For temporary defensive purposes, the Investment Fund may invest less than 80% of its total assets in Latin American equity securities and Sovereign Debt, in which case the Investment Fund may invest in other equity or debt securities or may invest in certain short-term (less than twelve months to maturity) and medium-term (not greater than five years to maturity) debt securities or hold cash. See "Additional Investment Information -- Temporary Investments."

The Investment Fund may enter into forward foreign currency exchange contracts and foreign currency futures contracts, may purchase and write (sell) put and call options on securities, foreign currency and on foreign currency futures contracts, and may enter into stock index and interest rate futures contracts and options thereon. See "Additional Investment Information." There currently are limited options and futures markets for Latin American currencies, securities and indexes, and the nature of the strategies adopted by the Adviser and the extent to which those strategies are used depends on the development of those markets. The Investment Fund may also from time to time lend securities (but not in excess of 20% of its total assets) from its portfolio to brokers, dealers and financial institutions. See "Additional Investment Information -- Loans of Portfolio Securities."

The Latin American Fund will not invest more than 25% of its total assets in one industry except and to the extent, and only for such period of time as, the Board of Directors determines in view of the considerations

discussed below that it is appropriate and in the best interest of the Investment Fund and its shareholders to invest more than 25% of the Investment Fund's total assets in companies involved in the telecommunications industry. Since the securities markets of Latin American countries are emerging markets characterized by a relatively small number of issues, it is possible that one or more markets may on occasion be dominated by issues of companies engaged in that industry. In addition, it is possible that government privatization in certain Latin American countries, which currently represent a primary source of new issues in many Latin American markets and often represent attractive investment opportunities, will occur in that industry. As a result, the Investment Fund has adopted a policy under which it may invest more than 25% of its total assets in securities of issuers in that industry. The Investment Fund would only take this action if the Board of Directors determines that the Latin American markets are dominated by securities of issuers in such industry and that, in light of the anticipated return, investment quality, availability and liquidity of the issues in the industry, the Investment Fund's ability to achieve its investment objective would, in light of its investment policies and limitations, be materially adversely affected if the Investment Funds were not able to invest greater than 25% of its total assets in such industry. In the event that the Board of Directors permits greater than 25% of the Investment Fund's total assets to be invested in the telecommunications industry, the Investment Fund may be exposed to increased investment risks peculiar to that industry. The Investment Fund will notify its shareholders of any decision by the Board of Directors to permit (or cease) investments of more than 25% of the Investment Fund's total assets in the telecommunications industry. Such notice will, to the extent applicable, include a discussion of any increased investment risks peculiar to such industry to which the Investment Fund may be exposed.

The Latin American Fund is authorized to borrow up to 33 1/3% of its total assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing, for investment purposes to increase the opportunity for greater return and for payment of dividends. Such borrowings would constitute leverage, which is a speculative characteristic. Leveraging will magnify declines as well as increases in the net asset value of the Investment Fund's shares and in the yield on the Investment Fund's investments. See "Additional Investment Information -- Borrowing and Other Forms of Leverage."

The Investment Fund intends to purchase and hold securities for long-term capital appreciation and does not expect to trade for short-term gain. The rate of portfolio turnover will not be a limiting factor when the Investment Fund deems it appropriate to purchase or sell securities. However, the U.S. federal tax requirement that the Investment Fund derive less than 30% of its gross income from the sale or disposition of securities held less than three months may limit the Investment Fund's ability to dispose of its securities.

THE EUROPEAN EQUITY FUND

The European Equity Fund seeks long-term capital appreciation by investing primarily in the common stocks of European issuers, including those located in Germany, France, Switzerland, Belgium, Italy, Finland, Sweden, Denmark, Norway and the United Kingdom. Investments may also be made in the common stocks of issuers located in the smaller and emerging markets of Europe. Common stocks for this purpose include common stocks and equivalents, such as securities convertible into common stocks and securities having common stock characteristics, such as rights and warrants to purchase common stocks. At least 65% of the total assets of the Investment Fund will be invested in equity securities of European issuers under normal circumstances.

In recent years there have been two key issues influencing the investment environment and economic conditions of Europe: the creation of the single market and the emergence of Eastern European economies. Both of these factors have helped European companies by opening up new markets for growth.

As a result of global recession, European economies and companies have embarked on radical structural change. Governments across Europe have initiated major privatization programs shifting a greater share of economic activity into the more efficient private sector. Private companies have sought quotation, following the need to compete in the capital markets, as much as in the market place for their products and services. Those companies already quoted have begun to appreciate the value of their being listed. To achieve a high rating on their equity, companies need to produce transparent accounts, communicate effectively with their shareholders and manage their businesses and assets to their shareholders' advantage. The restructuring and rationalization of companies has lead to lower wage structures and greater flexibility. This has enabled European companies to match the competitive cost environment of developing economies.

Demand for equity will grow hand in hand with supply; driven by pension fund reform, growth in life insurance and the emergence of European mutual funds. All of these factors together will improve the quality of the markets in which European equities are traded.

This process of evolution has begun, but has much further to go. We have seen companies closed to foreign investment "open up" most notably in Switzerland and Finland. In Europe's largest economy, Germany, gross domestic product is still four times larger than its stock market, but the move towards an equity culture is gaining momentum. Shareholders in Europe will have a growing role in a widening range of expanding companies whose operations will become increasingly profitable. Some of the world's most attractive and successful companies have only recently discovered the importance of their shareholders.

The Adviser's approach in selecting investments for the Investment Fund is oriented to individual stock selection and is value driven. In selecting stocks for the Investment Fund, the Adviser initially identifies those stocks which it believes to be undervalued in relation to the issuer's assets, cash flow, earnings and revenues, and then evaluates the future value of such stocks by running the results of an in-depth study of the issuer through a dividend discount model. The Adviser utilizes the research of a number of sources, including its affiliate in Geneva, Morgan Stanley Capital International, in identifying attractive securities, and applies a number of proprietary screening criteria to identify those securities it believes to be undervalued. Investment Fund holdings are regularly reviewed and subjected to fundamental analysis to determine whether they continue to conform to the Adviser's value criteria. Securities which no longer conform to such value criteria are sold.

Securities in emerging markets may not be as liquid as those in developed markets and pose greater risks. Although the Investment Fund intends to invest primarily in securities listed on stock exchanges, it will also invest in securities traded in over-the-counter markets.

While the Investment Fund is not subject to any specific geographic diversification requirements, it currently intends to diversify investments among countries to reduce currency risk. Investments will be made primarily in common stocks of companies domiciled in developed countries, but may be made in the securities of companies in developing countries as well. Although the Investment Fund intends to invest primarily in securities listed on stock exchanges, it will also invest in securities traded in over-the-counter markets. Securities of companies in developing countries may pose liquidity risks. The Investment Fund will not, under normal circumstances, invest in the stocks of U.S. issuers. For a description of special considerations and certain risks

associated with investments in foreign issuers, see "Additional Investment Information." The Investment Fund may temporarily reduce its equity holdings for defensive purposes in response to adverse market conditions and invest in domestic, Eurodollar and foreign short-term money market instruments. See "Investment Objectives and Policies" in the Statement of Additional Information.

THE WORLDWIDE HIGH INCOME FUND

The investment objective of the Worldwide High Income Fund is high current income consistent with relative stability of principal and, secondarily, capital appreciation, by investing primarily in a portfolio of high yielding fixed income securities of issuers located throughout the world. The Investment Fund seeks to achieve its investment objective by allocating its assets among any or all of three investment sectors: U.S. corporate lower rated and unrated debt securities, emerging country debt securities and global fixed income securities offering high real yields. The types of securities in each of these investment sectors in which the Investment Fund may invest are described below. In selecting U.S. corporate lower rated and unrated debt securities for the Investment Fund's portfolio, the Adviser will consider, among other things, the price of the security, and the financial history, condition, prospects and management of an issuer. The Adviser intends to invest a portion of the Investment Fund's assets in emerging country debt securities that provide a high level of current income, while at the same time holding the potential for capital appreciation if the perceived creditworthiness of the issuer improves due to improving economic, financial, political, social or other conditions in the country in which the issuer is located. In addition, the Adviser will attempt to invest a portion of the Investment Fund's assets in fixed income securities of issuers in global fixed income markets displaying high real (inflation adjusted) yields. Under normal conditions, the Investment Fund invests between 80% and 100% of its total assets in some or all of three categories of higher yielding securities, some of which may entail increased credit and market risk. See "Additional Investment Information -- Risk Factors Relating to Investing in Lower Rated Debt Securities" and "-- Foreign Investment Risk Factors."

The Adviser's approach to multi-currency fixed-income management is strategic and value-based and designed to produce an attractive real rate of return. The Adviser's assessment of the bond markets and currencies is based on an analysis of real interest rates. Current nominal yields of securities are adjusted for inflation prevailing in each currency sector using an analysis of past and projected inflation rates. The Investment Fund's aim is to invest in bond markets which offer the most attractive real returns relative to inflation.

From time to time, a portion of the Investment Fund's investments, which may be up to 100% of the Investment Fund's investments, may be considered to have credit quality below investment grade as determined by internationally recognized credit rating agency organizations, such as Moody's and Standard & Poor's, or be unrated but determined to be of comparable quality by the Adviser. Such lower rated bonds are commonly referred to as "junk bonds." Securities in such lower rating categories may have predominantly speculative characteristics or may be in default. Appendix A to this Prospectus sets forth a description of Moody's and Standard & Poor's corporate bond ratings. Ratings represent the opinions of rating agencies as to the quality of bonds and other debt securities they undertake to rate at the time of issuance. However, ratings are not absolute standards of quality and may not reflect changes in an issuer's creditworthiness. Accordingly, while the Adviser will consider ratings, it will perform its own analysis and will not rely principally on ratings. Emerging country debt securities in which the Investment Fund may invest will be subject to high risk and will not be required to meet a minimum rating standard and may not be rated for creditworthiness by any internationally recognized credit rating organization. The Investment Fund's investments in U.S. corporate lower rated and unrated debt

securities and emerging country debt securities are expected to be rated in the lower and lowest rating categories of internationally recognized credit rating organizations or to be unrated securities of comparable quality. Ratings of a non-U.S. debt instrument, to the extent that those ratings are undertaken, are related to evaluations of the country in which the issuer of the instrument is located. Ratings generally take into account the currency in which a non-U.S. debt instrument is denominated; instruments issued by a foreign government in other than the local currency, for example, typically have a lower rating than local currency instruments due to the existence of an additional risk that the government will be unable to obtain the required foreign currency to service its foreign currency-denominated debt. In general, the ratings of debt securities or obligations issued by a non-U.S. public or private entity will not be higher than the rating of the currency or the foreign currency debt of the central government of the country in which the issuer is located, regardless of the intrinsic creditworthiness of the issuer. To mitigate the risks associated with investments in such lower rated securities, the Investment Fund will diversify its holdings by market, issuer, industry and credit quality. Investors should carefully review the section below entitled "Additional Investment Information - -- Risk Factors Relating to Investing in Lower Rated Debt Securities."

The chart below indicates the Investment Fund's weighted average composition of debt securities graded by Standard & Poor's for the period from commencement of operations on April 21, 1994 to August 31, 1994.

<TABLE>
<CAPTION>

DEBT SECURITIES RATINGS (STANDARD & POOR'S)	PERCENTAGE OF NET ASSETS

<S>	<C>
Government Agencies...	2.1%
AA..	0.7%
A...	24.7%
BB..	10.7%
B...	20.5%
CCC...	2.9%
Unrated...	38.4%

</TABLE>

The weighted average indicated above was calculated on a dollar weighted basis and was computed as at the end of each month during the fiscal year. The chart does not necessarily indicate what the composition of the Investment Fund's portfolio will be in the current and subsequent fiscal years. For a description of Standard & Poor's ratings of fixed income securities, see Appendix A to this Prospectus.

The Worldwide High Income Fund may invest in or own securities of companies in various stages of financial restructuring, bankruptcy or reorganization which are not currently paying interest or dividends, provided that the total value, at the time of purchase, of all such securities will not exceed 10% of the value of the Investment Fund's total assets. The Investment Fund may have limited recourse in the event of default on such debt instruments. The Investment Fund may invest in loans, assignments of loans and participation in loans. See "Additional Investment Information -- Loan Participation and Assignments." The Investment Fund may also invest in depository receipts issued by U.S. or foreign financial institutions. See "Additional Investment Information -- Depositary Receipts."

The Worldwide High Income Fund is not restricted in the portion of its assets which may be invested in securities denominated in a particular currency and a substantial portion of the Investment Fund's assets may be invested in non-U.S. dollar-denominated securities. The portion of the Investment Fund's assets invested in

securities denominated in currencies other than the U.S. dollar will vary depending on market conditions. The analysis of currencies is made independent of the analysis of markets. Value in foreign exchange is determined by relative purchasing power parity of a given currency. The Investment Fund seeks to invest in currencies currently undervalued based on purchasing power parity. The Adviser analyzes current account and capital account performance and real interest rates to adjust for shorter-term currency flows. Although the Investment Fund is permitted to engage in a wide variety of investment practices designed to hedge against currency exchange rate risks with respect to its holdings of non-U.S. dollar-denominated debt securities, the Investment Fund may be limited in its ability to hedge against these risks. See "Additional Investment Information -- Foreign Currency Hedging Transactions" and "Short Sales." The Investment Fund may also write (i.e., sell) covered call options and may enter into futures contracts and options on futures and sell indexed financial futures contracts. See "Additional Investment Information -- Options Transactions" and "-- Futures and Options on Futures."

The Worldwide High Income Fund may invest in zero coupon, pay-in-kind or deferred payment securities, and in securities that may be collateralized by zero coupon securities (such as Brady Bonds). Zero Coupon securities are sold at a discount to par value and are not entitled to interest payments during the life of the security. Upon maturity, the holder is entitled to receive the par value of the security. While interest payments are not made on such securities, holders of such securities are deemed to receive "phantom income," which the Investment Fund will accrue prior to the receipt of any cash payments. Because the Investment Fund will distribute its "phantom income" to shareholders annually, and to the extent that shareholders elect to receive dividends in cash rather than reinvesting such dividends in additional shares, the Investment Fund will have fewer assets with which to purchase income producing securities. In addition, in order to pay these cash distributions, the Investment Fund may be required to sell portfolio securities when it might not otherwise choose to do so, and the Investment Fund may incur capital losses on such sales. Pay-in-kind securities are securities that have interest payable by delivery of additional securities. Upon maturity, the holder is entitled to receive the aggregate par value of the securities. Deferred payment securities are securities that remain zero coupon securities until a predetermined date, at which time the stated coupon rate becomes effective and interest becomes payable at regular intervals. Zero coupon, pay-in-kind and deferred payment securities may be subject to greater fluctuation in value and lesser liquidity in the event of adverse market conditions than comparably rated securities paying cash interest at regular interest payment periods.

The Worldwide High Income Fund is authorized to borrow up to 33 1/3% of its total assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing, for investment purposes to increase the opportunity for greater return and for payment of dividends. Such borrowings would constitute leverage, which is a speculative characteristic. Leveraging will magnify declines as well as increases in the net asset value of the Investment Fund's shares and in the yield on the Investment Fund's investments.

See "Additional Investment Information -- Borrowing and Other Forms of Leverage."

The average time to maturity of the Investment Fund's securities will vary depending upon the Adviser's perception of market conditions. The Adviser invests in medium-term securities (i.e., those with a remaining maturity of approximately five years) in a market neutral environment. When the Adviser believes that real yields are high, the Adviser lengthens the remaining maturities of securities held by the Investment Fund and,

conversely, when the Adviser believes real yields are low, it shortens the remaining maturities. Thus, the Investment Fund is not subject to any restrictions on the maturities of the debt securities it holds, and the Adviser may vary the average maturity of the securities held in the Investment Fund's portfolio without limit.

The Investment Fund may, to a limited extent, invest in non-publicly traded securities, private placements and restricted securities. See "Additional Investment Information -- Non-Publicly Traded Securities, Private Placements and Restricted Securities."

For temporary defensive purposes, the Investment Fund may invest part or all of its total assets in cash or in short-term securities, including certificates of deposit, commercial paper, notes, obligations issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, and repurchase agreements involving such government securities.

U.S. CORPORATE HIGH YIELD FIXED INCOME SECURITIES. A portion of the Worldwide High Income Fund's assets will be invested in U.S. corporate high yield fixed income securities, which offer a yield above that generally available on U.S. corporate debt securities in the four highest rating categories of the recognized rating services and are commonly referred to as "junk bonds." The Investment Fund may buy unrated securities that the Adviser believes are comparable to rated securities that are consistent with the Investment Fund's objective and policies. The Investment Fund may acquire fixed income securities of U.S. issuers, including debt obligations (e.g., bonds, debentures, notes, equipment lease certificates, equipment trust certificates, conditional sales contracts, commercial paper and obligations issued or guaranteed by the U.S. Government or any of its political subdivisions, agencies or instrumentalities) and preferred stock. These fixed income securities may have equity features, such as conversion rights or warrants and the Investment Fund may invest up to 10% of its total assets in equity securities other than preferred stock (e.g., common stocks, warrants and rights and limited partnership interests). The Investment Fund may not invest more than 5% of its total assets at the time of acquisition in either of (1) equipment lease certificates, equipment trust certificates and conditional sales contracts or (2) limited partnership interests.

EMERGING COUNTRY FIXED INCOME SECURITIES. A portion of the Worldwide High Income Fund's assets will be invested in emerging country fixed income securities, which are debt securities of government and government-related issuers located in emerging countries (including participation in loans between governments and financial institutions), and of entities organized to restructure outstanding debt of such issuers and debt securities of corporate issuers located in or organized under the laws of emerging countries. As used in this Prospectus, an emerging country is any country that the International Bank for Reconstruction and Development (more commonly known as the World Bank) has determined to have a low or middle income economy. There are currently over 130 countries which are considered to be emerging countries, approximately 40 of which currently have established securities markets. These countries generally include every nation in the world except the United States, Canada, Japan, Australia, New Zealand and most nations located in Western Europe.

In selecting emerging country debt securities for investment by the Investment Fund, the Adviser will apply a market risk analysis contemplating assessment of factors such as liquidity, volatility, tax implications, interest rate sensitivity, counterparty risks and technical market considerations. Currently, investing in many

emerging country securities is not feasible or may involve unacceptable political risks. Initially, the Investment Fund expects that its investments in emerging country debt securities will be made primarily in some or all of the following emerging countries:

<TABLE>

<S>	<C>	<C>	<C>
Algeria	Egypt	Nicaragua	South Africa
Argentina	Greece	Nigeria	Thailand
Brazil	Hungary	Pakistan	Trinidad & Tobago
Bulgaria	India	Panama	Tunisia
Chile	Indonesia	Paraguay	Turkey
China	Ivory Coast	Peru	Uruguay
Colombia	Jamaica	Philippines	Venezuela

Costa Rica	Jordan	Poland	Zaire
Czech Republic	Malaysia	Portugal	
Dominican Republic	Mexico	Russia	
Ecuador	Morocco	Slovakia	

</TABLE>

As opportunities to invest in debt securities in other emerging countries develop, the Investment Fund expects to expand and further diversify the emerging countries in which it invests. While the Investment Fund generally is not restricted in the portion of its assets which may be invested in a single country or region, it is anticipated that, under normal circumstances, the Investment Fund's assets will be invested in at least three countries.

The Investment Fund's investments in government and government-related and restructured debt securities will consist of (i) debt securities or obligations issued or guaranteed by governments, governmental agencies or instrumentalities and political subdivisions located in emerging countries (including participation in loans between governments and financial institutions), (ii) debt securities or obligations issued by government owned, controlled or sponsored entities located in emerging countries, and (iii) interests in issuers organized and operated for the purpose of restructuring the investment characteristics of instruments issued by any of the entities described above. Such type of restructuring involves the deposit with or purchase by an entity of specific instruments and the issuance by that entity of one or more classes of securities backed by, or representing interests in, the underlying instruments. Certain issuers of such structured securities may be deemed to be "investment companies" as defined in the Investment Company Act of 1940 (the "1940 Act"). As a result, the Investment Fund's investment in such securities may be limited by certain investment restrictions contained in the 1940 Act. See "Additional Investment Information -- Structured Investments."

The Investment Fund's investments in debt securities of corporate issuers in emerging countries may include debt securities or obligations issued (i) by banks located in emerging countries or by branches of emerging country banks located outside the country or (ii) by companies organized under the laws of an emerging country. Determinations as to eligibility will be made by the Adviser based on publicly available information and inquiries made to the issuer. See "Additional Investment Information -- Foreign Investment Risk Factors" for a discussion of the nature of information publicly available for non-U.S. issuers. The Investment Fund may also invest in certain debt obligations customarily referred to as "Brady Bonds," which are created through the exchange of existing commercial bank loans to foreign entities for new obligations in connection with debt restructuring under a plan introduced by former U.S. Secretary of the Treasury Nicholas F. Brady. See "Description of Securities and Ratings -- Emerging Country Debt Securities" in the Statement of

Additional Information for further information about Brady Bonds. The Investment Fund's investments in government and government-related and restructured debt instruments are subject to special risks, including the inability or unwillingness to repay principal and interest, requests to reschedule or restructure outstanding debt and requests to extend additional loan amounts.

Emerging country debt securities held by the Investment Fund will take the form of bonds, notes, bills, debentures, convertible securities, warrants, bank debt obligations, short-term paper, mortgage- and other asset-backed securities, loan participation, loan assignments and interests issued by entities organized and operated for the purpose of restructuring the investment characteristics of instruments issued by emerging country issuers. U.S. dollar-denominated emerging country debt securities held by the Investment Fund will generally be listed but not traded on a securities exchange, and non-U.S.dollar-denominated securities held by the Investment Fund may or may not be listed or traded on a securities exchange. The Investment Fund may invest in mortgage-backed securities and in other asset-backed securities issued by non-governmental entities such as banks and other financial institutions. Mortgage-backed securities include mortgage pass through securities and collateralized mortgage obligations. Asset-backed securities are collateralized by such assets as automobile or credit card receivables and are securitized either in a pass-through structure or in a pay-through structure similar to a CMO. Investments in emerging country debt securities entail special investment risks. See "Additional Investment Information -- Foreign Investment Risk Factors."

GLOBAL FIXED INCOME SECURITIES. The global fixed income securities in which a portion of the Worldwide High Income Fund's assets may be invested are debt securities denominated in currencies of countries displaying high real yields. Such securities include government obligations issued or guaranteed by U.S. or foreign governments and their political subdivisions, authorities, agencies or instrumentalities, and by supranational entities (such as the World Bank, The European Economic Community, The Asian Development Bank and the European Coal and Steel Community), Eurobonds, and corporate bonds with varying maturities denominated in various currencies. In this portion of the Investment Fund's portfolio, the Adviser seeks to minimize investment risk by investing in a high quality portfolio of debt securities, the majority of which will be rated in one of the two highest rating categories by an NRSRO or, if unrated, will be of comparable quality, as determined by the Adviser under the supervision of the

Board of Directors. U.S. Government securities in which the Investment Fund may invest include obligations issued or guaranteed by the U.S. Government, such as U.S. Treasury securities, as well as those backed by the full faith and credit of the United States, such as obligations of the Government National Mortgage Association and The Export-Import Bank. The Investment Fund may also invest in obligations issued or guaranteed by U.S. Government agencies or instrumentalities where the Investment Fund must look principally to the issuing or guaranteeing agency for ultimate repayment. The Investment Fund may invest in obligations issued or guaranteed by foreign governments and their political subdivisions, authorities, agencies or instrumentalities, and by supranational entities (such as the World Bank, The European Economic Community, The Asian Development Bank and the European Coal and Steel Community). Investment in foreign government securities for this portion of the Investment Fund's portfolio will be limited to those of developed nations which the Adviser believes to pose limited credit risk. These countries currently include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and The United Kingdom. Corporate and supranational obligations in which the Investment Fund will invest for this

portion of its portfolio will be limited to those rated "A" or better by Moody's, Standard & Poor's or IBCA Ltd. or, if unrated, determined to be of comparable quality by the Adviser under the supervision of the Fund's Board of Directors.

In selecting securities for this portion of the Investment Fund's portfolio, the Adviser evaluates the currency, market and individual features of the securities being considered for investment. The Adviser believes that countries displaying the highest real yields will over time generate a high total return, and accordingly, the Adviser's focus for this portion of the Investment Fund's portfolio will be to analyze the relative rates of real yield of twenty global fixed income markets. In selecting securities, the Adviser will first identify the global markets in which the Investment Fund's assets will be invested by ranking such countries in order of highest real yield. In this portion of its portfolio, the Investment Fund will invest its assets primarily in fixed income securities denominated in the currencies of countries within the top quartile of the Adviser's ranking.

The Adviser's assessment of the global fixed income markets is based on an analysis of real interest rates. The Adviser calculates real yield for each global market by adjusting current nominal yields of securities in each such market for inflation prevailing in each country using an analysis of past and projected (one-year) inflation rates for that country. The Adviser expects to review and update on a regular basis its real yield ranking of countries and market sectors and to alter the allocation of this portion of the Investment Fund's investments among markets as necessary when changes to real yields and inflation estimates significantly alter the relative rankings of the countries and market sectors.

The Investment Fund seeks to maintain portfolio turnover at a low level. Although the Investment Fund's primary objective is not to invest for short-term trading, the Investment Fund will seek to take advantage of trading opportunities as they arise to the extent that they are consistent with the Investment Fund's objectives. It is anticipated that the Investment Fund's annual turnover rate will not exceed 100% in normal circumstances.

THE GROWTH AND INCOME FUND

The Growth and Income Fund seeks capital appreciation and current income by investing primarily in equity and equity-linked securities. The Investment Fund seeks to achieve its investment objective, consistent with reasonable investment risk, by investing in equity securities of rapidly growing companies, or convertible securities or other equity-linked, income-generating securities (e.g., PERCS, ELKS, LYONs) of such companies. The Investment Fund will also invest in slower-growth companies with stable or accelerating earnings and/ or dividend growth. The equity securities of the foregoing companies in which the Investment Fund will invest consist of common stock (dividend- paying, and to the extent it is consistent with the Investment Fund's investment objective, nondividend-paying), preferred stock and securities convertible into common stock, such as convertible preferred stock, convertible bonds and warrants. The Investment Fund will, under normal market conditions, invest at least 65% of the value of its total assets in such equity securities. The Investment Fund is not subject to any limit on the size of companies in which it may invest, but intends to be primarily invested, under normal circumstances, in companies with equity market capitalizations of approximately $750 million and above. The Investment Fund is designed for investors who want an actively managed diversified portfolio of selected equity securities that seeks to outperform the total return of the S&P 500 Index, while providing a yield higher than the yield of the S&P 500 Index.

The Investment Fund does not seek to achieve its objective with any individual portfolio security, but rather it aims to manage the portfolio as a whole in such a way as to achieve its objective. The Investment Fund attempts to reduce risk by investing in many different economic sectors, industries and companies. The Investment Fund's Adviser may under- or over-weight selected economic sectors against the S&P 500 Index's sector weightings to seek to enhance the Investment Fund's total return or reduce fluctuations in market value relative to the S&P 500 Index. Investment Fund's primary objective is not to invest for short-term trading, the Investment Fund will seek to take advantage of trading opportunities as they arise to the extent that they are consistent with the Investment Fund's objectives.

Pending investment or settlement, and for liquidity purposes, the Investment Fund may invest in domestic, Eurodollar and foreign short-term money market instruments. As determined by the Adviser, the Investment Fund may also purchase such instruments to temporarily reduce the Investment Fund's equity holdings for defensive purposes in response to adverse market conditions.

The Investment Fund may invest in when-issued and delayed delivery securities. See "Additional Investment Information -- When-Issued and Delayed Delivery Securities." The Investment Fund may invest up to 34% of its total assets in securities that are rated below investment grade by an NRSRO (rated below the four highest rating categories by the NRSRO) or that, if unrated, are determined by the Adviser to be comparable to securities rated below investment grade by an NRSRO. Such lower-quality securities are regarded as being predominantly speculative and involve significant risks. See "Additional Investment Information -- Risk Factors Relating to Investing in Lower Rated Debt Securities."

The Investment Fund may, to a limited extent, invest in non-publicly traded securities, private placements and restricted securities. See "Additional Investment Information -- Non-Publicly Traded Securities, Private Placements and Restricted Securities." The Investment Fund may on occasion invest in securities of foreign issuers, including equity securities of foreign issuers that trade on a United States exchange or over-the-counter in the form of American Depositary Receipts or common stocks. See "Additional Investment Information."

THE MONEY MARKET FUND

The Money Market Fund's investment objectives are to maximize current income and preserve capital while maintaining high levels of liquidity through investing in the U.S. Dollar denominated high quality money market instruments described below. The Investment Fund's average maturity (on a dollar-weighted basis) will not exceed 90 days. The Investment Fund will purchase only securities having a remaining maturity of 397 days or less. The Investment Fund is expected to maintain a net asset value of $1.00 per share. There can be no assurance, however, that the Investment Fund will be successful in maintaining a net asset value of $1.00 per share. See "Valuation of Shares."

UNITED STATES GOVERNMENT OBLIGATIONS. The Money Market Fund may invest in obligations issued or guaranteed by the United States Government, including United States Treasury securities and other securities backed by the full faith and credit of the United States, such as obligations of the Government National Mortgage Association ("GNMA"), the Farmers Home Administration and the Export-Import Bank. The Investment Fund may also invest in obligations issued or guaranteed by United States Government agencies or instrumentalities, such as the Federal Farm Credit System and the Federal Home Loan Banks, where the Investment Fund must look principally to the issuing or guaranteeing agency for ultimate repayment.

MORTGAGE-BACKED SECURITIES. Mortgage-backed securities in which the Money Market Fund may invest, such as GNMA securities, differ from other fixed income securities in that principal is paid back by the borrower

over the length of the loan rather than returned in a lump sum at maturity. When prevailing interest rates rise, the value of a GNMA security may decrease along with other debt securities. When prevailing interest rates decline, however, the value of GNMA securities may not rise on a comparable basis with other debt securities because of the prepayment feature of GNMA securities. Additionally, if a GNMA certificate is purchased at a premium above its principal value because its fixed rate of interest exceeds the prevailing level of yields, the decline in price to par may result in a loss of the premium in the event of prepayment. Funds received from prepayments may be reinvested at the prevailing interest rates, which may be lower than the rate of interest that had previously been earned.

BANK OBLIGATIONS. The Money Market Fund may invest in high quality U.S. dollar-denominated negotiable certificates of deposit, time deposits, deposit notes and bankers' acceptances of (i) banks, savings and loan associations and savings banks which have more than $2 billion in total assets and are organized under U.S. Federal or state law, (ii) foreign branches of these banks ("Euros") and (iii) U.S. branches of foreign banks of equivalent size ("Yankees"). See "Additional Investment Information" for further information on foreign investments. The Investment Fund may also invest in obligations of the International Bank for Reconstruction and Development ("World Bank"). These obligations are supported by appropriated but unpaid commitments of the World Bank's member countries, and there is no assurance that these commitments will be undertaken or met in the future.

COMMERCIAL PAPER; CORPORATE BONDS. The Money Market Fund may invest in high quality commercial paper and corporate bonds issued by U.S. corporations. The Investment Fund may also invest in commercial paper issued by foreign corporations if the issuer is a direct parent or subsidiary of a U.S. corporation, the obligation is U.S. dollar-denominated and is not subject to foreign withholding tax, and the aggregate of these foreign investments does not exceed 10% of the Investment Fund's net assets. For more information about foreign investments, see "Additional Investment Information."

QUALITY INFORMATION. The Money Market Fund utilizes the amortized cost method of valuation in accordance with regulations issued by the SEC. See "Valuation of Shares." Accordingly, the Investment Fund will limit its portfolio investments to those instruments which present minimal credit risks and which are of eligible quality, as determined by the Adviser under the supervision of the Board of Directors and in accordance with regulations of the SEC, as such regulations may from time to time be amended. Eligible quality for this purpose means a security (i) rated in one of the two highest rating categories by at least two NRSROs assigning a rating to the security or issuer or, if only one rating organization assigned a rating, by that rating organization or (ii) if unrated, determined to be of comparable quality by the Adviser under the supervision of the Board of Directors. The Investment Fund will not invest more than 5% of its total assets in securities of issuers having the second highest rating from any NRSRO. Among the criteria adopted by the Board of Directors, the Investment Fund will not purchase any bank or corporate obligation unless it is rated at least Aa or Prime-1 by Moody's or AA or A-1 by Standard & Poor's or, if unrated, it is determined to be of comparable quality by the Adviser under the supervision of the Board of Directors. Ratings, however, are not the only criteria utilized under the procedures adopted by the Board of Directors. For a more detailed discussion of other quality requirements applicable to the Fund, see "Description of Securities and Ratings" in the Statement of Additional Information.

These quality standards must be satisfied at the time an investment is made. In the event that an investment held by the Fund is assigned a lower rating or ceases to be rated, the Adviser, under the supervision of the Board of Directors, will promptly reassess whether such security presents minimal credit risks and whether the

Investment Fund should continue to hold the security in its portfolio. If a portfolio security no longer presents minimal credit risks or is in default, the Investment Fund will dispose of the security as soon as reasonably practicable unless the Board of Directors determines that to do so is not in the best interests of the Investment Fund.

ADDITIONAL INVESTMENT INFORMATION

INVESTMENT FUNDS

Some emerging countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain emerging countries through investment funds which have been specifically authorized. Certain of the Investment Funds may invest in these investment funds, subject to the provisions of the 1940 Act and other applicable laws. If an Investment Fund invests in such investment funds, the Investment Fund's shareholders will bear not only their proportionate share of the expenses of the Investment Fund (including operating expenses and the fees of the Adviser), but also will indirectly bear similar expenses of the underlying investment funds.

Certain of the investment funds referred to in the preceding paragraph are advised by the Adviser. The Investment Fund may, to the extent permitted under the 1940 Act and other applicable law, invest in these investment funds. If the Investment Fund does elect to make an investment in such an investment fund, it will only purchase the securities of such investment fund in the secondary market.

FOREIGN CURRENCY HEDGING TRANSACTIONS

The Non-Money Funds may enter into forward foreign currency exchange contracts ("forward contracts"). Forward contracts provide for the purchase or sale of an amount of a specified foreign currency at a future date. Purposes for which such contracts may be used include protecting against a decline in a foreign currency against the U.S. dollar between the trade date and settlement date when the Investment Fund purchases or sells securities, locking in the U.S. dollar value of dividends declared on securities held by the Investment Fund and generally protecting the U.S. dollar value of securities held by the Investment Fund against exchange rate fluctuations. While such forward contracts may limit losses to the Investment Fund as a result of exchange rate fluctuations, they will also limit any exchange rate gains that might otherwise have been realized.

The Global Equity Allocation, Asian Growth, American Value, Growth and Income and Worldwide High Income Funds will enter into such contracts only to protect against the effects of fluctuating rates of currency exchange and exchange control regulations.

The Emerging Markets, Latin American, European Equity, Growth and Income and Worldwide High Income Funds may also enter into foreign currency futures contracts. A foreign currency futures contract is a standardized contract for the future delivery of a specified amount of a foreign currency at a future date at a price set at the time of the contract. Foreign currency futures contracts traded in the United States are traded on regulated exchanges. Parties to a futures contract must make initial "margin" deposits to secure performance of the contract, which generally range from 2% to 5% of the contract price. There also are requirements to make "variation" margin deposits as the value of the futures contract fluctuates. The Investment Fund may not enter into foreign currency futures contracts if the aggregate amount of initial margin deposits on the Investment

Fund's futures positions, including stock index futures contracts (which are discussed below), would exceed 5% of the value of the Investment Fund's total assets. The Investment Fund also will be required to segregate assets to cover its futures contracts obligations.

At the maturity of a forward or futures contract, the Investment Fund may either accept or make delivery of the currency specified in the contract or, prior to maturity, enter into a closing purchase transaction involving the purchase or sale of an offsetting contract. Closing purchase transactions with respect to forward contracts are usually effected with the currency trader who is a party to the original forward contract. Closing purchase transactions with respect to futures contracts are effected on an exchange. The Investment Fund will only enter into such a forward or futures contract if it is expected that there will be a liquid market in which to close out such contract. There can, however, be no assurance that such a liquid market will exist in which to close a forward or futures contract, in which case the Investment Fund may suffer a loss.

The Emerging Markets, American Value, European Equity, Latin American, Growth and Income and Worldwide High Income Funds may attempt to accomplish objectives similar to those described above with respect to forward and futures contracts for currency by means of purchasing put or call options on foreign currencies on exchanges. A put option gives the Investment Fund the right to sell a currency at the exercise price until the expiration of the option. A call option gives the Investment Fund the right to purchase a currency at the exercise price until the expiration of the option.

The Investment Fund's Custodian will place cash, U.S. government securities, or high-grade debt securities into a segregated account of an Investment Fund in an amount equal to the value of such Investment Fund's total assets committed to the consummation of forward foreign currency exchange contracts. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account on a daily basis so that the value of the account will be at least equal to the amount of such Investment Fund's commitments with respect to such contracts. See "Investment Objectives and Policies -- Forward Foreign Currency Exchange Contracts" in the Statement of Additional Information.

RISK FACTORS RELATING TO INVESTING IN LOWER RATED AND UNRATED DEBT SECURITIES

The Worldwide High Income, Emerging Markets, Growth and Income and Latin American Funds may invest in lower rated or unrated debt securities, commonly referred to as "junk bonds." In addition, the emerging country debt securities in which an Investment Fund may invest are subject to risk and will not be required to meet a minimum rating standard and may not be rated. Fixed income securities are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). Lower rated or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which react primarily to movements in the general level of interest rates. The market values of fixed-income securities tend to vary inversely with the level of interest rates. Yields and market values of lower rated and unrated debt securities will fluctuate over time, reflecting not only changing interest rates but the market's perception of credit quality and the outlook for economic growth. When economic conditions appear to be deteriorating, medium to lower rated securities may decline in value due to heightened concern over credit quality, regardless of prevailing interest rates. Fluctuations in the value of the Investment Fund's investments will be reflected in the Investment Fund's net asset value per share. The Adviser considers both credit risk and market risk in

making investment decisions for the Investment Fund. Investors should carefully consider the relative risks of investing in lower rated and unrated debt securities and understand that such securities are not generally meant for short-term investing.

The U.S. corporate lower rated and unrated debt securities market is relatively new and its recent growth paralleled a long period of economic expansion and an increase in merger, acquisition and leveraged buyout activity. Adverse economic developments may disrupt the market for U.S. corporate lower rated and unrated debt securities and for emerging country debt securities. Such disruptions may severely affect the ability of issuers, especially highly leveraged issuers, to service their debt obligations or to repay their obligations upon maturity. In addition, the secondary market for lower rated and unrated debt securities, which is concentrated in relatively few market makers, may not be as liquid as the secondary market for more highly rated securities. As a result, the Adviser could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. In addition there may be limited trading markets for debt securities of issuers located in emerging countries. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Investment Fund's net asset value.

Prices for lower rated and unrated debt securities may be affected by legislative and regulatory developments. These laws could adversely affect the Investment Fund's net asset value and investment practices, the secondary market for lower rated and unrated debt securities, the financial condition of issuers of such securities and the value of outstanding lower rated and unrated debt securities. For example, U.S. federal legislation requiring the divestiture by federally insured savings and loan associations of their investments in lower rated and unrated debt securities and limiting the deductibility of interest by certain corporate issuers of lower rated and unrated debt securities adversely affected the market in recent years.

Lower rated or unrated debt obligations also present risks based on payment expectations. If an issuer calls the obligations for redemption, the Investment Fund may have to replace the security with a lower yielding security, resulting in a decreased return for investors. If the Investment Fund experiences unexpected net redemptions, it may be forced to sell its higher rated securities, resulting in a decline in the overall credit quality of the Investment Fund's investment portfolio and increasing the exposure of the Investment Fund to the risks of lower rated and unrated debt securities.

LOAN PARTICIPATION AND ASSIGNMENTS

The Worldwide High Income Fund may invest in fixed and floating rate loans ("Loans") arranged through private negotiations between an issuer of sovereign or corporate debt obligations and one or more financial institutions ("Lenders"). The Investment Fund's investments in Loans are expected in most instances to be in the form of participation in Loans ("Participation") and assignments of all or a portion of Loans ("Assignments") from third parties. In the case of Participation, the Investment Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In the event of the insolvency of the Lender selling a Participation, the Investment Fund may be treated as a general creditor of the Lender and may not benefit from any set-off between the Lender and the borrower. The Investment Fund will acquire Participation only if the Lender interpositioned between the Investment Fund and the borrower is determined by the Adviser to be creditworthy. When the Investment Fund purchases Assignments from Lenders it will acquire direct rights

against the borrower on the Loan. Because Assignments are arranged through private negotiations between potential assignees and potential assignors, however, the rights and obligations acquired by the Investment Fund as the purchaser of an Assignment may differ from, and be more limited than, those held by the assigning Lender. Because there is no liquid market for such securities, the Investment Fund anticipates that such securities could be sold only to a limited number of institutional investors. The lack of a liquid secondary market may have an adverse impact on the value of such securities and the Investment Fund's ability to dispose of particular Assignments or Participation when necessary to meet the Investment Fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the borrower. The lack of a liquid secondary market for Assignments and Participation also may make it more difficult for the Investment Fund to assign a value to these securities for purposes of valuing the Investment Fund's portfolio and calculating its net asset value.

STRUCTURED INVESTMENTS

The Worldwide High Income Fund may invest a portion of its assets in entities organized and operated solely for the purpose of restructuring the investment characteristics of sovereign debt obligations. This type of restructuring involves the deposit with or purchase by an entity, such as a corporation or trust, of specified instruments (such as commercial bank loans or Brady Bonds) and the issuance by that entity of one or more classes of securities ("Structured Securities") backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments may be apportioned among the newly issued Structured Securities to create securities with different investment characteristics, such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to Structured Securities is dependent on the extent of the cash flow on the underlying instruments. Because Structured Securities of the type in which the Investment Fund anticipates it will invest typically involve no credit enhancement, their credit risk generally will be equivalent to that of the underlying instruments. The Investment Fund is permitted to invest in a class of Structured Securities that is either subordinated or unsubordinated to the right of payment of another class. Subordinated Structured Securities typically have higher yields and present greater risks than unsubordinated Structured Securities. Structured Securities are typically sold in private placement transactions, and there currently is no active trading market for Structured Securities.

SHORT SALES

The Emerging Markets, Latin American, European Equity and Worldwide High Income Funds may from time to time sell securities short without limitation, although initially the Investment Fund does not intend to sell securities short. A short sale is a transactions in which the Investment Fund would sell securities it does not own (but has borrowed) in anticipation of a decline in the market price of the securities. When the Investment Fund makes a short sale, the proceeds it receives from the sale will be held on behalf of a broker until the Investment Fund replaces the borrowed securities. To deliver the securities to the buyer, the Investment Fund will need to arrange through a broker to borrow the securities and, in so doing, the Investment Fund will become obligated to replace the securities borrowed at their market price at the time of replacement, whatever that price may be. The Investment Fund may have to pay a premium to borrow the securities and must pay any dividends or interest payable on the securities until they are replaced.

The Investment Fund's obligation to replace the securities borrowed in connection with a short sale will be secured by collateral deposited with the broker that consists of cash, U.S. Government Securities or other liquid, high grade debt obligations. In addition, the Investment Fund will place in a segregated account with its

Custodian an amount of cash, U.S. Government Securities or other liquid high grade debt obligations equal to the difference, if any, between (1) the market value of the securities sold at the time they were sold short and (2) any cash, U.S. Government Securities or other liquid high grade debt obligations deposited as collateral with the broker in connection with the short sale (not including the proceeds of the short sale). Short sales by the Investment Fund involve certain risks and special considerations. Possible losses from short sales differ from losses that could be incurred from a purchase of a security, because losses from short sales may be unlimited, whereas losses from purchases can equal only the total amount invested.

OPTIONS TRANSACTIONS

Each of the Emerging Markets, Latin American, European Equity, Growth and Income and Worldwide High Income Funds may seek to increase its return or may hedge all or a portion of its portfolio investments through options with respect to securities in which the Investment Fund may invest. The Investment Fund will engage only in transactions in options which are traded on a recognized securities or futures exchange. There currently are limited options markets in many countries, particularly emerging countries such as Latin American countries, and the nature of the strategies adopted by the Adviser and the extent to which those strategies are used will depend on the development of such option markets.

The Investment Fund may write (i.e., sell) covered call options which give the purchaser the right to buy the underlying security covered by the option from the Investment Fund at the stated exercise price. A "covered" call option means that so long as the Investment Fund is obligated as the writer of the option, it will own (i) the underlying securities subject to the option, or (ii) securities convertible or exchangeable without the payment of any consideration into the securities subject to the option. As a matter of operating policy, the value of the underlying securities on which options will be written at any one time will not exceed 5% of the total assets of the Investment Fund. In addition, as a matter of operating policy, the Investment Fund will neither purchase or write put options on securities nor purchase call options on securities (except in connection with closing purchase transactions).

The Investment Fund will receive a premium from writing call options, which increases the Investment Fund's return on the underlying security in the event the option expires unexercised or is closed out at a profit. By writing a call, the Investment Fund will limit its opportunity to profit from an increase in the market value of the underlying security above the exercise price of the option for as long as the Investment Fund's obligation as writer of the option continues. Thus, in some periods the Investment Fund will receive less total return and in other periods greater total return from writing covered call options than it would have received from its underlying securities had it not written call options.

The Investment Fund may also write (i.e., sell) covered put options. By selling a covered put option, the Investment Fund incurs an obligation to buy the security underlying the option from the purchaser of the put at the option's exercise price at any time during the option period, at the purchaser's election (certain options written by the Investment Fund will be exercisable by the purchaser only on a specific date). Generally, a put option is "covered" if the Investment Fund maintains cash, U.S. Government securities or other high grade debt obligations equal to the exercise price of the option or if the Investment Fund holds a put option on the same underlying security with a similar or higher exercise price. The Investment Fund may sell put options to receive

the premiums paid by purchasers and to close out a long put option position. In addition, when the Adviser wishes to purchase a security at a price lower than its current market price, the Investment Fund may write a covered put at an exercise price reflecting the lower purchase price sought.

The Investment Fund may also purchase put or call options on individual securities or baskets of securities. When the Investment Fund purchases a call option it acquires the right to buy a designated security at a designated price (the "exercise price"), and when the Investment Fund purchases a put option it acquires the right to sell a designated security at the exercise price, in each case on or before a specified date (the "termination date"), usually not more than nine months from the date the option is issued. The Investment Fund may purchase call options to close out a covered call position or to protect against an increase in the price of a security it anticipates purchasing. The Investment Fund may purchase put options on securities which it holds in its portfolio to protect itself against a decline in the value of the security. If the value of the underlying security were to fall below the exercise price of the put purchased in an amount greater than the premium paid for the option, the Investment Fund would incur no additional loss. The Investment Fund may also purchase put options to close out written put positions in a manner similar to call option closing purchase transactions. There are no other limits on the Investment Fund's ability to purchase call and put options.

The primary risks associated with the use of options are (i) imperfect correlation between the change in market value of the securities held by the Investment Fund and the prices of options relating to the securities purchased or sold by the Investment Fund; and (ii) possible lack of a liquid secondary market for an option. In the opinion of the Adviser, the risk that the Investment Fund will be unable to close out an options contract will be minimized by only entering into options transactions for which there appears to be a liquid secondary market.

CONVERTIBLE SECURITIES, WARRANTS AND EQUITY-LINKED SECURITIES

The Worldwide High Income and Growth and Income Funds may invest in securities such as convertible securities, preferred stock, warrants or other securities exchangeable under certain circumstances for shares of common stock. Warrants are instruments giving holders the right, but not the obligation, to buy shares of a company at a given price during a specified period.

The Growth and Income Fund may invest in equity-linked securities, including, among others, PERCS, ELKS or LYONs, which are securities that are convertible into or based upon the value of, equity securities upon certain terms and conditions. The amount received by an investor at maturity of such securities is not fixed but is based on the price of the underlying common stock. It is impossible to predict whether the price of the underlying common stock will rise or fall. Trading prices of the underlying common stock will be influenced by the issuer's operational results, by complex, interrelated political, economic, financial or other factors affecting the capital markets, the stock exchanges on which the underlying common stock is traded and the market segment of which the issuer is a part. In addition, it is not possible to predict how equity-linked securities will trade in the secondary market or whether such market will be liquid or illiquid. The following are three examples of equity-linked securities. The Investment Fund may invest in the securities described below or other similar equity-linked securities.

PERCS. Preferred Equity Redemption Cumulative Stock ("PERCS") technically are preferred stock with some characteristics of common stock. PERCS are mandatorily convertible into common stock after a period of time, usually three years, during which the investors' capital gains are capped, usually at 30%. Commonly, PERCS may be redeemed by the issuer at any time or if the issuer's common stock is trading at a

specified price level or better. The redemption price starts at the beginning of the PERCS duration period at a price that is above the cap by the amount of the extra dividends the PERCS holder is entitled to receive relative to the common stock over the duration of the PERCS and declines to the cap price shortly before maturity of the PERCS. In exchange for having the cap on capital gains and giving the issuer the option to redeem the PERCS at any time or at the specified common stock price level, the Investment Fund may be compensated with a substantially higher dividend yield than that on the underlying common stock. Investors, such as the Investment Fund, that seek current income, find PERCS attractive because a PERCS provides a higher dividend income than that paid with respect to a company's common stock.

ELKS. Equity-Linked Securities ("ELKS") differ from ordinary debt securities, in that the principal amount received at maturity is not fixed but is based on the price of the issuer's common stock. ELKS are debt securities commonly issued in fully registered form for a term of three years under an indenture trust. At maturity, the holder of ELKS will be entitled to receive a principal amount equal to the lesser of a cap amount, commonly in the range of 30% to 55% greater than the current price of the issuer's common stock, or the average closing price per share of the issuer's common stock, subject to adjustment as a result of certain dilution events, for the 10 trading days immediately prior to maturity. Unlike PERCS, ELKS are commonly not subject to redemption prior to maturity. ELKS usually bear interest during the three-year term at a substantially higher rate than the dividend yield on the underlying common stock. In exchange for having the cap on the return that might have been received as capital gains on the underlying common stock, the Investment Fund may be compensated with the higher yield, contingent on how well the underlying common stock does. Investors, such as the Investment Fund, that seek current income, find ELKS attractive because ELKS provide a higher dividend income than that paid with respect to a company's common stock.

LYONS. Liquid Yield Option Notes ("LYONs") differ from ordinary debt securities, in that the amount received prior to maturity is not fixed but is based on the price of the issuer's common stock. LYONs are zero-coupon notes that sell at a large discount from face value. For an investment in LYONs, the Investment Fund will not receive any interest payments until the notes mature, typically in 15 to 20 years, when the notes are redeemed at face, or par, value. The yield on LYONs, typically, is lower-than-market rate for debt securities of the same maturity, due in part to the fact that the LYONs are convertible into common stock of the issuer at any time at the option of the holder of the LYONs. Commonly, the LYONs are redeemable by the issuer at any time after an initial period or if the issuer's common stock is trading at a specified price level or better, or, at the option of the holder, upon certain fixed dates. The redemption price typically is the purchase price of the LYONs plus accrued original issue discount to the date of redemption, which amounts to the lower-than-market yield. The Investment Fund will receive only the lower-than-market yield unless the underlying common stock increases in value at a substantial rate. LYONs are attractive to investors, like the Investment Fund, when it appears that they will increase in value due to the rise in value of the underlying common stock.

BORROWING AND OTHER FORMS OF LEVERAGE

Each of the Latin American and Worldwide High Income Funds is authorized to borrow money from banks and other entities in an amount equal to up to 331 1/3% of its total assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing, and may use the proceeds of the borrowing for investment purposes or to pay dividends. Borrowing creates leverage which is a speculative characteristic. Although the Investment Fund is authorized to borrow, it will do so only when the Adviser believes that borrowing will benefit the Investment Fund after taking into account considerations such as the costs of borrowing and the likely

investment returns on securities purchased with borrowed monies. Borrowing by the Investment Fund will create the opportunity for increased net income but, at the same time, will involve special risk considerations. Leveraging resulting from borrowing will magnify declines as well as increases in the Investment Fund's net asset value per share and net yield.

The Investment Fund expects that all of its borrowing will be made on a secured basis. The Investment Fund's Custodian will either segregate the assets securing the borrowing for the benefit of the lenders or arrangements will be made with a suitable sub-custodian. If assets used to secure the borrowing decrease in value, the Investment Fund may be required to pledge additional collateral to the lender in the form of cash or securities to avoid liquidation of those assets.

The Investment Fund may also enter into reverse repurchase agreements. See "Additional Investment Information -- Reverse Repurchase Agreements" below.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES

Each Investment Fund may purchase securities on a when-issued or delayed delivery basis. In such transactions, instruments are bought with payment and delivery taking place in the future in order to secure what is considered to be an advantageous yield or price at the time of the transaction. Delivery of and payment for these securities may take as long as a month or more after the date of the purchase commitment but will take place no more than 120 days after the trade date. Each Investment Fund will maintain with the Custodian a separate account with a segregated portfolio of cash, U.S. Government securities or other liquid high grade debt obligations in an amount at least equal to these commitments. The payment obligation and the interest rates that will be received are each fixed at the time an Investment Fund enters into the commitment, and no interest accrues to the Investment Fund until settlement. Thus, it is possible that the market value at the time of settlement could be higher or lower than the purchase price if the general level of interest rates has changed.

REPURCHASE AGREEMENTS

The Investment Funds may enter into repurchase agreements with brokers, dealers or banks that meet the credit guidelines of the Fund's Board of Directors. In a repurchase agreement, an Investment Fund buys a security from a seller that has agreed to repurchase it at a mutually agreed upon date and price, reflecting the interest rate effective for the term of the agreement. The term of these agreements is usually from overnight to one week and never exceeds one year. A repurchase agreement may be viewed as a fully collateralized loan of money by an Investment Fund to the seller. The Investment Funds always receive securities as collateral with a market value at least equal to the purchase price, including accrued interest, and this value is maintained during the term of the agreement. If the seller defaults and the collateral value declines, an Investment Fund might incur a loss. If bankruptcy proceedings are commenced with respect to the seller, the Investment Fund's realization upon the collateral may be delayed or limited. The aggregate of certain repurchase agreements and certain other investments is limited as set forth under "Investment Limitations."

REVERSE REPURCHASE AGREEMENTS

The Worldwide High Income, Latin American, Growth and Income and Money Market Funds may enter into reverse repurchase agreements with brokers, dealers, domestic and foreign banks or other financial institutions that have been determined by the Adviser to be creditworthy. In a reverse repurchase agreement, the Investment Fund sells a security and agrees to repurchase it at a mutually agreed upon date and price, reflecting the interest rate effective for the term of the agreement. It may also be viewed as the borrowing of

money by the Investment Fund. The Investment Fund's investment of the proceeds of a reverse repurchase agreement is the speculative factor known as leverage. The Investment Fund will enter into a reverse repurchase agreement only if the interest income from investment of the proceeds is expected to be greater than the interest expense of the transaction and the proceeds are invested for a period no longer than the term of the agreement. The Investment Fund will maintain with the Custodian a separate account with a segregated portfolio of cash, U.S. Government securities or other liquid high grade debt obligations in an amount at least equal to its purchase obligations under these agreements (including accrued interest). If interest rates rise during a reverse repurchase agreement, it may adversely affect the Investment Fund's ability to maintain a stable net asset value. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Investment Fund's repurchase obligation, and the Investment Fund's use of proceeds of the agreement may effectively be restricted pending such decision. The aggregate of these agreements is limited as set forth under "Investment Limitations." Reverse repurchase agreements are considered to be borrowings and are subject to the percentage limitations on borrowings set forth in "Investment Limitations."

LOANS OF PORTFOLIO SECURITIES

Each of the Investment Funds may lend their securities to brokers, dealers, domestic and foreign banks or other financial institutions for the purpose of increasing its net investment income. These loans must be secured continuously by cash or equivalent collateral or by a letter of credit at least equal to the market value of the securities loaned plus accrued interest. The Investment Funds will not enter into securities loan transactions exceeding in the aggregate 33% of the market value of an Investment Fund's total assets (exceeding in the aggregate 20% of such value with respect to the Latin American Fund). As with other extensions of credit, there are risks of delay in recovery or even loss of rights in collateral should the borrower of the portfolio securities fail financially. For more detailed information about securities lending, see "Investment Objectives and Policies" in the Statement of Additional Information.

FUTURES CONTRACTS AND OPTIONS ON FUTURES CONTRACTS

In order to remain fully invested, and to reduce transaction costs, the American Value, Emerging Markets, Latin American, Growth and Income and Worldwide High Income Funds may utilize appropriate securities index futures contracts and options on securities index futures contracts to a limited extent and the Latin American Fund may utilize appropriate interest rate futures contracts and options on interest rate futures contracts to a limited extent. Because transaction costs associated with futures and options may be lower than the costs of investing in securities directly, it is expected that the use of index futures and options to facilitate cash flows may reduce an Investment

Fund's overall transaction costs. Each of these Investment Funds may sell indexed financial futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of securities in its portfolio that might otherwise result. When the Investment Fund is not fully invested and the Adviser anticipates a significant market advance, it may purchase stock index futures in order to gain rapid market exposure that may in part or entirely offset increases in the cost of securities that it intends to purchase. In a substantial majority of these transactions, the Investment Fund will purchase such securities upon termination of the futures position but, under unusual market conditions, a futures position may be terminated without the corresponding purchase of securities. The Investment Funds will engage in futures and options transactions only for hedging purposes.

The American Value, Growth and Income and Worldwide High Income Funds will engage only in transactions in securities index futures contracts, interest rate futures contracts and options thereon which are traded on a recognized securities or futures exchange. There currently are limited securities index futures, interest rate futures and options on such futures markets in many countries, particularly emerging countries such as Latin American countries, and the nature of the strategies adopted by the Adviser and the extent to which those strategies are used will depend on the development of such markets.

The Emerging Markets, American Value, Growth and Income and Worldwide High Income Funds may enter into futures contracts and options thereon provided that not more than 5% of the Investment Fund's total assets are required as deposit to secure obligations under such contracts, and provided further that not more than 20% of the Investment Fund's total assets, in the aggregate are invested in futures contracts and options transactions.

The primary risks associated with the use of futures and options are (i) imperfect correlation between the change in market value of the stocks held by the Investment Fund and the prices of futures and options relating to the stocks purchased or sold by the Investment Fund, and (ii) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position which could have an adverse impact on the Investment Fund's ability to hedge. The risk of loss in trading on futures contracts in some strategies can be substantial, due both to the low margin deposits required and the extremely high degree of leverage involved in futures pricing. Gains and losses on futures and options depend on the Adviser's ability to predict correctly the direction of stock prices, interest rates, and other economic factors. In the opinion of the Directors, the risk that the Investment Fund will be unable to close out a futures position or options contract will be minimized by only entering into futures contracts or options transactions for which there appears to be a liquid secondary market. For more detailed information about futures transactions see "Investment Objectives and Policies" in the Statement of Additional Information.

DEPOSITARY RECEIPTS

The Asian Growth, Emerging Markets, Latin American, American Value, Growth and Income and Worldwide High Income Funds may on occasion invest in American Depositary Receipts ("ADRs"). The Latin American Fund and Worldwide High Income Fund may also invest in other Depositary Receipts, including Global Depositary Receipts ("GDRs"), European Depositary Receipts ("EDRs") and other Depositary Receipts (which, together with ADRs, GDRs and EDRs, are hereinafter collectively referred to as "Depositary Receipts"), to the extent that such Depositary Receipts become available. ADRs are securities, typically issued by a U.S. financial institution (a "depositary"), that evidence ownership interests in a security or a pool of securities issued by a foreign issuer (the "underlying issuer") and deposited with the depositary. ADRs include American Depositary Shares and New York Shares and may be "sponsored" or "unsponsored." Sponsored ADRs are established jointly by a depositary and the underlying issuer, whereas unsponsored ADRs may be established by a depositary without participation by the underlying issuer. GDRs, EDRs and other types of Depositary Receipts are typically issued by foreign depositaries, although they may also be issued by U.S. depositaries, and evidence ownership interests in a security or pool of securities issued by either a foreign or a U.S. corporation.

Holders of unsponsored Depositary Receipts generally bear all the costs associated with establishing the unsponsored Depositary Receipt. The depositary of an unsponsored Depositary Receipt is under no obligation to distribute shareholder communications received from the underlying issuer or to pass through to the holders of the unsponsored Depositary Receipt voting rights with respect to the deposited securities or pool of securities. Depositary Receipts are not necessarily denominated in the same currency as the underlying securities to which they may be connected. Generally, Depositary Receipts in registered form are designed for use in the U.S. securities market and Depositary Receipts in bearer form are designed for use in securities markets outside the United States. The Asian Growth, American Value, Growth and Income and Worldwide High Income Funds may invest in sponsored and unsponsored Depositary Receipts. For purposes of the Investment Fund's investment policies, the Investment Fund's investments in Depositary Receipts will be deemed to be investments in the underlying securities.

MONEY MARKET INSTRUMENTS

The Non-Money Funds are permitted to invest in money market instruments, although the Investment Funds intend to stay invested in securities satisfying their primary investment objective to the extent practical. The Investment Funds may make money market investments pending other investment or settlement for liquidity or in adverse market conditions. The money market investments permitted for the Investment Funds include obligations of the U.S. Government and its agencies and instrumentalities, obligations of foreign sovereignties, other debt securities, commercial paper including bank obligations, certificates of deposit (including Eurodollar certificates of deposit) and repurchase agreements. For more detailed information about these money market investments, see "Description of Securities and Ratings" in the Statement of Additional Information.

TEMPORARY INVESTMENTS

During periods in which the Adviser believes changes in economic, financial or political conditions make it advisable, for temporary defensive purposes each of the Emerging Markets Fund and Latin American Fund may reduce its holdings in equity and other securities and may invest in certain short-term (less than twelve months to maturity) and medium-term (not greater than five years to maturity) debt securities or may hold cash. The short-term and medium-term debt securities in which the Investment Fund may invest consist of (a) obligations of the United States or emerging country governments (Latin American governments with respect to the Latin American Fund), their respective agencies or instrumentalities; (b) bank deposits and bank obligations (including certificates of deposit, time deposits and bankers' acceptances) of United States or emerging country banks (Latin American banks with respect to the Latin American Fund) denominated in any currency; (c) floating rate securities and other instruments denominated in any currency issued by international development agencies; (d) finance company and corporate commercial paper and other short-term corporate debt obligations of United States and emerging country corporations (Latin American corporations with respect to the Latin American Fund) meeting the Investment Fund's credit quality standards; and (e) repurchase agreements with banks and broker-dealers with respect to such securities. See "Additional Investment Information -- Repurchase Agreements." For temporary defensive purposes, the Investment Fund intends to invest only in short-term and medium-term debt securities that the Adviser believes to be of high quality, i.e., subject to relatively low risk of loss of interest or principal (there is currently no rating system for debt securities in most emerging countries, including most Latin American countries.)

NON-PUBLICLY TRADED SECURITIES, PRIVATE PLACEMENTS AND RESTRICTED SECURITIES

Each of the Non-Money Funds may invest in securities that are neither listed on a stock exchange nor traded over the counter. Such unlisted equity securities may involve a higher degree of business and financial risk that can result in substantial losses. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Investment Fund or less than what may be considered the fair value of such securities. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements which might be applicable if their securities were publicly traded. If such securities are required to be registered under the securities laws of one or more jurisdictions before being resold, the Investment Fund may be required to bear the expenses of registration. As a general matter, the Investment Fund may not invest more than 15% of its total assets in illiquid securities, including securities for which there is no readily available secondary market. Securities that are not registered under the Securities Act of 1933, as amended, but that can be offered and sold to qualified institutional buyers under Rule 144A under that Act will not be included within the foregoing 15% restriction if the securities are determined to be liquid. The Board of Directors has adopted guidelines and delegated to the Adviser, subject to the supervision of the Board of Directors, the daily function of determining and monitoring the liquidity of Rule 144A securities. Rule 144A securities may become illiquid if qualified institutional buyers are not interested in acquiring the securities.

NON-DIVERSIFICATION

The Global Fixed Income Fund, Emerging Markets Fund and Latin American Fund are non-diversified portfolios, which means that the Investment Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the obligations of a single issuer. Thus, each Investment Fund may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result, will be subject to greater risk with respect to its portfolio securities. Each Investment Fund, however, intends to comply with the diversification requirements imposed by the Internal Revenue Code for qualification as a regulated investment company. See "Taxes" and "Investment Restrictions."

FOREIGN INVESTMENT RISK FACTORS

Each of the Investment Funds may invest in securities of foreign issuers. Investment in securities of foreign issuers, especially in securities of issuers in emerging countries, and in foreign branches of domestic banks involves somewhat different investment risks from those affecting securities of U.S. issuers. There may be limited publicly available information with respect to foreign issuers, and foreign issuers are not generally subject to uniform accounting, auditing, and financial and other reporting standards and requirements comparable to those applicable to domestic companies. Therefore, disclosure of certain material information may not be made and less information may be available to investors investing in foreign countries than in the United States. There may also be less government supervision and regulation of foreign securities exchanges, brokers and listed companies than in the United States. Many foreign securities markets have substantially less volume than U.S. national securities exchanges, and securities of some foreign issuers are less liquid and subject to greater price volatility than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign securities exchanges are generally higher than in the United States. Dividends and interest paid by foreign issuers may be subject to withholding and other foreign taxes, which may decrease the net return on

foreign investments as compared to dividends and interest paid to the Investment Funds by domestic companies. See "Taxes." Additional risks include future adverse political and economic developments, the possibility that a foreign jurisdiction might impose or change withholding taxes on income payable with respect to foreign securities, possible seizure, nationalization or expropriation of the foreign issuer or foreign deposits, and the possible adoption of foreign governmental restrictions such as exchange controls. Many of the emerging countries listed above may have less stable political environments than more developed countries. Also, it may be more difficult to obtain a judgment in a court outside the United States.

Investments in securities of foreign issuers are frequently denominated in foreign currencies, and each Investment Fund may also temporarily hold uninvested reserves in bank deposits in foreign currencies. Therefore, the value of an Investment Fund's assets measured in United States Dollars may be affected favorably or unfavorably by changes in currency exchange rates and exchange control regulations. Each Investment Fund will also incur certain costs in connection with conversions between various currencies.

INVESTMENT LIMITATIONS

Each Investment Fund, except the Global Fixed Income, Emerging Markets and Latin American Funds, is a diversified investment company under the 1940 Act, and is subject to the following limitations: (a) as to 75% of its total assets, the Investment Fund may not invest more than 5% of its total assets in the securities of any one issuer, except obligations of the U.S. Government and its agencies and instrumentalities, and (b) the Investment Fund may not own more than 10% of the outstanding voting securities of any one issuer. The Global Fixed Income, Emerging Markets and Latin American Funds are nondiversified investment companies under the 1940 Act, which means that each of such Investment Funds is not limited by the 1940 Act in the proportion of its total assets that may be invested in the obligations of a single issuer. Thus, each of such Investment Funds may invest a greater proportion of its total assets in the securities of a smaller number of issuers and, as a result, will be subject to greater risk with respect to its portfolio securities. Each of such Investment Funds, however, intends to comply with the diversification requirements imposed by the Internal Revenue Code of 1986, as amended, for qualification as a regulated investment company. See "Taxes."

The Investment Funds also operate under certain investment restrictions that are deemed fundamental policies and may be changed by an Investment Fund only with the approval of the holders of a majority of the Investment Fund's outstanding shares. In addition to other restrictions listed in the Statement of Additional Information, an Investment Fund may not (i) enter into repurchase agreements with more than seven days to maturity if, as a result, more than 15% of the market value of the Investment Fund's total assets (or for the Money Market Fund, 10% of the market value of its net assets) would be invested in these agreements and other investments for which market quotations are not readily available or which are otherwise illiquid; (ii) borrow money except from banks for extraordinary or emergency purposes and then only in amounts up to 10% of the value of the Investment Fund's total assets, taken at cost at the time of borrowing, or purchase securities while borrowings exceed 5% of its total assets, or mortgage, pledge or hypothecate any assets except in connection with any such borrowing in amounts up to 10% of the value of the Investment Fund's net assets at the time of borrowing; except that each of the Latin American and Worldwide High Income Funds may borrow, and mortgage, pledge or hypothecate its assets to secure such borrowings, in amounts equal to up to 33 1/3% of its assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing; and except that the Latin American, Worldwide High Income, Growth and Income and Money Market Funds may enter into reverse repurchase agreements in accordance with their investment objectives and policies; (iii) invest in fixed time deposits with a duration of over seven calendar days; (iv) invest in fixed time deposits with a duration of from two business days to seven calendar days if more than 10% (5% in the case of the Money Market Fund) of the Investment Fund's total assets would be invested in these deposits; or (v) except for the Latin American Fund, invest more than 25% of the Investment Fund's total assets in securities of companies in any one industry, except that for the Money Market Fund there is no limitation on the purchase of instruments issued by U.S. banks.

MANAGEMENT OF THE FUND

Investment Adviser. Morgan Stanley Asset Management Inc. (the "Adviser") is the Investment Adviser and Administrator of the Fund and each of its Investment Funds. The Adviser provides investment advice and portfolio management services pursuant to an Investment Advisory Agreement and, subject to the supervision of the Fund's Board of Directors, makes each of the Investment Fund's investment decisions, arranges for the execution of portfolio transactions and generally manages each of the Investment Fund's investments. Set forth below as an annual percentage of average daily net assets are the advisory fees paid to the Adviser quarterly by each Investment Fund. The investment advisory fees of the Non-Money Funds, which involve international investments, are higher than those of most investment companies but comparable to those of investment companies with similar objectives.

<TABLE>

<S>	<C>
Global Equity Allocation Fund	1.00%
Global Fixed Income Fund	0.75%
Asian Growth Fund	1.00%
Emerging Markets Fund	1.25%
Latin American Fund	1.25%
European Equity Fund	1.00%
American Value Fund	0.85%
Worldwide High Income Fund	0.75%
Growth and Income Fund	0.75%
Money Market Fund	0.35%

</TABLE>

The Adviser, with principal offices at 1221 Avenue of the Americas, New York, NY 10020, conducts a worldwide portfolio management business. It provides a broad range of portfolio management services to customers in the United States and abroad. At September 30, 1994, the Adviser managed investments totaling approximately $51 billion, including approximately $38 billion under active management and $13 billion as Named Fiduciary or Fiduciary Adviser. See "Management of the Fund -- Investment Advisory and Administrative Agreements" in the Statement of Additional Information.

The Money Market Fund and each class of the Non-Money Funds have adopted separate Plans of Distribution pursuant to Rule 12b-1 under the 1940 Act (each, a "Plan"). Under the applicable Plan, which is described in more detail under "Distributor" below, the Distributor is entitled to receive from the Money Market Fund, and from each of the Non-Money Funds with respect to the Class A shares, payments of up to 0.25% of such Investment Fund's or class's annual average net assets, and from each of the Non-Money Funds with respect to the Class B shares, payments of up to 1.00% of such class's annual average net assets. Each Plan recognizes that, in addition to such payments, the Adviser may use its advisory fees or other resources to pay

expenses associated with activities which might be construed to be financing the sale of these Investment Funds' shares. Each Plan provides that the Adviser may make payments from these sources to third parties, such as consultants that provide assistance in the distribution effort (in addition to selling shares and providing shareholder services). As part of such distribution fee. up to 0.25% of the net assets of each class will be used to compensate for shareholder services provided.

PORTFOLIO MANAGERS -- The following individuals have primary portfolio management responsibility for the portfolios noted below:

GLOBAL EQUITY ALLOCATION FUND -- PAUL J. JACKSON. Mr. Jackson is a Principal of Morgan Stanley. He joined the Adviser in 1991 to focus on global asset allocation, with particular responsibility for the Active Country Allocation product. Mr. Jackson joined Morgan Stanley in 1986 as an economist and quantitative analyst. He has had primary management responsibility for the Investment Fund since its inception. As a member of the equity research department, he was responsible for Morgan Stanley's global quantitative research efforts. During this time, he wrote and produced a GLOBALQUANT research publication for the firm. Formerly, Mr. Jackson worked at the U.K. Department of Energy focusing on macroeconomic analysis. He graduated from the London School of Economics and was awarded a Masters Degree in Economics from University College, Oxford, England.

GLOBAL FIXED INCOME FUND -- MARY T. COUGHLIN AND MICHAEL J. SMITH. Mary

Coughlin joined the Adviser as a Vice President in 1990. She has had primary management responsibility for the Investment Fund since its inception. Prior thereto, she was a Vice President at Continental Asset Management in taxable fixed income, where she managed $6 billion in domestic fixed-income portfolios and covered global markets (including U.S. government, corporate, and mortgage-backed securities and international government bonds). Before joining Continental Asset Management in 1987, Ms. Coughlin was a Vice President and global fixed-income manager for Merrill Lynch Asset Management. She began her investment career with General Reinsurance Company in 1981. Ms. Coughlin holds a B.S. in Finance and Economics from Susquehanna University and an M.B.A. in Finance from New York University. Michael Smith joined the Adviser as a fixed-income manager in 1990 and became a Vice President of Morgan Stanley in 1992. He has had primary management responsibility for the Investment Fund since its inception. He was previously employed by Gartmore Investment Management, where he had day-to-day responsibility for the management of global and European fixed-income and money market funds. Prior to his three years at Gartmore, Mr. Smith spent four years with Legal & General Investment as an analyst and fund manager responsible for the fixed-income portion of several large segregated funds. Mr. Smith is a graduate of Exeter University, England.

ASIAN GROWTH FUND -- EAN WAH CHIN, JAMES CHENG, AND SEAH KIAT SENG. Ean Wah Chin is a Managing Director of Morgan Stanley and is responsible for the Adviser's regional Asia ex-Japan operations based in Singapore. She has had primary management responsibility for the Investment Fund since its inception. Prior to joining Morgan Stanley in 1986, Ms. Chin spent eight years with the Monetary Authority of Singapore and the Government of Singapore Investment Corporation, where she was a portfolio manager on one of the largest portfolios in Asia. Ms. Chin was an ASEAN scholar educated at the University of Singapore. James Cheng is a Principal of Morgan Stanley. Mr. Cheng joined the Adviser in 1988 as a portfolio manager for Asian markets and is a Vice President of the Adviser, currently responsible for investments in Hong Kong, China, Taiwan, and South Korea. He has had primary management responsibility for the Investment Fund since its inception. Prior to

joining Morgan Stanley, he was affiliated with American Express and with Arthur Andersen, where he spent three years as an auditor/consultant. Mr. Cheng holds an M.B.A. from the University of Michigan, Ann Arbor. Seah Kiat Seng joined the Adviser's Singapore office in 1990 as a portfolio manager/analyst specializing in the Southeast Asian markets. He is currently a Vice President, responsible for investments in Thailand. He has had primary management responsibility for the Investment Fund since its inception. Previously, Kiat Seng worked at Barclays de Zoete Wedd (BZW), where he was a senior investment analyst who helped pioneer BZW's research effort in Singapore. Kiat Seng is a Chartered Financial Analyst and a qualified real estate valuer who has worked for the Singapore Ministry of Finance. He was a Colombo Plan Scholar educated in New Zealand.

EMERGING MARKETS FUND -- MADHAV DHAR. Madhav Dhar is a Managing Director of Morgan Stanley. He joined the Adviser in 1984 to focus on global asset allocation and investment strategy and now heads the Adviser's emerging markets group and serves as the group's principal portfolio manager. Mr. Dhar also coordinates the Adviser's developing country funds effort and has been involved in the launching of the Adviser's country funds. He is the portfolio manager of the Morgan Stanley Institutional Fund, Inc. Emerging Markets Portfolio and the Morgan Stanley Emerging Markets Funds, Inc. (a closed-end investment company listed on the New York Stock Exchange ("NYSE")) and is a director of the Morgan Stanley Emerging Markets Fund, Inc. He holds a B.S. (honors) from St. Stephens College, Delhi University (India), and an M.B.A. from Carnegie-Mellon University. Mr. Dhar has had primary responsibility for managing the Investment Fund's assets since inception.

LATIN AMERICAN FUND -- ROBERT L. MEYER. Robert Meyer joined the Adviser in 1989 and is now a Vice President of Morgan Stanley. He is responsible for all of the Adviser's equity investments in Latin America and has had primary responsibility for managing the Investment Fund since its inception.

EUROPEAN EQUITY FUND -- ROBERT SARGENT. Mr. Sargent is a Principal of Morgan Stanley. He joined Morgan Stanley International in May, 1986, and transferred to the Adviser in June, 1987. As the fund manager with primary responsibility for continental European stock selection and portfolio management, Mr. Sargent is closely involved with the Adviser's fundamental research effort and company visiting program. He is a graduate of York University, Toronto, Canada. Mr. Sargent has had primary responsibility for managing the Investment Fund's assets since inception.

AMERICAN VALUE FUND -- MICHAEL A. CROWE AND CHRISTIAN K. STADLINGER. Mr. Crowe is a Managing Director of Morgan Stanley and head of its Chicago office. He also has overall responsibility for the Adviser's U.S. large capitalization value equity, U.S. small capitalization value equity and value balanced products. He has had primary management responsibility for the Investment Fund since its inception. Mr. Crowe's equity research responsibilities include energy, banking and financial diversified sectors. Mr. Stadlinger is a Vice President of the Adviser and manages the small-cap value equity product of the Adviser's Chicago affiliate. He is also a member of the Adviser's Chicago large cap value portfolio management team, specializing in quantitative and fundamental research. He has had primary management responsibility for the Investment Fund since its inception. Upon completion of his Ph.D., Mr. Stadlinger was the catalyst in the development of the small-cap value product, and he continues to research and develop structured valuation techniques in small cap investing. Mr. Stadlinger has a degree in Computer Science and Economics from the University of Vienna, Austria, and a Ph.D. in Economics from Northwestern University, where he also taught statistics and economics.

WORLDWIDE HIGH INCOME FUND -- ROBERT ANGEVINE AND PAUL GHAFFARI. Robert Angevine is a Principal of the Adviser and the portfolio manager for high yield investments. He has had primary management responsibility for the Investment Fund since its inception. Prior to joining the Adviser in October 1988, he spent over eight years at Prudential Insurance, where he was responsible for the largest open-end high yield mutual fund in the country. Mr. Angevine also manages high yield assets for one of the largest corporate pension funds in the country. His other experience includes international treasury operations at a major pharmaceutical company and commercial banking. Mr. Angevine received an M.B.A. from Fairleigh Dickinson University and a B.A. in Economics from Lafayette College. He served two years as a Lieutenant in the U.S. Army. Paul Ghaffari is a Principal of Morgan Stanley and portfolio manager for the Morgan Stanley Emerging Markets Debt Fund, Inc. (a closed-end investment company listed on the NYSE). He has had primary management responsibility for the Investment Fund since its inception. Prior to joining the Adviser, he was a Vice President in the Fixed Income Division of the Emerging Markets Sales and Trading Department at Morgan Stanley. From 1983 to 1992, Mr. Ghaffari worked in the LDC Sales and Trading Department and the Mortgage-Backed Securities Department at J.P. Morgan & Co., Inc. and worked in the Treasury Department at the Morgan Guaranty Trust Co. He holds a B.A. in International Relations from Pomona College and a M.S. in Foreign Service from Georgetown University.

GROWTH AND INCOME FUND -- KURT A. FEUERMAN AND MARGARET KINSLEY JOHNSON. Kurt Feuerman is a Managing Director of the Adviser and has had primary management responsibility for the Investment Fund since its inception. Prior to joining the Adviser in July 1993, he spent over three years in Morgan Stanley's Research Department where he was responsible for restaurant, gaming and emerging growth stocks. Before joining Morgan Stanley, Mr. Feuerman was a Managing Director at Drexel Burnham Lambert, where he had been an equity analyst since 1984. From 1982 to 1984, Mr. Feuerman was at the Bank of New York, following the auto and auto parts industries. Mr. Feuerman earned a B.A. degree from McGill University, an M.A. from Syracuse University, and an M.B.A. from Columbia University. Margaret Johnson is a Vice President of the Adviser and has had primary management responsibility for the Investment Fund since its inception. She joined Morgan Stanley in 1984 as a marketing analyst. She became an equity analyst in 1986 and a portfolio manager in 1989. Prior to joining Morgan Stanley, Ms. Johnson worked for the New York City PBS affiliate, WNET, Channel 13. She holds a B.A. degree from Yale College and is a Chartered Financial Analyst.

MONEY MARKET FUND -- ABIGAIL JONES FEDER, GERALD P. BARTH, AND KENNETH R. HOLLEY. Abigail Feder is a Vice President of the Adviser and a short-term, fixed-income portfolio manager responsible for taxable and tax-advantaged portfolios. She has had primary management responsibility for the Investment Fund since its inception. Prior to joining the group in 1990, she spent three years in the marketing area, where she worked first as an analyst and was then promoted to a marketing director in 1988. Ms. Feder originally joined Morgan Stanley in 1985 as an analyst in the corporate finance department. She holds a B.A. from Vassar College. Gerald P. Barth joined the Adviser in 1987 to establish the short to intermediate-term taxable cash management area and to manage the tax-exempt municipal bond portfolio. He became a Vice President in 1989 and a Principal in 1991. He has had primary management responsibility for the Investment Fund since its inception. Prior to joining the Adviser, Mr. Barth was Director of Investments at Subaru of America for five years, where he managed both the short and intermediate-term corporate cash portfolios. He began his career at Arthur Andersen in the audit department and spent two years in the tax department. He earned a B.S. in Accounting from LaSalle College and became a Certified Public Accountant in 1977. Kenneth R. Holley joined the Adviser as a short-term, fixed income portfolio manager in August 1993. He has had primary management responsibility

for the Investment Fund since its inception. Previously, he worked for more than two years as a finance officer for the African Development Bank (ADB) implementing trading strategies for the bank's $1 billion short to intermediate U.S. dollar portfolio. Prior to joining the ADB, Mr. Holley was a Vice President at Ward and Associates Asset Management for a year and a half, responsible for fixed income strategy. He holds a B.S. in Engineering from the University of Pennsylvania and a M.B.A. from the Wharton School.

ADMINISTRATION. The Adviser also provides the Fund with administrative services pursuant to a separate Administration Agreement. The services provided under the Administration Agreement are subject to the supervision of the officers and Board of Directors of the Fund and include day-to-day administration of matters related to the corporate existence of the Fund, maintenance of its records, preparation of reports, supervision of the Fund's arrangements with its custodian and assistance in the preparation of the Fund's registration statements under Federal and State laws. The Administration Agreement also provides that the Adviser through its agents will provide the Fund dividend disbursing and transfer agent services. For its services under the Administration Agreement, the Fund pays the Adviser a monthly fee which on an annual basis equals 0.25% of the average daily net assets of each Investment Fund.

Under the United States Trust Administration Agreement between the Adviser and United States Trust Company of New York ("U.S. Trust"), U.S. Trust has agreed to provide certain administrative services to the Fund. Pursuant to a delegation clause in the U.S. Trust Administration Agreement, Mutual Funds Service Company ("MFSC" or the "Transfer Agent"), a subsidiary of U.S. Trust, provides these services to the Fund. The Adviser supervises and monitors such administrative services provided by MFSC. The services provided under the Administration Agreement and the U.S. Trust Administration Agreement are also subject to the supervision of the Board of Directors of the Fund. The Board of Directors of the Fund has approved the provision of services described above pursuant to the Administration Agreement and the U.S. Trust Administration Agreement as being in the best interests of the Fund. MFSC's business address is 73 Tremont Street, Boston, Massachusetts 02108-3913. For additional information on the Administration Agreement and the U.S. Trust Administration Agreement, see "Management of the Fund" in the Statement of Additional Information.

ADMINISTRATORS FOR THE LATIN AMERICAN FUND. The Investment Fund is required under Brazilian law to have a local administrator in Brazil. Unibanco-Uniao (the "Brazilian Administrator"), a Brazilian corporation, acts as the Investment Fund's Brazilian administrator pursuant to an agreement with the Investment Fund (the "Brazilian Administration Agreement"). Under the Brazilian Administration Agreement, the Brazilian Administrator performs various services for the Investment Fund, including effecting the registration of the Investment Fund's foreign capital with the Central Bank of Brazil, effecting all foreign exchange transactions related to the Investment Fund's investments in Brazil and obtaining all approvals required for the Investment Fund to make remittances of income and capital gains and for the repatriation of the Fund's investments pursuant to Brazilian law. For its services, the Brazilian Administrator is paid an annual fee equal to .125% of the Investment Fund's average weekly net assets invested in Brazil, paid monthly. The principal office of the Brazilian Administrator is located at Avenida Eusebio Matoso, 891, Sao Paulo, S.P., Brazil. The Brazilian Administration Agreement is terminable upon six months' notice by either party; the Brazilian Administrator may be replaced only by an entity authorized to act as a joint manager of a managed portfolio of bonds and securities under Brazilian law.

DIRECTORS AND OFFICERS. Pursuant to the Fund's Articles of Incorporation, the Board of Directors decides upon matters of general policy and review the actions of the Fund's Adviser, administrators and Distributor. The Officers of the Fund conduct and supervise its daily business operations.

DISTRIBUTOR. Morgan Stanley serves as the Distributor of the shares of the Fund. Under its Distribution Agreement with the Fund, Morgan Stanley sells shares of the Fund upon the terms and at the current offering price described in this Prospectus. Morgan Stanley is not obligated to sell any specific number of shares of the Fund.

The Fund currently offers only the classes of shares offered by this Prospectus. The Fund has been granted an exemptive order by the SEC so that each Investment Fund can offer more than one class of shares. The Fund may in the future offer one or more classes of shares for each of the Non-Money Funds which may have different CDSCs or initial sales charges or other distribution charges or a combination thereof.

The Board of Directors of the Fund has approved and adopted the Distribution Agreement for the Fund and a Plan for the Money Market Fund and each class of the Non-Money Funds pursuant to Rule 12b-1 under the 1940 Act. Under each Plan, the Distributor is entitled to receive from these Investment Funds a distribution fee, which is accrued daily and paid quarterly, of up to 0.25% for the Money Market Fund and the Class A shares of each of the Non-Money Funds and up to 1.00% of the Class B shares of each of the Non-Money Funds, on an annualized basis of the average daily net assets of such Investment Fund or classes. The Distributor expects to reallocate most of its fee to investment dealers, banks or financial services firms that provide distribution, administrative or shareholder services ("Participating Dealer"). The actual amount of such compensation is agreed upon by the Fund's Board of Directors and by the Distributor. The Distributor may, in its discretion, voluntarily waive from time to time all or any portion of its distribution fee and the Distributor is free to make additional payments out of its own assets to promote the sale of Fund shares.

In addition to the distribution fees described above, Morgan Stanley also receives a sales charge of up to 4.75% of the sales price of Class A shares of the Non-Money Funds and may receive a CDSC of up to 1.00% of the sales price of shares of the Non-Money Funds, as described below under "Purchase of Shares."

Morgan Stanley may reallow up to the full applicable sales charge, as shown in the table in "Purchase of Shares" below, to certain Participating Dealers during periods and for transactions specified in "Purchase of Shares" and such reallowances may be based upon attainment of minimum sales levels. During periods when 90% or more of the sales charge is reallowed, certain Participating Dealers may be deemed to be underwriters as that term is defined in the Securities Act of 1933, as amended. In addition to the sales charges described above, Morgan Stanley may from time to time and from its own resources pay or allow additional discounts or promotional incentives, in the form of cash or other compensation, to Participating Dealers. In some instances, such discounts or other incentives may be offered only to certain Participating Dealers that sell or are expected to sell during specified time periods certain minimum amounts of shares of the Fund, or other funds underwritten by Morgan Stanley. In some instances, these incentives may be offered only to certain Participating Dealers that have sold or may sell significant amounts of shares. In addition, Morgan Stanley pays ongoing trail commissions to Participating Dealers. At the option of the Participating Dealer, such bonuses or other incentives may take the form of payment for travel expenses, including lodging incurred in connection with trips taken by persons associated with the Participating Dealer and members of their families to places within or outside of the United States.

The Plans obligate the Investment Funds to accrue and pay to the Distributor the fee agreed to under its Distribution Agreement. The Plans do not obligate the Investment Funds to reimburse Morgan Stanley for the actual expenses Morgan Stanley may incur in fulfilling its obligations under the Plan. Thus, under each Plan,

even if Morgan Stanley's actual expenses exceed the fee payable to it thereunder at any given time, the Investment Funds will not be obligated to pay more than that fee. If Morgan Stanley's actual expenses are less than the fee it receives, Morgan Stanley will retain the full amount of the fee.

Each Plan of Distribution for a class of Fund shares, under the terms of Rule 12b-1, will remain in effect only if approved at least annually by the Fund's Board of Directors, including those directors who are not "interested persons" of the Fund as that term is defined in the 1940 Act and who have no direct or indirect financial interest in the operation of a Plan or in any agreements related thereto ("12b-1 Directors"). Each Plan may be terminated at any time by a vote of a majority of the 12b-1 Directors or by a vote of a majority of the outstanding voting securities of the applicable class of an Investment Fund. The fee set forth above will be paid by the Investment Fund or class thereof to Morgan Stanley unless and until a Plan is terminated or not renewed. The Fund intends to operate each Plan in accordance with its terms and the NASD Rules concerning sales charges.

EXPENSES. The Investment Funds are responsible for payment of certain other fees and expenses (including professional fees, custodial fees and printing and mailing costs) specified in the Administration and Distribution Agreements.

PORTFOLIO TRANSACTIONS

The Investment Advisory Agreement authorizes the Adviser to select the brokers or dealers that will execute the purchases and sales of investment securities for each of the Investment Funds and directs the Adviser to use its best efforts to obtain the best available price and most favorable execution with respect to all transactions for the Investment Funds. The Fund has authorized the Adviser to pay higher commissions in recognition of brokerage services which, in the opinion of the Adviser, are necessary for the achievement of better execution, provided the Adviser believes this to be in the best interest of the Fund.

Shares of the Investment Funds are marketed through Participating Dealers and the Fund may allocate brokerage or principal business on the basis of sales of shares of the Investment Funds which may be made through such firms. The Adviser may place portfolio orders with qualified broker-dealers who recommend the Investment Funds or who act as agents in the purchase of shares of the Investment Funds for their clients.

In purchasing and selling securities for each of the Investment Funds, it is the Fund's policy to seek to obtain quality execution at the most favorable prices, through responsible broker-dealers. In selecting broker-dealers to execute the securities transactions for the Investment Funds, consideration will be given to such factors as the price of the security, the rate of the commission, the size and difficulty of the order, the reliability, integrity, financial condition, general execution and operational capabilities of competing broker-dealers, and the brokerage and research services which they provide to the Fund. Some securities considered for investment by each of the Investment Funds may also be appropriate for other clients served by the Adviser. If purchase or sale of securities consistent with the investment policies of an Investment Fund and one or more of such other clients served by the Adviser is considered at or about the same time, transactions in such securities will be allocated among the Investment Fund and other clients in a manner deemed fair and reasonable by the Adviser. Although there is no specified formula for allocating such transactions, the various allocation methods used by the

Adviser, and the results of such allocations, are subject to periodic review by the Fund's Board of Directors.

Subject to the overriding objective of obtaining the best possible execution of orders, the Adviser may allocate a portion of the Fund's portfolio brokerage transactions to Morgan Stanley or broker affiliates of Morgan Stanley. In order for Morgan Stanley or its affiliates to effect any portfolio transactions for the Fund, the commissions, fees or other remuneration received by Morgan Stanley or such affiliates must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on a securities exchange during a comparable period of time. Furthermore, the Board of Directors of the Fund, including a majority of the Directors who are not "interested persons" of the Fund as defined in the 1940 Act, have adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to Morgan Stanley or such affiliates are consistent with the foregoing standard.

Portfolio securities will not be purchased from, or through, or sold to or through, the Adviser or Morgan Stanley or any "affiliated persons," as defined in the 1940 Act, of Morgan Stanley when such entities are acting as principals, except to the extent permitted by law.

Although the primary objective of each of the Investment Funds is not to invest for short-term trading, each of the Investment Funds will seek to take advantage of trading opportunities as they arise to the extent they are consistent with the Investment Fund's objectives. Accordingly, investment securities may be sold from time to time without regard to the length of time they have been held. Each of the Investment Funds, except the Growth and Income Fund, anticipate that the Investment Fund's annual portfolio turnover rate will not exceed 100% under normal circumstances and the Emerging Markets and Latin American Fund anticipate that the Investment Fund's annual portfolio turnover rate will not exceed 50% under normal circumstances. Market conditions could result in portfolio activity at a greater or lesser rate than anticipated. It is expected that the annual turnover rate of the Growth and Income Fund may exceed 100%, which will accordingly result in higher brokerage commissions. High portfolio turnover involves correspondingly greater transaction costs which will be borne directly by the Investment Fund. In addition, high portfolio turnover may result in more capital gains which would be taxable to the shareholders of the Investment Fund.

PURCHASE OF SHARES

Shares of the Investment Funds may be purchased through Participating Dealers or directly from the Fund. Class A shares of the Non-Money Funds may be purchased at the net asset value per share plus the applicable sales charge, if any, next determined after receipt of the purchase order by the Fund. Class B shares of the Non-Money Funds and shares of the Money Market Fund may be purchased at the net asset value per share next determined after receipt of the purchase order by the Fund. Participating Dealers are responsible for forwarding orders they receive to the Fund by the applicable times described below on the same day as their receipt of the orders to permit purchase of shares as described above and the failure to do so will result in the investors being unable to obtain that day's net asset value. Shares of the Money Market Fund purchased by check will ordinarily receive dividends beginning on the business day following receipt of the check. See "Valuation of Shares."

OFFERING PRICE OF CLASS A SHARES

Class A shares of the Non-Money Funds may be purchased at the net asset value per share plus a sales charge (the "Offering Price") which is a percentage of the Offering Price that decreases as the amount of the purchase increases as shown below:

<TABLE>
<CAPTION>

CLASS A SHARES AMOUNT OF PURCHASE +	SALES CHARGE AS PERCENTAGE OF OFFERING PRICE	SALES CHARGE AS PERCENTAGE OF NET AMOUNT INVESTED	DEALER RETENTION AS PERCENTAGE OF OFFERING PRICE**
<S>	<C>	<C>	<C>
Less than $100,000	4.75%	4.99%	4.25%
$100,000 - $249,999	3.50%	3.63%	3.00%
$250,000 - $499,999	2.50%	2.56%	2.00%
$500,000 - $999,999	2.00%	2.04%	1.50%
$1,000,000 and over	None*	None**	*++

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* Purchases of $1 million or more may be subject to a redemption fee. (See below.) Morgan Stanley may make payments to Participating Dealers in amounts up to 1.00% of the Offering Price.

** The Distributor may, in its discretion, permit Participating Dealers to retain the full amount of the sales charge in connection with certain sales.

+ The amount of purchase includes net asset value of the purchase plus the sales charge.

++ Commission is payable by Morgan Stanley as discussed below.

Morgan Stanley may in its discretion compensate Participating Dealers in connection with the sale of Class A shares of the Non-Money Funds in an aggregate amount of $1 million or more up to the following amounts: 1.00% of the net asset value of shares sold on amounts up to $3 million, .50% on the next $2 million and .25% on amounts over $5 million. For purposes of determining the appropriate commission percentage to be applied to a particular sale under the foregoing schedule, Morgan Stanley will consider the cumulative amount invested by the purchaser in Class A shares of the Non-Money Funds.

A shareholder who purchases additional Class A shares of a Non-Money Fund may obtain reduced sales charges through a right of accumulation of current purchases of Class A shares of a Non-Money Fund with concurrent purchases of Class A shares of the other Non-Money Fund and with existing Class A share investments in all Non-Money Funds. The applicable sales charge will be determined based on the total of (a) the shareholder's current purchases of Class A shares of Non-Money Funds plus (b) an amount equal to the greater of the then current net asset value, or the total purchase price of the investor's prior purchases of all Class A shares of Non-Money Funds held by the shareholder. To obtain the reduced sales charge through a right of accumulation, the shareholder must provide Morgan Stanley at the time of purchase, either directly or through a Participating Dealer or shareholder servicing agent, as applicable, with sufficient information to verify that the shareholder has such a right. The Fund may amend or terminate this right of accumulation at any time as to subsequent purchases.

For purposes of reduced sales charges based on amount of purchase, the term "purchase" refers to purchases made at one time by any "purchaser," which includes an individual; a group composed of an individual and his or her spouse and children under the age of 21; a trustee or other fiduciary of a single trust estate or single fiduciary account; an organization exempt from federal income tax under Section 501(c)(3) or (13) of the Internal Revenue Code of 1986, as amended (the "Code"); a pension, profit-sharing or other employee

benefit plan, whether or not qualified under Section 401 of the Code; or other organized group of persons, whether incorporated or not, provided the organization has been in existence for at least six months and has some purpose other than the purchase of redeemable securities of a registered investment company at a discount. In order to qualify for a lower sales charge on purchases of the Class A shares, all orders from an organized group will have to be placed through a single Participating Dealer and identified as originating from a qualifying purchaser.

An investor may also obtain reduced sales charges shown above on purchases of the Class A shares by executing a written letter of intent which states the investor's intention to invest not less than $100,000 within a 13-month period in Class A shares of the Non-Money Funds ("Letter"). Each purchase of Class A shares of a Non-Money Fund under a Letter will be made at the Offering Price applicable at the time of such purchase to single purchases of the full amount indicated on the Letter. (See Terms and Conditions included in the form of Letter in the account registration form attached to this Prospectus.) An investor who wishes to enter into a Letter in connection with an investment in Class A shares of a Non-Money Fund should use the form in the account registration form attached to this Prospectus. The Letter, which imposes no obligation to purchase or sell additional Class A shares, provides for a price adjustment depending upon the actual amount purchased within such period. The Letter provides that the first purchase following execution of the Letter must be at least 5% of the amount of the intended purchase, and that 5% of the amount of the intended purchase normally will be held in escrow in the form of shares pending completion of the intended purchase. If the total investments under the Letter are less than the intended amount and thereby qualify only for a higher sales charge than actually paid, the appropriate number of escrowed Class A shares will be redeemed and the proceeds used toward satisfaction of the obligation to pay the increased sales charge. A shareholder may include the value of all Class A shares of the Non-Money Funds held of record as of the initial purchase date under the Letter as an "accumulation credit" toward the completion of the terms of the Letter, but no price adjustment will be made on such shares.

Class A shares of the Non-Money Funds may be purchased at net asset value without a sales charge by employee benefit plans which are sponsored by organizations subject to minimum requirements with respect to number of employees or amount of purchase, which may be established by Morgan Stanley. Currently, those criteria require that the employer establishing the plan have 100 or more employees or have at least $10 million of retirement plan assets. Morgan Stanley will not compensate Participating Dealers at the time of purchase for sales made under these criteria.

As disclosed above, no sales charge will be payable at the time of purchase of Class A shares on investments of $1 million or more. However, a CDSC will be imposed on such investments in the event of a redemption of such Class A shares of the Non-Money Fund within 12 months following the purchase, at the rate of 1.00% of the lesser of the current market value of the shares redeemed or the total cost of such shares. In determining whether a CDSC is payable, and, if so, the amount of the fee or charge, it is assumed that shares not subject to such fee or charge are the first redeemed, followed by other shares held for the longest period of time. The Fund may also sell Class A shares of the Non-Money Funds at net asset value (without a sales charge) to Directors of the Fund, directors and employees of Morgan Stanley, Participating Dealers, their respective affiliates and their immediate families and employees of agents of the Fund. In addition, Class A shares may be sold without a sales charge when purchased (i) through bank trust departments, (ii) for investors whose account is managed by certain investment advisers registered under the Investment Advisers Act of 1940, as amended, (iii) for investors through certain broker/dealers and other financial services firms that have entered into an agreement with the

Fund which includes, a requirement that such shares be sold for the benefit of clients participating in a "wrap account" or a similar program under which such clients pay a fee to such broker/dealer or other firm, or (iv) when purchased with redemption proceeds from other mutual fund complexes on which the investor had paid a front-end or contingent deferred sales charge. Investors who purchase shares through a trust department or investment adviser may be charged an additional service fee by that institution.

PURCHASE OF CLASS B SHARES

Class B shares of the Non-Money Funds may be purchased at the net asset value per share and such shares are subject to a 1.00% CDSC for shares that are redeemed within one year of purchase. Morgan Stanley will make payments to the Participating Dealers that handle the purchases of such shares at the rate of 1.00% of the purchase price of such shares at the time of purchase and expects to reallocate most of its distribution fee, with respect to such shares, under the Rule 12b-1 Plan for such class of shares, as described under "Management of the Fund -- Distributor" above.

No initial sales charge or CDSC will be payable on the shares of any Investment Fund or class thereof purchased through the automatic reinvestment of dividends and distribution of shares of the Investment Funds.

A shareholder who has redeemed Class A shares of a Non-Money Fund may reinvest up to the full amount redeemed (less any CDSC) at net asset value at the time of the reinvestment in Class A shares of a Non-Money Fund without payment of a sales charge. A shareholder who has redeemed Class B shares of a Non-Money Fund and paid a CDSC upon such redemption, may reinvest up to the full amount redeemed (less the CDSC) and the Class B shares obtained through such reinvestment are not subject to any sales charge. Purchases through the reinvestment privilege are subject to the minimum investment requirements applicable to the Class A or Class B shares being purchased. The reinvestment privilege as to any specific Class A or Class B shares must be effected within 180 days of the redemption. The Transfer Agent must receive from the shareholder or the shareholder's Participating Dealer both a written request for reinvestment and a check or wire which does not exceed the redemption proceeds. The written request must state that the reinvestment is made pursuant to this reinvestment privilege. If a loss is realized on the redemption of Class A shares, the reinvestment may be subject to the "wash sale" rules if made within 30 days of the redemption, resulting in a postponement of the recognition of such loss for federal income tax purposes. The reinvestment privilege may be terminated or modified at any time.

RETIREMENT PLANS

Qualified retirement plans, IRAs, banks, bank trust departments and registered investment advisory companies, acting in a fiduciary or advisory capacity for individual, institutional or trust accounts, may purchase Class A shares of one or more of the Non-Money Funds at net asset value (without a sales charge) provided that the initial order for such purchases is in an amount of $1 million or more or is part of a series of orders covered by a Letter to invest $1 million or more in Class A shares of the Non-Money Funds. Certain employee benefit plans may purchase Class A shares of the Non-Money Funds at net asset value without imposition of a sales charge. See "Offering Price of Class A Shares."

Morgan Stanley provides retirement plan services and documents and can establish investor accounts in IRAs trusteed by United States Trust Company of New York, New York ("U.S. Trust"). This includes Simplified Employee Pension Plan ("SEP") IRA accounts and prototype documents. Brochures describing such plans and materials for establishing them are available from Morgan Stanley upon request. The brochures for plans trusteed by U.S. Trust describe the current fees payable to U.S. Trust for its services as trustee. Investors should consult with their own tax advisers before establishing a retirement plan.

INITIAL PURCHASES DIRECTLY FROM THE FUND

1) BY CHECK. An account may be opened by completing and signing an Account Registration Form and mailing it, together with a check ($1,000 minimum for each Investment Fund, except for IRAs, for which the initial minimum is $250) made payable to "Morgan Stanley Fund, Inc. -- [Investment Fund name]," to:

Morgan Stanley Fund, Inc.
P.O.Box 2798
Boston, Massachusetts 02208-2798

Payment will be accepted only by check payable in U.S. Dollars, unless prior approval for payment by other currencies is given by the Fund. The Investment Fund(s) and the class(es) to be purchased should be designated on the Account Registration Form. For purchases by check, the Fund is ordinarily credited with Federal Funds within one business day. Thus your purchase of shares by check is ordinarily credited to your account at the net asset value per share of the Investment Fund, other than the Money Market Fund, next determined on the day of receipt. Your purchase of shares of the Money Market Fund by check is ordinarily credited to your account at the price next determined on the day of receipt and will begin receiving dividends the following day.

2) BY FEDERAL FUNDS WIRE. Purchases may be made by having your bank wire Federal Funds to the Fund's bank account ($1,000 minimum for each Investment Fund, except for IRAs, for which the initial minimum is $250). To help ensure prompt receipt of your Federal Funds Wire, it is important that you follow these steps:

A. Telephone the Fund (toll free: 1-800-282-4404) and provide your name, address, telephone number, Social Security or Tax Identification Number, the Investment Fund(s) and the class(es) selected, the amount being wired, and by which bank. The Fund will then provide you with a bank wire control number. (Investors with existing accounts must also notify the Fund prior to wiring funds.)

B. Instruct your bank to wire the specified amount to the Fund's Wire Concentration Bank Account (be sure to have your bank include the name of the Investment Fund(s) selected and the bank wire control number assigned to you):

US Trust Company of New York
114 West 47th Street
New York, New York 10036
ABA# 021001318
Credit DDA# 20-8702-2
FFC to Fund Name/Class Name, if any/Bank Wire Control Number/Shareholder Name

Please call before wiring funds: 1-800-282-4404

C. Complete and sign the Account Registration Form and mail it to the address shown thereon.

Purchase orders for shares of the Money Market Fund which are received and accepted no later than 12:00 p.m. (Eastern Time) on any day that the NYSE is open for business (a "Business Day") will be effective as of 12:00 p.m. (Eastern Time) the same day and will receive, if applicable, the dividend

declared on the day of purchase as long as the Transfer Agent receives payment in Federal Funds prior to the close of trading hours on the NYSE (currently 4:00 p.m. Eastern Time.) Purchase orders received after 12:00 p.m. (Eastern Time) and prior to 4:00 p.m. (Eastern Time), on any Business Day for which payment in Federal Funds has been received by 4:00 p.m. (Eastern Time), will be effective as of 4:00 p.m. (Eastern Time) the same day, and will begin receiving dividends, if applicable, the following day. Purchase orders for shares of the Non-Money Funds which are received prior to the regular close of the NYSE (currently 4:00 p.m. Eastern Time) will be executed at the price computed on the date of receipt as long as the Transfer Agent receives payment by check or in Federal Funds prior to the regular close of the NYSE on such day.

Federal Funds purchase orders will be accepted only on a day on which the Fund and the United States Trust Company of New York (the "Custodian Bank") are open for business. Your bank may charge a service fee for wiring funds.

3) BY BANK WIRE. The same procedure outlined under "By Federal Funds Wire" above must be followed in purchasing shares by bank wire. However, money transferred by bank wire may or may not be converted into Federal Funds the same day, depending on the time the money is received and the bank handling

the wire. With respect to investment in the Money Market Fund, prior to such conversion, an investor's money will not be invested and, therefore, will not be earning dividends. The timing of effectiveness of purchase of shares and receipt of dividends is subject to the same timing considerations as described above with respect to purchase by Federal Funds wire and depends on when payment in Federal Funds is received. Your bank may charge a service fee for wiring funds.

ADDITIONAL INVESTMENTS

You may add to your account at any time (minimum additional investment $100, except for IRAs, for which the minimum additional investment is $50, and automatic reinvestment of dividends and capital gains distributions, for which there is no minimum and no sales charge) by purchasing shares through your Participating Dealer or by mailing a check to the Fund (payable to Morgan Stanley Fund, Inc. -- Investment Fund name) at the above address or by wiring monies to the Custodian Bank as outlined above. It is very important that your account number or wire control number be specified in the letter or wire to better assure proper crediting to your account. In order to ensure that your wire orders are invested promptly, you are requested to notify one of the Fund's representatives (toll-free 1-800-282-4404) prior to the wire.

AUTOMATIC INVESTMENT PLAN

After establishing an account with the Fund, investors may purchase shares of the Fund through an Automatic Investment Plan, under which an amount specified by the shareholder equal to at least the applicable minimum for an investment amount on a monthly basis will be sent to the Transfer Agent from the investor's bank for investment in the Fund. Investors who are participants in the Fund's Systematic Withdrawal Plan should not at the same time participate in the Automatic Investment Plan. Investors interested in the Automatic Investment Plan or seeking further information should contact a Participating Dealer or shareholder servicing agent. Shares to be held in broker street name may not be purchased through the Automatic Investment Plan.

OTHER PURCHASE INFORMATION

The purchase price for the Class A shares of the Non-Money Funds is based upon the net asset value per share plus the applicable sales charge, if any, next determined after the order is received by the Fund and for the

Class B shares of the Non-Money Funds is based on the net asset value per share next determined after the order is received by the Fund. Participating Dealers are responsible for forwarding orders they receive to the Fund by the applicable times described below on the same day as their receipt of the orders to permit purchase of shares as described above and the failure to do so will result in the investors being unable to obtain that day's net asset value. See "Valuation of Shares." An order received prior to the regular close of the NYSE, which is currently 4:00 p.m. (Eastern Time), will be executed at the price computed on the date of receipt as long as the Transfer Agent receives payment by check or in Federal Funds prior to the regular close of the NYSE on such day. An order received after the regular close of the NYSE will be executed at the price computed on the next day the NYSE is open as long as the Transfer Agent receives payment by check or in Federal Funds prior to the regular close of the NYSE on such day. Orders for the purchase of shares of the Money Market Fund become effective on the Business Day Federal Funds are received, and the purchase will be effected at the net asset value next computed after receipt of Federal Funds. Purchase of shares of the Money Market Fund by check is ordinarily credited to your account at the price next determined on the day of receipt and will begin receiving dividends the following day. If you purchase shares of an Investment Fund directly, you must make payment by check or Federal Funds to effect your purchase of the shares and obtain the price for the shares as described above. Purchasing shares of an Investment Fund is different from placing a trade for securities at a given price and having a certain number of days in which to make settlement or payment for the securities.

In the interest of economy and convenience and because of the operating procedures of the Fund, certificates representing shares of the Investment Funds will normally not be issued. Such certificates will be made available to investors, however, upon written request to the Fund. All shares purchased are confirmed to you and credited to your account on the Fund's books maintained by the Adviser or its agents. You will have the same rights and ownership with respect to such shares as if certificates had been issued.

To ensure that checks are collected by the Fund, withdrawals of investments made by check are not presently permitted until the Fund's depository bank has made fully available for withdrawal the check amount used to purchase Fund shares, which generally will be within 15 days. As a condition of this offering, if a purchase is cancelled due to nonpayment or because your check does not clear, you will be responsible for any loss the Fund and/or its agents incur. If you are already a shareholder, the Fund may redeem shares from your account(s) to reimburse the Fund and/or its agents for any loss. In addition, you may be prohibited or restricted from making future purchases in the Fund.

Investors who purchase Class A shares of a Non-Money Fund directly rather than through a Participating Dealer will pay the public offering price including the sales charge, and the sales charge will be payable, as described under "Purchase of Shares -- Offering Price" above, to Morgan Stanley unless a Participating Dealer is designated on the account application. Investors may also invest in the Investment Funds by purchasing shares through Participating Dealers.

REDEMPTION OF SHARES

You may withdraw all or any portion of the amount in your account by redeeming shares at any time. Please note that purchases made by check are not permitted to be redeemed until the Fund's depository bank has made fully available for withdrawal the check amount used to purchase Fund shares, which generally will be within 15 days. The Fund will redeem shares of each of the Investment Funds at its next determined net asset value. A CDSC of 1.00% will be imposed on certain Class A shares of the Non-Money Funds that were purchased

without payment of the initial sales charge due to the size of the purchase and are redeemed within one year of purchase and will be imposed on Class B shares of the Non-Money Funds that are redeemed within one year of purchase. See "Purchase of Shares." The CDSC will be imposed on the lesser of the current market value or the total cost of the shares being redeemed. In determining whether either of such CDSCs is payable, and, if so, the amount of the charge, it is assumed that shares not subject to such charge are the first redeemed followed by other shares held for the longest period of time. On days that both the NYSE and the Custodian Bank are open for business, the net asset value per share of the Non-Money Funds is determined at the regular close of trading of the NYSE (currently 4:00 p.m. Eastern Time) and the net asset value of the Money Market Fund is determined at 12:00 p.m. (Eastern Time). Shares of an Investment Fund may be redeemed by mail or telephone. Any redemption may be more or less than the purchase price of your shares depending on the market value of the investment securities held by the Investment Fund at the time of purchase and of redemption, among other factors.

The CDSC is waived on redemptions of shares in connection with certain post-retirement withdrawals from IRA or other retirement plans or following the death or disability (as defined in the Internal Revenue Code of 1986, as amended) of a shareholder of the Fund.

Redemption of shares held in broker street name may not be accomplished by mail or telephone as described below. Shares held in broker street name may be redeemed only by contacting your Participating Dealer.

BY MAIL

The Investment Funds will redeem their shares at the net asset value next determined after your request is received, if your request is received in "good order" by the Transfer Agent. If applicable, a CDSC will be deducted. Your request should be addressed to Mutual Funds Service Company, P.O. Box 2798, Boston, Massachusetts 02208-2798, except that deliveries by overnight courier should be addressed to Morgan Stanley Fund, Inc. c/o Mutual Funds Service Company, 73 Tremont Street, Boston, Massachusetts 02108.

"Good order" means that the request to redeem shares must include the following documentation:

(a) A letter of instruction or a stock assignment specifying the number of shares or dollar amount to be redeemed, signed by all registered owners of the shares in the exact names in which they are registered;

(b) Any required signature guarantees (see "Further Redemption Information" below); and

(c) Other supporting legal documents, if required, in the case of estates, trusts, guardianships, custodianships, corporations, pension and profit-sharing plans and other organizations.

Shareholders who are uncertain of requirements for redemption should consult with their Participating Dealers or with a Fund representative.

BY TELEPHONE

Unless you have elected on the Account Registration Form or on a separate form supplied by the Transfer Agent not to utilize the telephone redemption and exchange privileges, you or your Participating Dealer can request a redemption of your shares by calling the Fund and requesting the redemption proceeds be mailed to you or wired to your bank. Please contact one of the Fund's representatives for further details. In times of drastic market conditions, the telephone redemption option may be difficult to implement. If you experience difficulty in making a telephone redemption, your request may be made by mail or overnight courier, and it will be implemented at the net asset value next determined after it is received minus the CDSC, if any. The Fund and the Fund's Transfer Agent will employ reasonable procedures to confirm that instructions communicated by telephone are genuine. These procedures include requiring the investor to provide certain personal identification information at the time an account is opened and prior to effecting each transaction requested by telephone. In addition, all telephone transaction requests will be recorded and investors may be required to provide additional telecopied written instructions of such transaction requests. Neither the Fund nor the Transfer Agent will be responsible for any loss, liability, cost or expense for following instructions received by telephone that it reasonably believes to be genuine.

For shares that are held in broker street name, you cannot request redemption by telephone or by mail; such shares may be redeemed only by contacting your Participating Dealer. The Fund may impose a fee of $8.00 on a wire redemption of shares of the Fund that will be deducted from the redemption proceeds.

To change the name of the commercial bank or account designated to receive redemption proceeds, a written request must be sent to the Transfer Agent at the address above. Requests to change the bank or account must be signed by each shareholder and each signature must be guaranteed.

SYSTEMATIC WITHDRAWAL PLAN

A shareholder of $5,000 or more of the Fund's shares at the Offering Price (net asset value plus the sales charge, if any) may provide for the payment from the owner's account of any requested dollar amount to be paid to the owner or a designated payee monthly, quarterly, semiannually or annually. The minimum periodic payment is $100. Shares are redeemed so that the payee will receive payment on approximately the first of the month. Any income and capital gain dividends will be automatically reinvested at net asset value on the reinvestment date. A sufficient number of full and fractional shares will be redeemed to make the designated payment. Depending upon the size of the payments requested and fluctuations in the net asset value of the shares redeemed, redemptions for the purpose of making such payments may reduce or even exhaust the shareholder's Fund account.

The purchase of Class A shares of a Non-Money Fund while participating in a systematic withdrawal plan ordinarily will be disadvantageous to the investor because the investor will be paying a sales charge on the purchase of shares at the same time that the investor is redeeming shares upon which a sales charge may already have been paid. The purchase of Class B shares of a Non-Money Fund while participating in the Systematic Withdrawal Plan may be disadvantageous because the new shares will be subject to a 1.00% CDSC for the first year. Therefore, the Fund will not knowingly permit additional investments of less than $2,000 in a Non-Money Fund if the investor is at the same time making systematic withdrawals. The right is reserved to amend the Systematic Withdrawal Plan on thirty days' notice. The plan may be terminated at any time by the investor or the Fund.

FURTHER REDEMPTION INFORMATION

The Fund will pay for shares redeemed through broker-dealers using electronic purchase and redemption systems within seven days after receipt of a redemption request through such system. In other situations, the Fund normally will make payment for all shares redeemed under this procedure within one business day of receipt of the request, but in no event will payment be made more than seven days after receipt of a redemption request in good order. Payment for redeemed shares will be sent to the shareholder within seven days after

receipt of the request in proper form, except that the Fund may delay the mailing of the redemption check, or a portion thereof, until the Fund's depository bank has made fully available for withdrawal the check amount used to purchase Fund shares, which generally will be within 15 days. The Fund may suspend the right of redemption or postpone the date at times when the NYSE is closed, or under any emergency circumstances as determined by the SEC.

If the Board of Directors determines that it would be detrimental to the best interests of the remaining shareholders of the Investment Fund to make payment wholly or partly in cash, the Fund may pay the redemption proceeds in whole or in part by a distribution-in-kind of readily marketable securities held by the Investment Funds in lieu of cash in conformity with applicable rules of the SEC. Shareholders may incur brokerage charges upon the sale of portfolio securities so received in payment of redemptions.

Due to the relatively high cost of maintaining smaller accounts, the Fund reserves the right to redeem shares in any account invested in an Investment Fund having a value of less than $1,000. The Fund, however, will not redeem shares based solely upon market reductions in net asset value. If at any time your total investment does not equal or exceed the stated minimum value, you may be notified of this fact and you will be allowed at least 60 days to make an additional investment before the redemption is processed.

To protect your account, the Fund and its agents from fraud, signature guarantees are required for certain redemptions to verify the identity of the person who has authorized a redemption from your account. Please contact the Transfer Agent for further information. See "Redemption of Shares" in the Statement of Additional Information.

SHAREHOLDER SERVICES

EXCHANGE PRIVILEGE

You may exchange Class A shares that you own in a Non-Money Fund for Class A shares of another Non-Money Fund and for shares of the Money Market Fund. You may exchange Class B shares that you own in a Non-Money Fund for Class B shares of another Non-Money Fund and shares of the Money Market Fund. Shares of the Money Market Fund may be exchanged for shares of either class of the Non-Money Funds. Shares of the Investment Funds may be exchanged by mail or telephone, except that no shares may be exchanged by telephone if you have elected on the Account Registration Form or on a separate form supplied by the Transfer Agent not to accept the telephone redemption and exchange privilege. Before you make an exchange, you should read the Prospectus of the new Investment Fund in which you seek to invest. Because an exchange transaction is treated as a redemption followed by a purchase, an exchange would be considered a taxable event for shareholders subject to tax. The exchange privilege is only available with respect to Investment Funds that are registered for sale in a shareholder's state of residence. The exchange privilege may be modified or terminated by the Fund at any time upon 60 days' notice to shareholders.

As permitted pursuant to any rule, regulation or order promulgated by the SEC, shareholders of Non-Money Funds may tender their Class A shares of any Non-Money Fund for exchange into the number of Class A shares of another Non-Money Fund (including fractions thereof) which have a value equal to the total redemption proceeds of shares tendered divided by the net asset value per share next determined after such order is received. Class A shares issued pursuant to such exchange will not be subject to the initial sales charges described above or any other charge. A shareholder of the Money Market Fund will be subject to the initial sales

charge or CDSC of a Non-Money Fund if such shareholder exchanges shares of the Money Market Fund for Class A shares of such Non-Money Fund, except that if such shares of the Money Market Fund had been obtained by an earlier exchange of Class A shares of a Non-Money Fund for such Money Market Fund shares, the Money Market Fund shareholder will not be subject to such initial sales charge or CDSC upon the exchange of such Money Market Fund shares for Class A shares of the Non-Money Fund.

As permitted pursuant to any rule, regulation or order promulgated by the SEC, shareholders of Non-Money Funds may tender their Class B shares of any Non-Money Fund for exchange into the number of Class B shares of another Non-Money Fund (including fractions thereof) which have a value equal to the total redemption proceeds of shares tendered divided by the net asset value per share next determined after such order is received. Class B shares redeemed pursuant to such exchange will not be subject to the CDSC described above or any other charge. A shareholder of the Money Market Fund will become subject to the CDSC of the Class B shares of a Non-Money Fund if such shareholder exchanges shares of the Money Market Fund for Class B shares of such Non-Money Fund, except that if such Money Market Fund shares had been obtained by an earlier exchange of Class B shares of a Non-Money Fund for such Money Market Fund shares, the Money Market Fund shareholder will not be subject to the CDSC of the Class B shares upon the exchange of such Money Market Fund shares for Class B shares of the Non-Money Fund.

Morgan Stanley will tender the shares offered for exchange for redemption by the Fund and will use the proceeds to purchase shares of the designated Investment Fund on the shareholder's behalf. Under normal circumstances, Morgan Stanley will use the proceeds from shares redeemed on any day to purchase shares on the same Business Day. Shares that are exchanged for the first time from the Money Market Fund into Class A shares of a Non-Money Fund will be subject to the initial sales charge applicable to such Class A shares of the Non-Money Fund for the amount of Class A shares of such Non-Money Fund purchased, including such shares purchased under the right of accumulation as described under "Purchase of Shares" above.

An exchange will not be subject to the CDSC, if applicable, at the time of the exchange if the shareholder exchanges from one class of a Non-Money Fund into the same class of another Non-Money Fund. For purposes of determining whether a shareholder's redemption will be subject to the CDSC, the shareholder's holding period of shares acquired through an exchange will be related back to the time the shareholder initially purchased the Fund shares that were exchanged so long as the shares are held in the same class of the Non-Money Funds. An exchange of shares into the Money Market Fund from one of the Non-Money Funds will be treated as a redemption at the time of exchange and the CDSC, if applicable, will be imposed at the time of exchange if, for such shares, the holding period in the same class of any of such Non-Money Funds, or the combined holding periods in the same class of the Non-Money Funds, is less than one year. As an example, Class A share purchases of $1,000,000 or more, purchased at net asset value, will not be subject to a CDSC for the first year if exchanged into Class A shares of another Non-Money Fund. Such Class A shares, however, will be subject to the CDSC if exchanged into the Money Market Fund within one year from purchase. Class B shares of a Non-Money Fund will not be subject to a CDSC for the first year if exchanged into Class B shares of another Non-Money Fund, but will be subject to a CDSC if exchanged into the Money Market Fund within one year of purchase.

Exchanges may also be subject to limitations as to amounts or frequency, and to other restrictions established by the Board of Directors to assure that such exchanges do not disadvantage the Fund and its shareholders.

Exchange of Fund shares held in broker street name may not be accomplished by mail or telephone as described below. Shares held in broker street name may be exchanged only by contacting your Participating Dealer.

BY MAIL

In order to exchange shares by mail, you should include in the exchange request the name and account number of your current Investment Fund, the name of the Investment Fund and class of such Fund, if applicable, from which and into which you intend to exchange shares, and the signatures of all registered account holders. Send the exchange request to the Transfer Agent, P.O. Box 2798, Boston, Massachusetts 02208-2798.

BY TELEPHONE

When exchanging shares by telephone, have ready the name and your account number with the current Investment Fund, the name of the Investment Fund and class of such Fund, if applicable, from which and into which you intend to exchange shares, your Social Security number or Tax I.D. number, and your account address. Requests for telephone exchanges from a Non-Money Fund received prior to 4:00 p.m. (Eastern Time) are processed at the close of business that same day based on the net asset value of the applicable Investment Funds at such time. Requests received after 4:00 p.m. (Eastern Time) are processed the next Business Day based on the net asset value determined at the close of business on such day. Requests for telephone exchanges from the Money Market Fund received after 12:00 p.m. (Eastern Time) are processed the next Business Day based on the price determined on such next Business Day. For shares that are held in broker street name, you cannot request exchange by telephone or by mail; such shares may be exchanged only by contacting your Participating Dealer. For additional information regarding responsibility for the authenticity of telephoned instructions, see "Redemption of Shares -- By Telephone" above.

TRANSFER OF REGISTRATION

You may transfer the registration of any of your Fund shares to another person by writing to the Transfer Agent, P.O. Box 2798, Boston, Massachusetts 02208-2798. As in the case of redemptions, the written request must be received in "good order" before any transfer can be made. Shares held in broker street name may be transferred only by contacting your Participating Dealer.

VALUATION OF SHARES

The net asset value per share of each Investment Fund, other than the Money Market Fund, is determined by dividing the total market value of the Investment Fund's investments and other assets, less all liabilities, by the total number of outstanding shares of the Investment Fund. Net asset value is calculated separately for each class of the Non-Money Funds. Net asset value per share of the Non-Money Funds is determined as of the regular close of the NYSE on each day that the NYSE is open for business. Securities listed on a United States securities exchange for which market quotations are available are valued at the last quoted sale price on the day the valuation is made. Price information on listed securities is taken from the exchange where the security is primarily traded. Securities listed on a foreign exchange are valued at their closing price. Unlisted securities and listed securities not traded on the valuation date for which market quotations are not readily available are valued

at a price within a range not exceeding the current asked price nor less than the current bid price. The current bid and asked prices are determined either based on the average bid and asked prices quoted on such valuation date by two reputable brokers or as provided by a reliable pricing service.

Bonds and other fixed income securities are valued according to the broadest and most representative market, which will ordinarily be the over-the-counter market. Net asset value includes interest on fixed income sucurities, which is accrued daily unless collection is in doubt. In addition, bonds and other fixed income securities may be valued on the basis of prices provided by a pricing service when such prices are believed to reflect the fair market value of such securities. The prices provided by a pricing service are determined without regard to bid or last sale prices but take into account institutional size trading in similar groups of securities and any developments related to the specific securities. Securities not priced in this manner are valued at the most recent quoted bid price, or, when stock exchange valuations are used, at the latest quoted sale price on the day of valuation. If there is no such reported sale, the latest quoted bid price will be used. Debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, if it approximates market value. In the event that amortized cost does not approximate market value, market prices as determined above will be used.

The value of other assets and securities for which no quotations are readily available (including restricted and unlisted foreign securities) and those securities for which it is inappropriate to determine prices in accordance with the above procedures are determined in good faith at fair value using methods determined by the Board of Directors. For purposes of calculating net asset value per share, all assets and liabilities initially expressed in foreign currencies will be converted into United States dollars at the prevailing market rate at 12:00 p.m. (Eastern Time) on the day of conversion.

Although the legal rights of Class A and Class B shares will be identical, the different expenses borne by each class will result in different net asset values and dividends. The net asset value of Class B shares will generally be lower than the net asset value of Class A shares as a result of the larger distribution fee charged to Class B shares. It is expected, however, that the net asset value per share of the two classes will tend to converge immediately after the recording of dividends which will differ by approximately the amount of the distribution expense accrual differential between the classes.

The net asset value per share of the Money Market Fund is determined at 12:00 p.m. (Eastern Time) on the days on which the NYSE is open. For the purpose of calculating the Investment Fund's net asset value per share, securities are valued by the "amortized cost" method of valuation, which does not take into account unrealized gains or losses. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Investment Fund would receive if it sold the instrument.

PERFORMANCE INFORMATION

The Fund may from time to time advertise total return of the Non-Money Funds. THESE FIGURES ARE BASED ON HISTORICAL EARNINGS AND ARE NOT INTENDED TO INDICATE FUTURE PERFORMANCE. The "total return" shows what an investment in an Investment Fund would have earned over a specified period of time (such as one, three, five or ten years) assuming that all distributions and dividends by an Investment Fund were reinvested on the

reinvestment dates during the period. Total return does not take into account any federal or state income taxes that may be payable upon redemption by shareholders subject to tax. The Fund may also include comparative performance information in advertising or marketing an Investment Fund's shares. Such performance information may include data from Lipper Analytical Services, Inc. and Morgan Stanley Capital International.

From time to time the Global Fixed Income, Worldwide High Income, Growth and Income and Money Market Funds may advertise "yield" and the Money Market Fund may advertise "effective yield." Yield figures are based on historical performance and are not intended to indicate future performance. The "yield" of an Investment Fund refers to the income generated by an investment in an Investment Fund over a seven-day period in the case of the Money Market Fund or over a 30-day period in the case of the Global Fixed Income, Growth and Income and Worldwide High Income Funds (which period will be stated in the advertisement). The 30-day yield is further described under "Performance Information" in the Statement of Additional Information. With respect to the seven-day yield in the case of the Money Market Fund, the income generated over the seven-day period is then "annualized." That is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The "effective yield" is calculated similarly but, when annualized, the income earned on an investment in an Investment Fund is assumed to be reinvested. The "effective yield" will be slightly higher than the "yield" because of the compounding effect of this assumed reinvestment. For further information concerning these figures, see "Performance Information" in the Statement of Additional Information. The Fund may also use comparative performance information from time to time in marketing Fund shares, including data from Lipper Analytical Services, Inc. and/or Donoghue's Money Fund Report.

The performance figures for Class B shares of each Fund will generally be lower than those for Class A shares of such Fund because of the larger distribution fee charged to Class B shares.

DIVIDENDS AND DISTRIBUTIONS

Shareholders will automatically be credited with all dividends and distributions in additional shares at net asset value, without payment of any initial sales charge for Class A shares of any of the Investment Funds, except that, upon written notice to the Fund or by checking off the appropriate box in the Distribution Option Section on the Account Registration Form, a shareholder may elect to receive dividends and/or distributions in cash. Shares received through reinvestment of dividends and/or distributions will not be subject to any CDSC upon their redemption.

Each of the Global Equity Allocation, Asian Growth, Emerging Markets, Latin American and European Equity Funds expects to distribute substantially all of its net investment income in the form of annual dividends. Net realized gains, if any, after reduction for any available tax loss carryforward, may also be distributed annually.

Each of the Global Fixed Income and Worldwide High Income Funds expects to distribute net investment income monthly and will distribute any net realized gains at least annually.

Each of the American Value Fund and Growth and Income Funds expects to distribute substantially all of its net investment income in the form of quarterly dividends. Net realized gains, if any, will be distributed annually.

Any undistributed net investment income and undistributed realized gains increase an Investment Fund's net assets for the purpose of calculating net asset value per share. Therefore, on the "ex-dividend" or "ex-

distribution" date, the net asset value per share excludes the dividend or distribution (i.e., is reduced by the per share amount of the dividend or distribution). Dividends and distributions paid shortly after the purchase of shares by an investor, although in effect a return of capital, are taxable to shareholders subject to tax.

Because of the higher distribution fee, potentially higher shareholder servicing fee, and any other expenses that may be attributable to the Class B shares of the Non-Money Funds, the net income attributable to and the dividends payable on Class B shares of a Non-Money Fund will be lower than the net income attributable to and the dividends payable on Class A shares of the Non-Money Funds. As a result, the net asset value per share of the classes of a Non-Money Fund will differ at times. Expenses of a Fund allocated to a particular class of shares of a Non-Money Fund will be borne on a pro rata basis by each outstanding share of that class.

For the Money Market Fund, net investment income is computed and dividends declared as of 1:00 p.m. (Eastern Time) on each day. Such dividends are payable to Investment Fund shareholders of record as of 12:00 p.m. (Eastern Time) on that day, if the Fund and the Custodian Bank are open for business. This means that shareholders whose purchase orders become effective as of 12:00 p.m. (Eastern Time) receive the dividend for that day. Dividends declared for Saturdays, Sundays and holidays are payable to shareholders of record as of 4:00 p.m. (Eastern Time) on the last preceding day the Fund and the Custodian Bank were open for business. Net realized gains, if any, after reduction for any available tax loss carry forward may be distributed annually.

It is an objective of management to maintain the price per share of the Money Market Fund as computed for the purpose of sales and redemptions at exactly $1.00. In the event the Directors determine that a deviation from the $1.00 per share price may exist which may result in a material dilution or other unfair results to investors or existing shareholders, they will take corrective action they regard as necessary and appropriate, including the sale of instruments from the Investment Fund prior to maturity to realize gains or losses, shortening average portfolio maturity, withholding dividends, making a special capital distribution, or redemptions of shares in kind.

TAXES

TAX STATUS OF THE INVESTMENT FUND

The following summary of Federal income tax consequences is based on current tax laws and regulations, which may be changed by legislative, judicial, or administrative action.

No attempt has been made to present a detailed explanation of the Federal, state, or local income tax treatment of an Investment Fund or its shareholders. Accordingly, shareholders are urged to consult their tax advisors regarding specific questions as to Federal, state and local income taxes.

Each Investment Fund is generally treated as a separate corporation for Federal income tax purposes, and thus the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), generally will be applied to each Investment Fund separately, rather than to the Fund as a whole. Net long-term and short-term capital gains, net income, and operating expenses therefore will be determined separately for each Investment Fund.

Each Investment Fund intends to qualify and elects to be treated for each taxable year as a "regulated investment company" ("RIC") under Subchapter M of the Code.

TAX STATUS OF DISTRIBUTIONS

As a RIC, each Investment Fund must distribute to shareholders at least 90% of its net investment income (which generally includes dividends, taxable interest, and net short-term capital gains in excess of net long-term capital losses, in excess of operating expenses) to shareholders. If an Investment Fund meets this distribution requirement, it will not be subject to federal income tax on any of its net investment income or capital gains that it distributes to shareholders.

Dividends paid by an Investment Fund from its net investment income will be taxable to the shareholders of such Investment Fund as ordinary income, whether received in cash or reinvested in shares, if the shareholder is subject to tax. Such dividends paid by an Investment Fund generally will not qualify for the dividends-received deduction for corporations.

Distributions of net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses and any available capital loss carryforward) are taxable to shareholders subject to tax as long-term capital gains, whether received in cash or reinvested in shares, regardless of how long the shareholder has held the Investment Fund's shares. Capital gains distributions are not eligible for the dividends-received deduction.

Shareholders may also be subject to state and local taxes on distributions from the Fund. Shareholders are advised to consult their own tax advisers with respect to tax consequences to them of an investment in the Fund.

Dividends declared in October, November and December by an Investment Fund payable as of a record date in such month and paid at any time during January of the following year are treated as having been paid by an Investment Fund and received by the shareholders on December 31 of the year declared.

GENERAL

A gain or loss realized by a shareholder on the sale or exchange of shares held as a capital asset will be capital gain or loss and such gain or loss will be long-term if the holding period for the shares exceeds one year, and otherwise will be short-term. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced within the 61-day period beginning 30 days before and ending 30 days after the shares are disposed of. Any loss realized by a shareholder on the disposition of shares held 6 months or less is treated as a long-term capital loss to the extent of any distributions of net long-term capital gains received by the shareholder with respect to such shares.

Each Investment Fund will generally be subject to an excise tax of 4% to the extent it fails to distribute by the end of the calendar year at least 98% of its investment income for that year and 98% of its net realized gains for the one-year period ending on October 31, plus certain other amounts.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY. PROSPECTIVE INVESTORS AND SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF AN INVESTMENT IN AN INVESTMENT FUND.

GENERAL INFORMATION

DESCRIPTION OF COMMON STOCK

The Fund was organized as a Maryland corporation on August 14, 1992. The Amended Articles of Incorporation currently permit the Fund to issue 7.75 billion shares of common stock, par value $.001 per share. Pursuant to the Fund's By-Laws, the Board of Directors may increase the number of shares the Fund is authorized to issue without the approval of the shareholders of the Fund. The Board of Directors has the power to designate one or more classes of shares of common stock and to classify and reclassify any unissued shares with respect to such classes.

The shares of the Investment Funds, when issued, will be fully paid, nonassessable, fully transferable and redeemable at the option of the holder. The shares have no preference as to conversion, exchange, dividends, retirement or other features and have no preemptive rights. The shares of the Investment Funds have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Directors can elect 100% of the Directors if they choose to do so. Under Maryland law, the Fund is not required to hold an annual meeting of its shareholders unless required to do so under the 1940 Act. A Director may be removed by shareholders at a special meeting called upon written request of shareholders owning at least 10% of the outstanding shares of the Fund. Any person or organization owning 25% or more of the outstanding shares of an Investment Fund may be presumed to "control" (as that term is defined in the 1940 Act) such Investment Fund. As of October 13, 1994, The Morgan Stanley Group, Inc., 1221 Avenue of the Americas, New York, New York 10020, was presumed to "control" the Global Fixed Income, Latin American, American Value and Worldwide High Income Funds based solely on its ownership of 25% or more of the outstanding voting shares of such funds.

REPORTS TO SHAREHOLDERS

The Fund will send to its shareholders annual and semiannual reports; the financial statements appearing in annual reports are audited by independent accountants.

In addition, the Fund or the Transfer Agent, will send to each shareholder having an account directly with the Fund a quarterly statement showing transactions in the account, the total number of shares owned, and any dividends or distributions paid. In addition, for any month in which a transaction occurs in a shareholder's account, the Fund or the Transfer Agent will send the shareholder a monthly statement showing the same information.

CUSTODIAN

Domestic securities and cash are held by United States Trust Company of New York, New York ("U.S. Trust"), as the Fund's domestic custodian. U.S. Trust is not an affiliate of the Adviser or the Distributor. Morgan Stanley Trust Company, Brooklyn, New York ("Morgan Stanley Trust"), acts as the Fund's custodian for foreign assets held outside the United States and employs subcustodians who were approved by the Directors of the Fund in accordance with regulations of the SEC for the purpose of providing custodial services for such assets. Morgan Stanley Trust may also hold certain domestic assets for the Fund. Morgan Stanley Trust is an affiliate of the Adviser and the Distributor. For more information on the custodians, see "General Information -- Custody Arrangements" in the Statement of Additional Information.

DIVIDEND DISBURSING AND TRANSFER AGENT

Mutual Funds Service Company, 73 Tremont Street, Boston, Massachusetts 02108-3913, acts as Dividend Disbursing and Transfer Agent for the Fund.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP, 1177 Ave. of the Americas, New York, NY 10036, serves as independent accountants for the Fund and audits its annual financial statements.

APPENDIX A
DESCRIPTION OF CORPORATE BOND RATINGS

MOODY'S INVESTORS SERVICE, INC. CORPORATE BOND RATINGS:

Aaa -- Bonds which are rated Aaa are judged to be the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edge." Interest payments are protected by a large or by an exceptionally stable margin, and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa -- Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

Moody's applies numerical modifiers 1, 2 and 3 in the Aa and A rating categories. The modifier 1 indicates that the security ranks at a higher end of the rating category, modifier 2 indicates a mid-range rating and the modifier 3 indicates that the issue ranks at the lower end of the rating category.

A -- Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa -- Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba -- Bonds which are rated Ba are judged to have speculative elements;

their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B -- Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contact over any long period of time may be small.

Caa -- Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca -- Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C -- Bonds which are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

STANDARD & POOR'S CORPORATION CORPORATE BOND RATINGS:

AAA -- Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation and indicate an extremely strong capacity to pay principal and interest.

AA -- Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only to a small degree.

A -- Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.

BBB -- Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than for debt in higher rated categories.

BB, B, CCC, CC -- Debt rated BB, B, CCC and CC is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

C -- The rating C is reserved for income bonds on which no interest is being paid.

D -- Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears.

MORGAN STANLEY FUND, INC.
P.O. BOX 2798, BOSTON, MA 02208-2798 (800-282-4404) NEW ACCOUNT APPLICATION

ACCOUNT REGISTRATION

/ / Individual / / Joint Tenants / / Trust / / Gift/Transfer to Minor / / Other

- --------------------

NOTE: Joint tenant registration will be as "joint tenants with right of survivorship" and not as "tenants in common" unless specified. Trust registrations should specify name of the trust, trustee(s), beneficiary(ies), and date of trust instrument. Registration for Uniform Gifts/Transfers to Minors should be in the name of one custodian and one minor and include the state under which the custodianship is created (using the minor's Social Security Number ("SSN")). For an Individual Retirement Account ("IRA") a different application is required. Please call Mutual Funds Service Company ("MFSC") at 800-282-4404 or your investment dealer to obtain the IRA application.

Name(s) (PLEASE PRINT)	Social Security Number(s) or Taxpayer Identification Number(s) ("TIN(s)")
Name	Telephone Number

- ---
Address

- --- / / U.S. Citizen / / Other (specify citizenship) --------------------

City/State/Zip
</TABLE>

CONSOLIDATED MAILINGS: If you or your family members own multiple accounts in the Morgan Stanley Fund, Inc., you can prevent duplicate mailings to your address by completing this section.

<TABLE>
<S> <C>

ACCOUNT NUMBER(S)	NAME(S) IN WHICH ACCOUNT IS REGISTERED
- --	--
- --	--
- --	--

</TABLE>

FUND SELECTION

The minimum initial and subsequent investment is $1,000 and $100, respectively, except for IRAs, for which the minimum amounts are $250 and $50, respectively. Attach a check payable to MORGAN STANLEY FUND, INC.--Investment Fund name.

<TABLE>
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/ / Morgan Stanley Global Equity Allocation Fund Class A	$ -----------(2600)	/ / Morgan Stanley Money Market Fund Class A	$ -----------(2606)
/ / Morgan Stanley Global Equity Allocation Fund Class B	$ -----------(2650)	/ / Morgan Stanley Emerging Markets Fund Class A	$ -----------(2605)
/ / Morgan Stanley Global Fixed Income Fund Class A	$ -----------(2601)	/ / Morgan Stanley Emerging Markets Fund Class B	$ -----------(2655)
/ / Morgan Stanley Global Fixed Income Fund Class B	$ -----------(2651)	/ / Morgan Stanley Latin American Fund Class A	$ -----------(2609)
/ / Morgan Stanley Asian Growth Fund Class A	$ -----------(2602)	/ / Morgan Stanley Latin American Fund Class B	$ -----------(2659)
/ / Morgan Stanley Asian Growth Fund Class B	$ -----------(2652)	/ / Morgan Stanley European Equity Fund Class A	$ -----------(2607)
/ / Morgan Stanley American Value Fund Class A	$ -----------(2603)	/ / Morgan Stanley European Equity Fund Class B	$ -----------(2657)
/ / Morgan Stanley American Value Fund Class B	$ -----------(2653)	/ / Morgan Stanley Growth and Income Fund Class A	$ -----------(2608)
/ / Morgan Stanley Worldwide High Income Fund Class A	$ -----------(2604)	/ / Morgan Stanley Growth and Income Fund Class B	$ -----------(2658)
/ / Morgan Stanley Worldwide High Income Fund Class B	$ -----------(2654)	Total Initial Investment:	$ ----------------

</TABLE>

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Note: If investing by wire, you must obtain a Bank Wire Control Number. To do so, please call 800-282-4404.	A. By Mail: Enclosed is a check in the amount of $ ---------------------- payable to Morgan Stanley Fund, Inc. B. By Wire: A bank wire in the amount of $ ------------------------ has been sent to Morgan Stanley Fund, Inc. from -- -- Name of Bank Wire Control Number

</TABLE>

CAPITAL GAIN AND DIVIDEND DISTRIBUTIONS: All capital gain and dividend distributions will be reinvested in additional shares unless appropriate boxes below are checked:

<TABLE>
<S> <C> <C> <C>

/ / All Dividends are to be	/ / reinvested	/ / paid in cash	
/ / All Capital Gains are to be	/ / reinvested	/ / paid in cash	

</TABLE>

ACCOUNT PRIVILEGES

<TABLE>
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TELEPHONE EXCHANGE AND REDEMPTION AUTHORITY TO TRANSMIT REDEMPTION PROCEEDS TO PRE-DESIGNATED ACCOUNT.

You will automatically have telephone exchange and redemption privileges for yourself and your investment dealer and appoint MFSC to act as your agent to act upon instructions received by telephone in order to effect such privileges unless you mark one or more of the boxes below:

No, I/we do not want:

/ / telephone exchange privileges
/ / telephone redemption privileges

for myself/ourselves or my/our investment dealer.

I/We further acknowledge that it is my/our responsibility to read the Prospectus of any Fund into which I/we exchange. Morgan Stanley Fund, Inc. will mail redemption proceeds to the name and address in which my/our fund account is registered unless I check the following box and complete the information at right. / /

I/We hereby authorize MFSC to act upon instructions received by telephone to withdraw $1,000 or more from my/our account in Morgan Stanley Fund, Inc. and wire the amount withdrawn to the following commercial bank account. I/ We understand that MFSC charges an $8.00 fee for each wire redemption, which will be deducted from the proceeds of the redemption.

Title on Bank Account*---

Name of Bank --

Bank A.B.A. Number ---------------- Account Number ----------------

City/State/Zip --

ATTACH A VOIDED CHECK HERE

A corporation or partnership must also submit a "Corporate Resolution" or "Certificate of Partnership" indicating the names and titles of officers authorized to act on its behalf.

The Fund and the Fund's Transfer Agent will employ reasonable procedures to confirm that instructions communicated by telephone are genuine. These procedures include requiring the investor to provide certain personal identification information at the time an account is opened and prior to effecting each transaction requested by telephone. In addition, all telephone transaction requests will be recorded and investors may be required to provide additional telecopying written instructions of transaction requests. Neither the Fund nor the Transfer Agent will be responsible for any loss, liability, cost or expenses for following instructions received by telephone that it reasonably believes to be genuine.

</TABLE>

RIGHTS OF ACCUMULATION (OPTIONAL)

Fund shareholders together with members of their families, may be entitled to reduced sales charges with respect to their purchases of Class A shares of Funds of Morgan Stanley Fund, Inc. sold with an initial sales load ("Non-Money Funds"). You may also receive a reduced sales charge by completing the Letter of Intent as set forth below as provided in the Prospectus of the Morgan Stanley Fund, Inc. (the "Prospectus"). See the Prospectus for details.

To qualify, you must complete this section, listing all of your accounts including those in your spouse's name, joint accounts and accounts held for your minor children. If you need more space, please attach a separate sheet.

/ / I/We qualify for the Rights of Accumulation initial sales load discount described in the Prospectus and Statement of Additional Information of Morgan Stanley Fund, Inc.

/ / I/We own Class A shares of more than one Non-Money Fund of Morgan Stanley Fund, Inc.

/ / The registration of some of my/our Class A shares differs from that shown on this application. Listed below are the account number(s) and full registration(s) in each case.

LIST OF OTHER ACCOUNTS

<TABLE>
<S> <C>

ACCOUNT NUMBER(S)	NAME(S) IN WHICH ACCOUNT IS REGISTERED
- ---	---
- ---	---
- ---	---

</TABLE>

LETTER OF INTENT (OPTIONAL)

I/we agree to the Letter of Intent Conditions on the last page of this application.

I/we intend to invest, within a 13-month period beginning on the date hereof (initial purchase date) in Class A shares of the Non-Money Fund purchased hereunder and the other Non-Money Fund, an aggregate amount which, together with the value of Class A shares of any of the Non-Money Funds then owned by me/us, will equal or exceed the amount indicated below:

/ / $100,000 / / $250,000 / / $500,000 / / $1,000,000

SYSTEMATIC WITHDRAWAL PLAN (optional) / / Yes / / No Not Available for IRAs

Available to shareholders with account balances of $5,000 or more.

I/We hereby authorize MFSC to redeem the necessary number of shares from my/our Morgan Stanley Fund, Inc. Account on the designated dates in order to make the following periodic payments:

/ / Monthly / / Quarterly / / Semiannually / / Annually

(This request for participation in the Systematic Withdrawal Plan must be received by the 18th day of the month in which you wish withdrawals to begin. Redemptions of shares to make the payments elected above will occur on the 25th day of the month prior to payment, or if such day is not a business day, then the next preceding business day.)

Withdrawal ($100 minimum) from:	Amount of Each Check			
Morgan Stanley Global Equity Allocation Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Global Fixed Income Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Asian Growth Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley American Value Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Worldwide High Income Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Emerging Markets Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Latin American Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley European Equity Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Growth and Income Fund:	Class A:	$ ---------------	Class B:	$ -------------------
Morgan Stanley Money Market Fund:	$ -------------------------			

Please make check payable to: (to be completed only if redemption proceeds to be paid to other than account holder of record or mailed to address other than address of record)	Recipient -------------------------- Street Address --------------------- City, State, Zip Code --------------

AUTOMATIC INVESTMENT PLAN (OPTIONAL)

I/We hereby authorize MFSC to debit my/our personal checking account on the designated dates in order to purchase shares in the Funds indicated below at the applicable public offering price determined on that day.

/ / Monthly on the 5th day / / Monthly on the 20th day

Amount of each debit (minimum $100) to be invested as follows:

Morgan Stanley Global Equity Allocation Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Global Fixed Income Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Asian Growth Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley American Value Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Worldwide High Income Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Emerging Markets Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Latin American Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley European Equity Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Growth and Income Fund:	Class A:	$ ---------------	Class B: $ ---------------
Morgan Stanley Money Market Fund:	$		

NOTE: A completed Bank Authorization Form (see next page) and a voided personal check MUST accompany this Automatic Investment Plan application.

AUTOMATIC INVESTMENT PLAN--BANK AUTHORIZATION

--	--	--
Bank Name	Bank Address	Bank Account Number

I/We authorize you, the above named bank, to debit my/our account for amounts drawn by Mutual Funds Service Company, acting as my/our agent for the purchase of Shares of Morgan Stanley Fund, Inc. I/We agree that your rights in respect to each withdrawal shall be the same as if it were a check drawn upon you and signed by me/us. This authority shall remain in effect until revoked in writing and received by you. I/We agree that you shall incur no liability when honoring debits, except a loss due to payments drawn against insufficient funds. I/We further agree that you will incur no liability to me if you dishonor any such withdrawal. This will be so even though such dishonor results in the cancellation of that purchase.

<TABLE>

<S>		<C>	
- --		--	
Account Holder's Name		Joint Account Holder's Name	
X --	-------------	X --	-------------
Signature	Date	Signature	Date

</TABLE>

AGREEMENTS AND SIGNATURES

By signing this application, I/we hereby certify under penalties of perjury that the information on this application is complete and correct and that as required by Federal law:

/ / I/We certify that (1) the number(s) shown above on this form is/are the correct SSN(s) or TIN(s) and (2) I/we are not subject to any backup withholding either because I/we have not been notified by the Internal Revenue Service ("IRS") that I/we are subject to backup withholding, or the IRS has notified me/us that I am/we are no longer subject to backup withholding. (NOTE: IF ANY OR ALL OF CLAUSE (2) IS NOT TRUE, STRIKE OUT THAT PART BEFORE SIGNING).

/ / If no TIN(s) or SSN(s) has/have been provided above, I/we have applied, or intend to apply, to the IRS or the Social Security Administration for a TIN or a SSN, and I/we understand that if I/we do not provide either number to MFSC within 60 days of the date of this application or if I/we fail to furnish my/our correct SSN or TIN, I/we may be subject to a penalty and a 31% backup withholding on distributions and redemption proceeds. (Please provide either number on IRS Form W-9). You may request such form by calling MFSC at the number listed above).

I/We represent that I am/we are of legal age and capacity to purchase shares of the Morgan Stanley Fund, Inc. I/We understand that unless otherwise indicated in this application, my/our investment dealer and I/we will automatically receive telephone exchange and redemption privileges and that Morgan Stanley Fund, Inc. and MFSC and their directors, officers and employees will not be liable for any loss, liability, cost or expense incurred for acting upon instructiins believed to be authentic and in accordance with the procedures set forth in the Prospectus. I/We have received, read and carefully reviewed a copy of the Fund's current Prospectus and agree to its terms and by signing below I/we acknowledge that neither the Fund nor the Distributor is a bank and that Fund shares are not backed or guaranteed by any bank or insured by the FDIC.

<TABLE>

<S>	<C>
X ---	Date ---------------------
Owner Signature	
X ---	Date ---------------------
Owner Signature	

</TABLE>

Sign exactly as name(s) of registered owner(s) appear(s) above (including legal title if signing for a corporation, trust custodial account, etc.)

NOTE: THE FOLLOWING SECTION SHOULD BE COMPLETED ONLY IF YOU ARE INVESTING IN THE MORGAN STANLEY FUND, INC. THROUGH A PARTICIPATING DEALER (AN INVESTMENT DEALER).

FOR USE BY AUTHORIZED AGENT (PARTICIPATING DEALER) ONLY

We hereby submit this application for the purchase of shares in accordance with the terms of our selling agreement with Morgan Stanley & Co. Incorporated and with the Prospectus and Statement of Additional Information of the Fund. We agree to notify MFSC of any purchases made under the Letter of Intent or Rights of Accumulation.

<TABLE>

<S>	<C>
- --	--
Investment Dealer's Name	Branch Number
- --	--
Main Office Address	Representative's Name
- --	--
Representative's Number	Telephone

- --   --

Branch Address   Title

- --

Investment Dealer's Authorized Signature
</TABLE>

- ---
- ---
- ---
- ---

NO DEALER, SALES REPRESENTATIVE OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER BY THE FUND OR THE DISTRIBUTOR TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

TABLE OF CONTENTS

<TABLE>
<S> <C>

</TABLE>

MORGAN STANLEY
GLOBAL EQUITY ALLOCATION FUND
MORGAN STANLEY
GLOBAL FIXED INCOME FUND
MORGAN STANLEY
ASIAN GROWTH FUND
MORGAN STANLEY
EMERGING MARKETS FUND
MORGAN STANLEY
LATIN AMERICAN FUND
MORGAN STANLEY
EUROPEAN EQUITY FUND
MORGAN STANLEY
AMERICAN VALUE FUND
MORGAN STANLEY
WORLDWIDE HIGH INCOME FUND
MORGAN STANLEY
GROWTH AND INCOME FUND
MORGAN STANLEY
MONEY MARKET FUND

PORTFOLIOS OF THE
MORGAN STANLEY
FUND, INC.

COMMON STOCK
($.001 PAR VALUE)

PROSPECTUS

INVESTMENT ADVISER
MORGAN STANLEY
ASSET MANAGEMENT INC.

DISTRIBUTOR
MORGAN STANLEY & CO.

INCORPORATED

- --
- --
- --
- --

MORGAN STANLEY FUND, INC.
SUPPLEMENT dated March 13, 1995 to the
Statement of Additional Information dated October 28, 1994
(as amended January 9, 1995)

The following information is provided to supplement the list of publications, indices and averages as set forth on Pages 25-27 of the Fund's Statement of Additional Information under the heading "Performance Information - Comparisons":

The IFC Latin America Total Return Composite Index - is an unmanaged index of common stocks and includes Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela.

The IFC Global Total Return Composite Index - is an unmanaged index of common stocks and includes developing countries in Latin America, East and South Asia, Europe, the Middle East and Africa. Comparisons of performance assume reinvestment of dividends.

MORGAN STANLEY FUND, INC.
MORGAN STANLEY EMERGING MARKETS FUND
SUPPLEMENT DATED JANUARY 9, 1995 TO THE PROSPECTUS DATED OCTOBER 28, 1994
FINANCIAL HIGHLIGHTS
(UNAUDITED)

The following table provides financial highlights for the Morgan Stanley Emerging Markets Fund (the "Emerging Markets Fund") for the period from commencement of operations on July 6, 1994 to November 30, 1994, and is included in the financial statements in the Statement of Additional Information of the Morgan Stanley Fund, Inc. The Statement of Additional Information is available at no cost and can be requested by writing the address or calling the telephone number on the cover of the Prospectus. The following information should be read in conjunction with the financial statements and notes thereto.

	CLASS A JULY 6, 1994** TO NOVEMBER 30, 1994	CLASS B JULY 6, 1994** TO NOVEMBER 30, 1994
NET ASSET VALUE, BEGINNING OF PERIOD	$12.00	$12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	0.00	(0.03)
Net Realized and Unrealized Gain on Investments	0.01	0.01
Total from Investment Operations	0.01	(0.02)
NET ASSET VALUE, END OF PERIOD	$12.01	$11.98
TOTAL RETURN(1)	0.08%***	-0.17%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$14,860	$11,568
Ratio of Expenses to Average Net Assets	2.15%*	2.90%*
Ratio of Net Investment Income to Average Net Assets	0.27%*	-0.48%*
Portfolio Turnover Rate	8.13%***	8.13%***

During the period, various fees and expenses were waived and reimbursed. The ratios of expenses and net investment income to average net assets had such waiver and reimbursement not occurred are as follows (2):

Ratio of Expenses to Average Net Assets	2.77%	3.52%
Ratio of Net Investment Income to Average Net Assets	-0.35%	-1.10%

- ------------------------
* Annualized.
** Commencement of operations.
*** Not Annualized.

(1) Total return is calculated exclusive of sales charges or deferred sales charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 1.25% of the average daily net assets of the Emerging Markets Fund. The Adviser has agreed to waiver a portion of this fee and/or reimburse expenses of the Emerging Markets Fund to the extent that total operating expenses exceed 2.15% of the average daily net assets relating to the Class A Shares and 2.90% of the average daily net assets relating to the Class B Shares. For the period ended November 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $61,000 and $3,000, respectively, for the Emerging Markets Fund.

MORGAN STANLEY FUND, INC.
MORGAN STANLEY LATIN AMERICAN FUND
SUPPLEMENT DATED JANUARY 9, 1995 TO THE PROSPECTUS DATED OCTOBER 28, 1994
FINANCIAL HIGHLIGHTS
(UNAUDITED)

The following table provides financial highlights for the Morgan Stanley Latin American Fund (the "Latin American Fund") for the period from commencement of operations on July 6, 1994 to November 30, 1994, and is included in the financial statements in the Statement of Additional Information of the Morgan Stanley Fund, Inc. The Statement of Additional Information is available at no cost and can be requested by writing the address or calling the telephone number on the cover of the Prospectus. The following information should be read in conjunction with the financial statements and notes thereto.

<TABLE>
<CAPTION>

	CLASS A	CLASS B
	JULY 6, 1994** TO NOVEMBER 30, 1994	JULY 6, 1994** TO NOVEMBER 30, 1994
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$12.00	$12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	(0.05)	(0.12)
Net Realized and Unrealized Gain on Investments	2.36	2.36
Total from Investment Operations	2.31	2.24
NET ASSET VALUE, END OF PERIOD	$14.31	$14.24
TOTAL RETURN(1)	19.25%***	18.67%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$7,213	$3,279
Ratio of Expenses to Average Net Assets	2.10%*	2.85%*
Ratio of Net Investment Income to Average Net Assets	-0.91%*	-1.66%*
Portfolio Turnover Rate	41.53%***	41.53%***

</TABLE>

During the period, various fees and expenses were waived and reimbursed. The ratios of expenses and net investment income to average net assets had such waiver and reimbursement not occurred are as follows (2):

<TABLE>

<S>	<C>	<C>
Ratio of Expenses to Average Net Assets	2.53%	3.28%
Ratio of Net Investment Income to Average Net Assets	-1.34%	-2.09%

</TABLE>

- ------------------------
* Annualized.
** Commencement of operations.
*** Not Annualized.

(1) Total return is calculated exclusive of sales charges or deferred sales charges.

(2) Under the terms of an Investment Advisory Agreement, the Adviser is entitled to receive an investment advisory fee calculated at an annual rate of 1.25% of the average daily net assets of the Latin American Fund. The Adviser has agreed to waiver a portion of this fee and/or reimburse expenses of the Latin American Fund to the extent that total operating expenses exceed 2.10% of the average daily net assets relating to the Class A Shares and 2.85% of the average daily net assets relating to the Class B Shares. For the period ended November 30, 1994, the Adviser waived advisory fees and/or reimbursed expenses totalling approximately $33,000 and $38,000, respectively, for the Latin American Fund.

MORGAN STANLEY FUND, INC.
STATEMENT OF ADDITIONAL INFORMATION

Morgan Stanley Fund, Inc. (the "Fund") is an open-end management investment company. The Fund currently consists of ten investment portfolios (the "Investment Funds") offering a range of investment choices. The Fund is designed to provide clients with attractive alternatives for meeting their investment needs. This Statement of Additional Information addresses information of the Fund applicable to each of the ten Investment Funds and to the Class A shares and Class B shares of nine of such Investment Funds.

This Statement is not a prospectus but should be read in conjunction with the Fund's prospectus (the "Prospectus"). To obtain the Prospectus, please call the Morgan Stanley Fund, Inc. Services Group:

1-800-282-4404

TABLE OF CONTENTS

Statement of Additional Information dated as of October 28, 1994, as amended and supplemented January 9, 1995 and March 13, 1995, relating to the Prospectus dated October 28, 1994, as supplemented January 9, 1995 and March 13, 1995, for:

Morgan Stanley Global Equity Allocation Fund
Morgan Stanley Global Fixed Income Fund
Morgan Stanley Asian Growth Fund

Morgan Stanley Emerging Markets Fund
Morgan Stanley Latin American Fund
Morgan Stanley European Equity Fund
Morgan Stanley American Value Fund
Morgan Stanley Worldwide High Income Fund
Morgan Stanley Growth and Income Fund
Morgan Stanley Money Market Fund (currently not offering shares)

INVESTMENT OBJECTIVES AND POLICIES

The following policies supplement the investment objectives and policies set forth in the Fund's Prospectus with respect to the Fund's ten Investment Funds: the Morgan Stanley Global Equity Allocation Fund, Morgan Stanley Global Fixed Income Fund, Morgan Stanley Asian Growth Fund, Morgan Stanley Emerging Markets Fund, Morgan Stanley Latin American Fund, Morgan Stanley European Equity Fund, Morgan Stanley American Value Fund, Morgan Stanley Worldwide High Income Fund, Morgan Stanley Growth and Income Fund and Morgan Stanley Money Market Fund (referred to herein respectively as the "Global Equity Allocation Fund," "Global Fixed Income Fund," "Asian Growth Fund," "Emerging Markets Fund," "Latin American Fund," "European Equity Fund," "American Value Fund," "Worldwide High Income Fund", "Growth and Income Fund" and "Money Market Fund").

GLOBAL INVESTING

Global investment diversification can lower the risk that occurs from fluctuations in any one market. Global stock and bond markets often do not parallel the performance of each other which means that, over time, diversifying investments across several countries can help reduce portfolio volatility while increasing returns.

U.S. stock and bond markets now comprise less than half of the total securities available worldwide and investors who limit their investments to the

U.S. ignore over 80% of the world's blue chip companies. Participating in global markets helps the astute investor take advantage of opportunities worldwide. Over the past 10 years, through 1992, the U.S. ranked in the top five performing stock markets only two times according to Morgan Stanley Capital International.

SECURITIES LENDING

Each Investment Fund may lend its investment securities to qualified institutional investors who need to borrow securities in order to complete certain transactions, such as covering short sales, avoiding failures to deliver securities or completing arbitrage operations. By lending its investment securities, an Investment Fund attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur during the term of the loan would be for the account of the Investment Fund. Each Investment Fund may lend its investment securities to qualified brokers, dealers, domestic and foreign banks or other financial institutions, so long as the terms, structure and the aggregate amount of such loans are not inconsistent with the Investment Company Act of 1940, as amended (the "1940 Act"), or the Rules and Regulations or interpretations of the Securities and Exchange Commission (the "SEC") thereunder, which currently require that (a) the borrower pledge and maintain with the Investment Fund collateral consisting of cash, an irrevocable letter of credit issued by a domestic U.S. bank, or securities issued or guaranteed by the U.S. Government having a value at all times not less than 100% of the value of the securities loaned, including accrued interest, (b) the borrower add to such collateral whenever the price of the securities loaned rises (i.e., the borrower "marks to the market" on a daily basis), (c) the loan be made subject to termination by the Investment Fund at any time, and (d) the Investment Fund receive reasonable interest on the loan (which may include the Investment Fund investing any cash collateral in interest bearing short-term investments), any distributions on the loaned securities and any increase in their market value. There may be risks of delay in recovery of the securities or even loss of rights in the collateral should the borrower of the securities fail financially. However, loans will only be made to borrowers deemed by Morgan Stanley Asset Management Inc. (the "Adviser" or "MSAM") to be of good standing and when, in the judgment of the Adviser, the consideration which can be earned currently from such securities loans justifies the attendant risk. All relevant facts and circumstances, including the creditworthiness of the broker, dealer or institution, will be considered in making decisions with respect to the lending of securities, subject to review by the Directors.

At the present time, the Staff of the SEC does not object if an investment company pays reasonable negotiated fees in connection with loaned securities, so long as such fees are set forth in a written contract and

approved by the investment company's Directors. In addition, voting rights may pass with the loaned securities, but if a material event will occur affecting an investment on loan, the loan must be called and the securities voted.

EQUITY-LINKED SECURITIES

The amount received by an investor at maturity of such securities is not fixed but is based on the price of the underlying common stock. It is impossible to predict whether the price of the underlying common stock will rise or fall. Trading prices of the underlying common stock will be influenced by the issuer's operational results, by complex, interrelated political, economic, financial or other factors affecting the capital markets, the stock exchanges on which the underlying common stock is traded and the market segment of which the issuer is a part. It is not possible to predict how equity-linked securities will trade in the secondary market or whether such market will be liquid or illiquid. The following are three examples of equity-linked securities. The Investment Fund may invest in the securities described below or other similar equity-linked securities.

There are certain risks of loss of principal in connection with investing in equity-linked securities, as described in the following examples of certain equity-linked securities. Preferred Equity Redemption Cumulative Stock ("PERCS") as described in "Additional Investment Information" in the Prospectus will convert into common stock within three years no matter at what price the common stock trades. If the common stock is trading at a price that is at or below the cap, the Investment Fund receives one share of common stock for each PERCS share. If the common stock is trading at a price that is above the cap, the Investment Fund receives less than one share, with the conversion ratio adjusted so that the market value of the common stock received by the Investment Fund equals the cap. Accordingly, the Investment Fund is subject to the risk that if the price of the common stock is below the cap price at the maturity of the PERCS, the Investment Fund will lose the amount of the difference between the price of the common stock and the cap. Such a loss could substantially reduce the Investment Fund's initial investment in the PERCS and any dividends that were paid on the PERCS. PERCS also present risks based on payment expectations. If a PERCS issuer redeems the PERCS, the Investment Fund may have to replace the PERCS with a lower yielding security, resulting in a decreased return for investors.

The principal amount that Equity-Linked Securities ("ELKS") holders receive at maturity, as described in "Additional Investment Information" in the Prospectus, is based on the price of underlying common stock. If the common stock is trading at a price that is at or below the cap, the Investment Fund receives for each ELKS share an amount equal to the average price of the common stock. If the common stock is trading at a price that is above the cap, the Investment Fund receives the cap amount. Accordingly, the Investment Fund is subject to the risk that if the price of the common stock is below the cap price at the maturity of the ELKS, the Investment Fund will lose the amount of the difference between the price of the common stock and the cap. Such a loss could substantially reduce the Investment Fund's initial investment in the ELKS and any dividends that were paid on the ELKS. An additional risk is that the issuer may "reopen" the issue of ELKS and issue additional ELKS at a later time or issue additional debt securities or other securities with terms similar to those of the ELKS, and such issuances may affect the trading value of the ELKS.

The principal amount that Liquid Yield Option Notes ("LYONs") holders receive for LYONs, other than the lower-than-marked yield at maturity, as described in "Additional Investment Information" in the Prospectus, is based on the price of underlying common stock. If the common stock is trading at a price that is at or below the purchase price of the LYONs plus accrued original issue discount, the Investment Fund receives only the lower-than-market yield, assuming the LYONs are not in default. If the common stock is trading at a price that is above the purchased price of the LYONs plus accrued original issue discount, the Investment Fund will receive an amount above the lower-than-market yield on the LYONs, based on how well the underlying common stock does. LYONs also present risks based on payment expectations. If a LYONs issuer redeems the LYONs, the Investment Fund may have to replace the LYONs with a lower yielding security, resulting in a decreased return for investors.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

The U.S. dollar value of the assets of the Global Equity Allocation, Global Fixed Income, Asian Growth, Emerging Markets, Latin American, European Equity, and to the extent they invest in foreign currencies, the American Value, Growth and Income and Worldwide High Income Funds (the "Non-Money Funds") may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and the Investment Funds may incur costs in connection with conversions between various currencies. The Investment Funds will conduct their foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward contracts to purchase or sell foreign currencies. A forward foreign currency exchange contract (a "forward contract") involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded in the interbank market conducted directly between currency traders (usually large commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for such trades.

The Investment Funds may enter into forward contracts in several circumstances. When an Investment Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, or when an Investment Fund anticipates the receipt in a foreign currency of dividends or interest payments on a security which it holds, the Investment Fund may desire to "lock-in" the U.S. dollar price of the security or the U.S. dollar equivalent of such dividend or interest payment, as the case may be. By entering into a forward contract for a fixed amount of dollars, for the purchase or sale of the amount of foreign currency involved in the underlying transactions, the Investment Fund will be able to protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar and the subject foreign currency during the period between the date on which the security is purchased or sold, or on which the dividend or interest payment is declared, and the date on which such payments are made or received.

Additionally, when any of these Investment Funds anticipates that the currency of a particular foreign country may suffer a substantial decline against the U.S. dollar, it may enter into a forward contract for a fixed amount of dollars, to sell the amount of foreign currency approximating the value of some or all of such Investment Fund's securities denominated in such foreign currency. The precise matching of the forward contract amounts and the value of the securities involved will not generally be possible since the future value of securities in foreign currencies will change as a consequence of market movements in the value of these securities between the date on which the forward contract is entered into and the date it matures. The projection of short-term currency market movement is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain. An Investment Fund will not enter into such forward contracts or maintain a net exposure to such contracts where the consummation of the contracts would obligate such Investment Fund to deliver an amount of foreign currency in excess of the value of such Investment Fund securities or other assets denominated in that currency.

Under normal circumstances, consideration of the prospect for currency parities will be incorporated into the long-term investment decisions made with regard to overall diversification strategies. However, the management of the Fund believes that it is important to have the flexibility to enter into such forward contracts when it determines that the best interests of the performance of each Investment Fund will thereby be served. Except in circumstances where segregated accounts are not required by the 1940 Act and the rules adopted thereunder, the Fund's Custodian will place cash, U.S. Government securities, or high-grade debt securities into a segregated account of an Investment Fund in an amount equal to the value of such Investment Fund's total assets committed to the consummation of forward contracts. If the value of the securities placed in the segregated account declines, additional cash or securities will be placed in the account on a daily basis so that the value of the account will be at least equal to the amount of such Investment Fund's commitments with respect to such contracts.

The Investment Funds generally will not enter into a forward contract with a term of greater than one year. At the maturity of a forward contract, an Investment Fund may either sell the portfolio security and make delivery of the foreign currency, or it may retain the security and terminate its contractual obligation to deliver the foreign currency by purchasing an "offsetting" contract with the same currency trader obligating it to purchase, on the same maturity date, the same amount of the foreign currency.

It is impossible to forecast with absolute precision the market value of a particular portfolio security at the expiration of the contract. Accordingly, it may be necessary for an Investment Fund to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security is less than the amount of foreign currency that such Investment Fund is obligated to deliver and if a decision is made to sell the security and make delivery of the foreign currency.

If an Investment Fund retains the portfolio security and engages in an offsetting transaction, such Investment Fund will incur a gain or a loss (as described below) to the extent that there has been movement in forward contract prices. Should forward prices decline during the period between an Investment Fund entering into a forward contract for the sale of a foreign currency and the date it enters into an offsetting contract for the purchase of the foreign currency, such Investment Fund will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to purchase. Should forward prices increase, such Investment Fund would suffer a loss to the extent that the price of the currency it has agreed to purchase exceeds the price of the currency it has agreed to sell.

The Investment Funds are not required to enter into such transactions with regard to their foreign currency-denominated securities. It also should be realized that this method of protecting the value of portfolio securities against a decline in the value of a currency does not eliminate fluctuations in the underlying prices of the securities. It simply establishes a rate of exchange which one can achieve at some future point in time. Additionally, although such contracts tend to minimize the risk of loss due to a decline in the value of the hedged currency, at the same time, they tend to limit any potential gain which might result should the value of such currency increase.

FUTURES CONTRACTS

The Emerging Markets, Latin American, American Value, Growth and Income and Worldwide High Income Funds may enter into securities index futures contracts and options on securities index futures contracts to a limited extent and the Latin American Fund may utilize appropriate interest rate futures contracts and options on interest rate futures contracts to a limited extent. In addition, the American Value, Emerging Markets, Latin American and Worldwide High Income Funds may enter into foreign currency futures contracts and options thereon. Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security or a specific currency at a specified future time and at a specified price. Futures contracts, which are standardized as to maturity date and underlying financial instrument, index or currency, traded in the United States are traded on national futures exchanges. Futures exchanges and trading are regulated under the Commodity Exchange Act by the Commodity Futures Trading Commission ("CFTC"), a U.S. government agency.

Although futures contracts by their terms call for actual delivery or acceptance of the underlying securities or currencies, in most cases the contracts are closed out before the settlement date without the making or taking of delivery. Closing out an open futures position is done by taking an opposite position ("buying" a contract which has previously been "sold" or "selling" a contract previously "purchased") in an identical contract to terminate the position. Brokerage commissions are incurred when a futures contract is bought or sold.

The American Value, Emerging Markets, Latin American and Worldwide High Income Funds may purchase and sell indexed financial futures contracts. An index futures contract is an agreement to take or make delivery of an amount of cash equal to the difference between the value of the index at the beginning and at the

end of the contract period. Successful use of index futures will be subject to the Adviser's ability to predict correctly movements in the direction of the relevant securities market. No assurance can be given that the Adviser's judgment in this respect will be correct.

The American Value, Emerging Markets, Latin American and Worldwide High Income Funds may sell indexed financial futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of securities in its portfolio that might otherwise result. If the Adviser believes that a portion of the Investment Fund assets should be invested in emerging country securities but such investments have not been fully made and the Adviser anticipates a significant market advance, the Investment Fund may purchase index futures in order to gain rapid market exposure that may in part or entirely offset increases in the cost of securities that it intends to purchase. In a substantial majority of these transactions, the Investment Fund will purchase such securities upon termination of the futures position but, under unusual market conditions, a futures position may be terminated without the corresponding purchase of debt securities.

Futures traders are required to make a good faith margin deposit in cash or government securities with a broker or custodian to initiate and maintain open positions in futures contracts. A margin deposit is intended to assure completion of the contract (delivery or acceptance of the underlying security) if it is not terminated prior to the specified delivery date. Minimal initial margin requirements are established by the futures exchange and may be changed. Brokers may establish deposit requirements which are higher than the exchange minimums. Futures contracts are customarily purchased and sold for prices that may range upward from less than 5% of the value of the contract being traded.

After a futures contract position is opened, the value of the contract is marked to market daily. If the futures contract price changes to the extent that the margin on deposit does not satisfy margin requirements, payment of an additional "variation" margin will be required. Conversely, a change in the contract value may reduce the required margin, resulting in a repayment of excess margin to the contract holder. Variation margin payments are made to and from the futures broker for as long as the contract remains open. The Investment Fund expects to earn interest income on its margin deposits.

Traders in futures contracts may be broadly classified as either "hedgers" or "speculators." Hedgers use the futures markets primarily to offset unfavorable changes in the value of securities otherwise held for investment purposes or expected to be acquired by them. Speculators are less inclined to own the underlying securities with futures contracts which they trade, and use futures contracts with the expectation of realizing profits from market fluctuations. The Investment Funds intend to use futures contracts only for hedging purposes.

Regulations of the CFTC applicable to the Investment Funds require that all futures transactions constitute bona fide hedging transactions or transactions for other purposes so long as the aggregate initial margin and premiums required for such transaction will not exceed 5% of the liquidation value of the Investment Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such contracts it has entered into. The Investment Funds will only sell futures contracts to protect securities owned against declines in price or purchase contracts to protect against an increase in the price of securities intended for purchase. As evidence of this hedging interest, the Investment Funds expect that approximately 75% of their respective futures contracts will be "completed"; that is, equivalent amounts of related securities will have been purchased or are being purchased by the Investment Fund upon sale of open futures contracts.

Although techniques other than the sale and purchase of futures contracts could be used to control the Investment Fund's exposure to market fluctuations, the use of futures contracts may be a more effective means of hedging this exposure. While the Investment Funds will incur commission expenses in both opening and closing out futures positions, these costs are lower than transaction costs incurred in the purchase and sale of the underlying securities.

RESTRICTIONS ON THE USE OF FUTURES CONTRACTS. The American Value, Emerging Markets, Latin American, Growth and Income and Worldwide High Income Funds will not enter into futures contract transactions to the extent that, immediately thereafter, the sum of its initial margin deposits on open contracts exceeds 5% of the market value of its total assets. In addition, the Investment Fund will not enter into futures contracts to the extent that its outstanding obligations to purchase securities under futures contracts and options would exceed 20% of its total assets.

RISK FACTORS IN FUTURES TRANSACTIONS. Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, an Investment Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if an Investment Fund has insufficient cash, it may have to sell portfolio securities to meet its daily margin requirement at a time when it may be disadvantageous to do so. In addition, the Investment Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the Investment Fund's ability to effectively hedge.

Each Investment Fund will minimize the risk that it will be unable to close out a futures contract by only entering into futures for which there appears to be a liquid secondary market.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if, at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount invested in the contract. However, because the Investment Funds engage in futures strategies only for hedging purposes, the Adviser does not believe that the Investment Funds are subject to the risks of loss frequently associated with futures transactions. The Investment Fund would presumably have sustained comparable losses if, instead of the futures contract, the Investment Fund had invested in the underlying security or currency and sold it after the decline.

Utilization of futures transactions by the Investment Fund does involve the risk of imperfect or no correlation where the securities underlying futures contracts have different maturities than the portfolio securities or currencies being hedged. It is also possible that an Investment Fund could both lose money on futures contracts and also experience a decline in value of its portfolio securities. There is also the risk of loss by an Investment Fund of margin deposits in the event of bankruptcy of a broker with whom the Investment Fund has an open position in a futures contract or related option.

Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavorable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

OPTIONS ON FOREIGN CURRENCIES

The Emerging Markets, Latin American, European Equity, Growth and Income and Worldwide High Income Funds may attempt to accomplish objectives similar to those described above with respect to forward foreign currency exchange contracts and futures contracts for currency by means of purchasing put or call options on foreign currencies on exchanges. A put option gives the Investment Fund the right to sell a currency at the exercise price until the expiration of the option. A call option gives the Investment Fund the right to purchase a currency at the exercise price until the expiration of the option.

OPTIONS TRANSACTIONS

The Emerging Markets, Latin American, European Equity, Growth and Income and Worldwide High Income Funds may write (i.e., sell) covered call options which give the purchaser the right to buy the underlying security covered by the option from the Investment Fund at the stated exercise price. A "covered" call option means that so long as the Investment Fund is obligated as the writer of the option, it will own (i) the underlying securities subject to the option, or (ii) securities convertible or exchangeable without the payment of any consideration into the securities subject to the option. As a matter of operating policy, the value of the underlying securities on which options will be written at any one time will not exceed 5% of the total assets of the Investment Fund. In addition, as a matter of operating policy, the Investment Fund will neither purchase or write put options on securities nor purchase call options on securities (except in connection with closing purchase transactions).

The Investment Fund will receive a premium from writing call options, which increases the Investment Fund's return on the underlying security in the event the option expires unexercised or is closed out at a profit. By writing a call, the Investment Fund will limit its opportunity to profit from an increase in the market value of the underlying security above the exercise price of the option for as long as the Investment Fund's obligation as writer of the option continues. Thus, in some periods the Investment Fund will receive less total return and in other periods greater total return from writing covered call options than it would have received from its underlying securities had it not written call options.

LOAN PARTICIPATION AND ASSIGNMENTS

The Worldwide High Income Fund may invest in fixed and floating rate loans ("Loans") arranged through private negotiations between an issuer of sovereign debt obligations and one or more financial institutions ("Lenders"). The Investment Fund's investments in Loans are expected in most instances to be in the form of participations in Loans ("Participations") and assignments of all or a portion of Loans ("Assignments") from third parties. The Investment Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the Lender selling the Participation and only upon receipt by the Lender of the payments from the borrower. In the event of the insolvency of the Lender selling a Participation, the Investment Fund may be treated as a general creditor of the Lender and may not benefit from any set-off between the Lender and the borrower. Certain Participations may be structured in a manner designed to avoid purchasers of the Participation being subject to the credit risk of the Lender with respect to the Participation, but even under such a structure, in the event of the Lender's insolvency, the Lender's

servicing of the Participation may be delayed and the assignability of the Participation impaired. The Investment Fund will acquire a Participation only if the Lender interpositioned between the Investment Fund and the borrower is determined by the Adviser to be creditworthy.

When the Investment Fund purchases Assignments from Lenders it will acquire direct rights against the borrower on the Loan. Because Assignments are arranged through private negotiations between potential assignees and potential assignors, however, the rights and obligations acquired by the Investment Fund as the purchaser of an Assignment may differ from, and be more limited than, those held by the assigning Lender. Because there is no liquid market for such securities, the Investment Fund anticipates that such securities could be sold only to a limited number of institutional investors. The lack of a liquid secondary market may have an adverse impact on the value of such securities and the Investment Fund's ability to dispose of particular Assignments or Participation when necessary to meet the Investment Fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the borrower. The lack of a liquid secondary market for Assignments and Participation also may make it more difficult for the Investment Fund to assign a value to these securities for purposes of valuing the Investment Fund's portfolio and calculating its net asset value.

PORTFOLIO TURNOVER

It is anticipated that the annual portfolio turnover rate for each of the Investment Funds, except the Growth and Income Fund will not exceed 100%, although in any particular year, market conditions could result in portfolio activity at a greater or lesser rate than anticipated. The portfolio turnover rate for a year is the lesser of the value of the purchases or sales for the year divided by the average monthly market value of the Investment Fund for the year, excluding U.S. Government securities and securities with maturities of one year or less. The portfolio turnover rate for a year is calculated by dividing the lesser of sales or the average monthly value of the Investment Fund's portfolio purchases of portfolio securities during that year by securities, excluding money market instruments. The rate of portfolio turnover will not be a limiting factor when the Investment Fund deems it appropriate to purchase or sell securities for the portfolio. However, the U.S. federal tax requirement that the Investment Fund derive less than 30% of its gross income from the sale or disposition of securities held less than three months may limit the Investment Fund's ability to dispose of its securities. See "Federal Income Tax."

MORGAN STANLEY CAPITAL INTERNATIONAL WORLD INDEX

The investment objective of the Global Equity Allocation Fund is to provide long-term capital appreciation by investing in accordance with country weightings determined by the Adviser in common stocks of United States and non-United States issuers. The Adviser determines country allocations for the Investment Fund on an ongoing basis within policy ranges dictated by each country's market capitalization and liquidity. The Investment Fund will invest in the United States and industrialized countries throughout the world that comprise the Morgan Stanley Capital International World Index (the "World Index"). The World Index is one of seven International Indices, twenty National Indices and thirty-eight International Industry Indices making up the Morgan Stanley Capital International Indices.

The World Index is based on the share prices of companies listed on the stock exchanges of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, the Netherlands, New Zealand, Norway, Singapore/Malaysia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

FEDERAL INCOME TAX

The following discussion of federal income tax consequences is based on the Internal Revenue Code of 1986, as amended (the "Code") and the regulations issued thereunder as in effect on the date of this Statement of Additional Information. Legislation and administrative changes or court decisions may significantly change

the conclusions expressed herein, and may have a retroactive effect with respect to the transactions contemplated herein.

Legislation, signed into law by President Clinton in August, 1993, increased the top marginal rate of tax imposed on individual taxpayers from 31% to 36% on taxable income in excess of $140,000 and imposed a 10% surtax on high-income individual taxpayers on taxable income in excess of $250,000, on a retroactive basis to January 1, 1993. As a result of these changes there is a marked difference in the rate at which capital gains are taxed as compared to ordinary income. The recent legislation provided an increase in the rates imposed on ordinary income (as discussed above) but the rate imposed on capital gains remains at 28%.

In addition, the recent legislation increased the alternative minimum tax rates for noncorporate individual taxpayers from 24% to 26% on alternative minimum taxable income (AMTI) less the exemption amount up to $175,000 and 28% on AMTI less the exemption amount in excess of $175,000. The corporate alternative minimum tax rate remains at 20%.

In order to qualify for the special tax treatment afforded to regulated investment companies ("RIC's") under Subchapter M of the Code, each Investment Fund must, among other things, (a) derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, and certain other related income, including, generally, gains from options, futures and forward contracts (the "90% Gross Income Test"); (b) derive less than 30% of its gross income each taxable year from the sale or other disposition of (i) stocks or securities, (ii) options, futures or forward contracts (other than options, futures or forward contracts on foreign currencies) and (iii) foreign currencies (or options, futures or forward contracts on foreign currencies), but only if not directly related to the Investment Fund's principal business of investing in stocks or securities (or options and futures with respect to stocks or securities) held less than three months (the "Short-Short Gain Test"), and (c) diversify its holdings so that, at the end of each fiscal quarter of the Fund's taxable year, (i) at least 50% of the market value of the Investment Fund's total assets is represented by cash, United States Government securities, securities of other RIC's, and other securities and cash items, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Investment Fund's total assets or 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities of any one issuer or two or more issuers which the Fund controls and which are engaged in the same, similar, or related trades or businesses (other than U.S. Government securities or the securities of other RIC's). For purposes of the 90% gross income requirement described above, foreign currency gains may be excluded by regulation from income that qualifies under the 90% requirement.

In addition to the requirements described above, in order to qualify as a RIC, an Investment Fund must distribute at least 90% of its net investment income (which generally includes dividends, taxable interest, and net short-term capital gains less operating expenses) to shareholders. If an Investment Fund meets all of the RIC requirements, it will not be subject to federal income tax on any of its net investment income or capital gains that it distributes to shareholders.

Each Investment Fund will decide whether to distribute or to retain all or part of any net capital gains (the excess of net long-term capital gains over net short-term capital losses) in any year for reinvestment. If any such gains are retained, the Investment Fund will pay federal income tax thereon, and, if the Investment Fund makes an election, the shareholders will include such undistributed gains in their income and shareholders subject to tax will be able to claim their share of the tax paid by the Investment Fund as a credit against their federal income tax liability.

A gain or loss realized by a shareholder on the sale or exchange of shares of an Investment Fund held as a capital asset will be capital gain or loss, and such gain or loss will be long-term if the holding period for the shares exceeds one year, and otherwise will be short-term. Any loss realized on a sale or exchange will be disallowed to the extent the shares disposed of are replaced within the 61-day period beginning 30 days before

and ending 30 days after the shares are disposed of. Any loss realized by a shareholder on the disposition of shares held 6 months or less is treated as a long-term capital loss to the extent of any distributions of net long-term capital gains received by the shareholder with respect to such shares or any inclusion of undistributed capital gain with respect to such shares.

Each Investment Fund will generally be subject to a nondeductible 4% federal excise tax to the extent it fails to distribute by the end of any calendar year at least 98% of its ordinary income and 98% of its capital gain net income (the excess of short and long-term capital gains over short and long-term capital losses) for the one-year period ending on October 31 of that year, plus certain other amounts.

Each Investment Fund is required by federal law to withhold 31% of reportable payments (which may include dividends, capital gains distributions, and redemptions) paid to shareholders who have not certified on the Account Registration Form or on a separate form supplied by the Investment Fund, that the Social Security or Taxpayer Identification Number provided is correct and that the shareholder is exempt from backup withholding or is not currently subject to backup withholding.

FOREIGN INCOME TAX

It is expected that each Investment Fund will be subject to foreign withholding taxes with respect to its dividend and interest income from foreign countries, and the Investment Fund may be subject to foreign income taxes with respect to other income. So long as more than 30% in value of each Investment Fund's total assets at the close of the taxable year consists of stock or securities of foreign corporations, the Investment Fund may elect to treat certain foreign income taxes imposed on it under U.S. federal income tax law as paid directly by its shareholders. An Investment Fund will make such an election only if it deems it to be in the best interest of its shareholders and will notify shareholders in writing each year if it makes an election and of the amount of foreign income taxes, if any, to be treated as paid by the shareholders. If an Investment Fund makes the election, shareholders will be required to include in income their proportionate shares of the amount of foreign income taxes treated as imposed on the Investment Fund and will be entitled to claim either a credit (subject to the limitations discussed below) or, if they itemize deductions, a deduction for their shares of the foreign income taxes in computing their federal income tax liability. (No deductions will be allowed in computing alternative minimum tax liability.)

Shareholders who choose to utilize a credit (rather than a deduction) for foreign taxes will be subject to the limitation that the credit may not exceed the shareholder's U.S. tax (determine without regard to the availability of the credit) attributable to foreign source taxable income. For this purpose, the portion of dividends and distributions paid by an Investment Fund from its foreign source income will be treated as foreign source income. An Investment Fund's gains from the sale of securities will generally be treated as derived from U.S. sources and certain foreign currency gains and losses likewise will be treated as derived from U.S. sources. The limitation on the foreign tax credit is applied separately to foreign source "passive income," such as the portion of dividends received from an Investment Fund which qualifies as foreign source income. In addition, the foreign tax credit is allowed to offset only 90% of the alternative minimum tax imposed on corporations as individuals. Because of these limitations, shareholders may be unable to claim a credit for the full amount of their proportionate shares of the foreign income taxes paid by an Investment Fund.

The foregoing is only a general description of the treatment of foreign income taxes under the U.S. federal income tax laws. Because the availability of a credit or deduction depends on the particular circumstances of each shareholder, shareholders are advised to consult their own tax advisers.

FEDERAL TAX TREATMENT OF FORWARD
CURRENCY CONTRACTS AND EXCHANGE RATE CHANGES

Except for certain hedging transactions, each Investment Fund is required for Federal income tax purposes to recognize as gain or loss for each taxable year its net unrealized gains and losses on certain forward currency and futures contracts as of the end of each taxable year, as well as those actually realized during the year. In most cases, any such gain or loss recognized with respect to a regulated futures contract is considered to be 60% long-term capital gain or loss and 40% short-term capital gain or loss, without regard to the holding period of the contract. Gain or loss attributable to a foreign currency forward contract is treated as 100% ordinary income. Furthermore, forward currency futures contracts which are intended to hedge against a change in the value of securities held by an Investment Fund may affect the holding period of such securities and, consequently, the nature of the gain or loss on such securities upon disposition.

Any net gain realized from the closing out of futures contracts will generally be qualifying income for purposes of the 90% Gross Income test. In order to satisfy the Short-Short Gain test, however, the Investment Fund will have to avoid realizing excessive gains on futures contracts and certain forward contracts held less than three months and may be required to defer the closing out of futures contracts beyond the time when it would otherwise be advantageous to do so. It is anticipated that unrealized gains of such contracts that have been open for less than three months as of the end of the Investment Fund's taxable year and which are treated as recognized for tax purposes at the end of the taxable year will not be considered gains on securities held less than three months for purposes of the Short-Short Gain test.

Gains or losses attributable to foreign currency contracts, or to fluctuations in exchange rates that occur between the time the Investment Fund accrues interest or other receivables or accrues expenses or other liabilities denominated in a foreign currency and the time the Investment Fund actually collects such receivables or pays such liabilities are treated as ordinary income or ordinary loss. Similarly, gains or losses on disposition of debt securities denominated in a foreign currency attributable to fluctuations in the value of the foreign currency between the date of acquisition of the security and the date of disposition also are treated as ordinary gain or loss. These gains or losses increase or decrease the amount of an Investment Fund's net investment income, if any, available to be distributed to its shareholders as ordinary income.

TAXES AND FOREIGN SHAREHOLDERS

Taxation of a shareholder who, as to the United States, is a nonresident alien individual, a foreign trust or estate, foreign corporation, or foreign partnership ("Foreign Shareholder") depends on whether the income from the Fund is "effectively connected" with a U.S. trade or business carried on by such shareholder.

If the income from the Fund is not effectively connected with a U.S. trade or business carried on by a Foreign Shareholder, distributions of ordinary income will be subject to U.S. withholding tax at the rate of 30% (or lower treaty rate) upon the gross amount of the dividend. Furthermore, Foreign Shareholders will generally be exempt from United States federal income tax on gains realized on the sale of shares of the Fund, distributions of net long-term capital gains, and amounts retained by the Fund which are designated as undistributed capital gains.

If the income from the Fund is effectively connected with a U.S. trade or business carried on by a Foreign Shareholder, then distributions of net investment income and net long-term capital gains, and any gains realized upon the sale of shares of the Fund, will be subject to U.S. federal income tax at the rates applicable to United States citizens and residents or domestic corporations.

The Fund may be required to withhold U.S. federal income tax on distributions that are otherwise exempt from withholding tax (or taxable at a reduced treaty rate) unless the Foreign Shareholder complies with Internal Revenue Service certification requirements.

The tax consequences to a Foreign Shareholder entitled to claim the benefits of an applicable tax treaty may differ from those described here. Furthermore, Foreign Shareholders are strongly urged to consult their own tax advisors with respect to the particular tax consequences to them of an investment in the Fund.

PURCHASE OF SHARES

For Class A shares of the Non-Money Funds, the purchase price of shares is based upon the net asset value per share plus the applicable sales charge, if any, next determined after the purchase order is received. Class B shares of the Non-Money Funds may be purchased at the net asset value per share next determined after the purchase order is received. For both classes of such Investment Funds an order received prior to the regular close of the New York Stock Exchange (the "NYSE") will be executed at the price computed on the date of receipt; and an order received after the regular close of the NYSE will be executed at the price computed on the next day the NYSE is open. The purchase price of shares of the Non-Money Funds is based on such price as further described in the Prospectus under "Purchase of Shares." Class A shares of the Non-Money Funds purchased without an initial sales charge that are redeemed within one year of purchase are subject to a contingent deferred sales charge ("CDSC") and Class B shares of the Non-Money Funds that are redeemed within one year of purchase are subject to a CDSC as described in the Prospectus under "Purchase of Shares." The initial sales charge and CDSC are not applicable to shares of any class of any Investment Fund purchased through the automatic reinvestment of dividends or distributions paid by any Investment Fund. The price of shares of the Money Market Fund is the net asset value per share next determined after Federal Funds are available to such Investment Fund. A purchase of Money Market Fund shares by check is ordinarily credited to the shareholder's account at the price next determined on the day of receipt and will begin receiving dividends the following day. Shares of the Fund may be purchased on any day the NYSE is open. The NYSE is closed on the following days: New Year's Day; Presidents' Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

Each Investment Fund reserves the right in its sole discretion (i) to suspend the offering of its shares, (ii) to reject purchase orders when in the judgment of management such rejection is in the best interest of the Fund, and (iii) to reduce or waive the minimum for initial and subsequent investments for certain fiduciary accounts such as employee benefit plans or under circumstances where certain economies can be achieved in sales of an Investment Fund's shares.

REDEMPTION OF SHARES

Each Investment Fund may suspend redemption privileges or postpone the date of payment (i) during any period that the NYSE is closed, or trading on the NYSE is restricted as determined by the SEC, (ii) during any period when an emergency exists as defined by the rules of the SEC as a result of which it is not reasonably practicable for an Investment Fund to dispose of securities owned by it, or fairly to determine the value of its assets, and (iii) for such other periods as the SEC may permit.

Any redemption may be more or less than the shareholder's cost depending on, among other factors, the market value of the securities held by the Investment Fund. Class A shares of the Non- Money Funds purchased without an initial sales charge due to the size of the purchase that are redeemed within one year of purchase are subject to a CDSC and Class B shares of the Non-Money Funds that are redeemed within one year of purchase are subject to a CDSC as described in the Prospectus under "Purchase of Shares." Such initial sales charge and CDSC are not applicable to shares of any class of any Investment Fund purchased through the automatic reinvestment of dividends or distributions paid by any Investment Fund.

To protect your account and the Fund from fraud, signature guarantees are required for certain redemptions. Signature guarantees enable the Fund to verify the identity of the person who has authorized a redemption from your account. Signature guarantees are required in connection with: (1) all redemptions, regardless of the amount involved, when the proceeds are to be paid to someone other than the registered owner(s) and/or registered address; and (2) share transfer requests.

Eligible signature guarantor institutions generally include banks, broker-dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations, provided that the institution is a member of the Securities Transfer Agents Medallion Program or another recognized signature guarantee program. Notaries public are not acceptable guarantors.

The signature guarantees must appear either: (1) on the written request for redemption; (2) on a separate instrument for assignment ("stock power") which should specify the total number of shares to be redeemed; or (3) on all stock certificates tendered for redemption and, if shares held by the Fund are also being redeemed, on the letter or stock power.

Redemption of shares held in broker street name may not be accomplished by mail or telephone as described above. Shares held in broker street name may be redeemed only by contacting the investment dealer, bank or financial services firm ("Participating Dealer") that handles your account.

INVESTMENT LIMITATIONS

Each current Investment Fund of the Fund has adopted the following restrictions which are fundamental policies and may not be changed without the approval of the lesser of: (1) at least 67% of the voting securities of the Investment Fund present at a meeting if the holders of more than 50% of the outstanding voting securities of the Investment Fund are present or represented by proxy, or (2) more than 50% of the outstanding voting securities of the Investment Fund. Each current Investment Fund of the Fund will not:

(1) invest in commodities, except that each of the Emerging Markets Fund, Latin American Fund, European Equity Fund, American Value Fund, Growth and Income and Worldwide High Income Fund may invest in futures contracts and options to the extent that not more than 5% of its total assets are required as deposits to secure obligations under futures contracts and not more than 20% of its total assets are invested in futures contracts and options at any time;

(2) purchase or sell real estate or real estate limited partnerships, although it may purchase and sell securities of companies which deal in real estate and may purchase and sell securities which are secured by interests in real estate;

(3) make loans except (i) by purchasing bonds, debentures or similar obligations (including repurchase agreements, subject to the limitation described in (11) below) which are publicly distributed, and (ii) by lending its portfolio securities to banks, brokers, dealers and other financial institutions so long as such loans are not inconsistent with the 1940 Act or the Rules and Regulations or interpretations of the SEC thereunder;

(4) purchase on margin or sell short except as specified above in (1) and except that the Emerging Markets Fund, Latin American Fund, European Equity Fund and Worldwide High Income Fund may enter into short sales in accordance with its investment objectives and policies;

(5) with respect to all of the Investment Funds except the Global Fixed Income Fund, Emerging Markets Fund and Latin American Fund, purchase more than 10% of any class of the outstanding securities of any issuer;

(6) with respect to all the Investment Funds except the Global Fixed Income Fund, Emerging Markets Fund, Latin American Fund and Money Market Fund, purchase securities of an issuer (except obligations of the U.S. Government and its instrumentalities) if as the result, with respect to 75% of its total assets, more than 5% of the Investment Fund's total assets, at market, would be invested in the securities of such issuer;

(7) purchase or retain securities of an issuer if those officers and Directors of the Fund or its investment adviser owning more than 1/2 of 1% of such securities together own more than 5% of such securities;

(8) borrow, except from banks and as a temporary measure for extraordinary or emergency purposes and then, in no event, in excess of 10% of the Investment Fund's total assets valued at the lower of market or cost and an Investment Fund may not purchase additional securities when borrowings exceed 5% of total assets except that the Worldwide High Income Fund, Latin American Fund, Growth and Income Fund and Money Market Fund may enter into reverse repurchase agreements in accordance with their investment objectives and policies and each of the Latin American Fund and Worldwide High Income Fund may borrow amounts up to 33 1/3% of its total assets (including the amount borrowed), less all liabilities and indebtedness other than the borrowing;

(9) pledge, mortgage, or hypothecate any of its assets to an extent greater than 10% of its total assets at fair market value, except that each of the Latin American and Worldwide High Income Funds may pledge, mortgage or hypothecate its assets to secure borrowings in amounts up to 33 1/3% of its assets (including the amount borrowed);

(10) underwrite the securities of other issuers;

(11) invest more than an aggregate of 15% of the total assets of the Investment Fund (10% of the net assets of the Money Market Fund), determined at the time of investment, in illiquid assets, including repurchase agreements having maturities of more than seven days; provided, however, that no Investment Fund shall invest more than 10% of its total assets in securities subject to legal or contractual restrictions on resale;

(12) invest for the purpose of exercising control over management of any company;

(13) invest its assets in securities of any investment company, except by purchase in the open market involving only customary brokers' commissions or in connection with mergers, acquisitions of assets or consolidations and except as may otherwise be permitted by the 1940 Act;

(14) invest more than 5% of its total assets in securities of companies which have (with predecessors) a record of less than three years' continuous

operation;

(15) with respect to all the Investment Funds, except the Latin American Fund, acquire any securities of companies within one industry if, as a result of such acquisition, more than 25% of the value of the Investment Fund's total assets would be invested in securities of companies within such industry; provided, however, that there shall be no limitation on the purchase of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or (in the case of the Money Market Fund) instruments issued by U.S. banks;

(16) write or acquire options or interests in oil, gas or other mineral exploration or development programs or leases; or

(17) issue senior securities.

The Money Market Fund will not purchase securities of an issuer (except obligations of the U.S. Government and instrumentalities) if more than 5% of its total assets, at market, would be invested in the securities of one issuer, except as permitted under applicable law.

Each of the Global Fixed Income, Emerging Markets and Latin American Funds will diversify its holdings so that, at the close of each quarter of its taxable year, (i) at least 50% of the market value of the

Investment Fund's total assets is represented by cash (including cash items and receivables), U.S. Government securities, and other securities, with such other securities limited, in respect of any one issuer, for purposes of this calculation to an amount not greater than 5% of the value of the Investment Fund's total assets and 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities of any one issuer (other than U.S. Government securities);

In addition, the Fund has adopted the following limitations which are not fundamental policies and may be changed without shareholder approval:

(1) no Investment Fund will purchase puts, calls, straddles, spreads and any combination thereof if by reason thereof the value of its aggregate investment in such derivative securities will exceed 5% of its respective total assets except that the Emerging Markets, Latin American, European Equity, Growth and Income and Worldwide High Income Funds may purchase puts and calls on foreign currencies and may write covered call options in accordance with its investment objective and policies;

(2) no Investment Fund may purchase warrants if, by reason of such purchase, more than 5% of the value of the Investment Fund's net assets would be invested in warrants valued at the lower of cost or market. Included in this amount, but not to exceed 2% of the value of the Investment Fund's net assets may be warrants that are not listed on a recognized stock exchange; and

(3) no Investment Fund will invest in oil, gas or other mineral leases; and

(4) the Emerging Markets Fund may invest up to 25% of its total assets in privately placed securities, provided that it may not invest more than 15% of its total assets in illiquid securities, including securities for which there is no readily available market, and provided further that it will not invest more than 10% of its total assets in securities which are restricted from sale to the public without registration under the Securities Act of 1933, except securities that are not registered under the Securities Act of 1933 but that can be offered and sold to qualified institutional buyers under Rule 144A under that Act.

The percentage limitations contained in these restrictions apply at the time of purchase of securities. Future Investment Funds of the Fund may adopt different limitations.

DETERMINING MATURITIES OF CERTAIN INSTRUMENTS

Generally, the maturity of a portfolio instrument shall be deemed to be the period remaining until the date noted on the face of the instrument as the date on which the principal amount must be paid, or in the case of an instrument called for redemption, the date on which the redemption payment must be made. However, instruments having variable or floating interest rates or demand features may be deemed to have remaining maturities as follows: (1) a Government Obligation with a variable rate of interest readjusted no less frequently than annually may be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate; (b) an instrument with a variable rate of interest, the principal amount of which is scheduled on the face of the instrument to be paid in one year or less, may be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate; (c) an instrument with a variable rate of interest that is subject to a demand feature may be deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand; (d) an instrument with a floating rate of interest that is subject to a demand feature may be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand; and (e) a repurchase agreement may be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or where no date is specified, but the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities.

MANAGEMENT OF THE FUND

OFFICERS AND DIRECTORS

The Fund's officers, under the supervision of the Board of Directors, manage the day-to-day operations of the Fund. The Directors set broad policies for the Fund and choose its officers. Two Directors and all of the officers of the Fund are directors, officers or employees of the Fund's adviser, distributor or administrative services provider. The other Directors have no affiliation with the Fund's adviser, distributor or administrative services provider. Directors and officers of the Fund are also directors and officers of some or all of the other investment companies managed, administered, advised or distributed by Morgan Stanley Asset Management Inc. or its affiliates. A list of the Directors and officers of the Fund and a brief statement of their present positions and principal occupations during the past 5 years is set forth below:

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH THE FUND	BUSINESS EXPERIENCE DURING THE PAST FIVE YEARS, INCLUDING ALL DIRECTORSHIPS
<S>	<C>	<C>
Frederick B. Whittemore* 1251 Avenue of the Americas New York, NY 10020	Director and Chairman of the Board	Advisory Director of Morgan Stanley & Co. Incorporated; previously Senior Banker of Morgan Stanley & Co. Incorporated.
Gerard E. Jones 2 Pickwick Plaza Greenwich, CT 06830	Director	Partner, Richards & O'Neill (law firm).
John E. Eckelberry 200 Varick Street, 11th Floor New York, NY 10014	Director	Vice Chairman of Doremus & Company.
Warren J. Olsen* 1221 Avenue of the Americas New York, NY 10020	Director and President	Principal of Morgan Stanley & Co. Incorporated; Vice President of Morgan Stanley Asset Management Inc.; previously associated with the law firm of Sullivan & Cromwell.
Frederick O. Robertshaw Bryan, Cave 21st Floor 2800 No. Central Ave. Phoenix, AZ 85004	Director	Of Counsel, Bryan, Cave (law firm); previously associated with Copple, Chamberlin & Boehm, P.C.; prior thereto, Managing Partner, Black, Robertshaw, Copple & Pozgay, P.C.
James W. Grisham 1221 Avenue of the Americas New York, NY 10020	Vice President	Principal of Morgan Stanley & Co. Incorporated and Vice President of Morgan Stanley Asset Management Inc.
Harold J. Schaaff 1221 Avenue of the Americas New York, NY 10020	Vice President	General Counsel and Secretary, Morgan Stanley Asset Management Inc.; Vice President, Morgan Stanley & Co. Incorporated; previously associated with the law firm of Sullivan & Cromwell.

Joseph P. Stadler 1221 Avenue of the Americas New York, NY 10020	Vice President	Associated with Morgan Stanley Asset Management Inc. ("MSAM"); Vice President of Morgan Stanley & Co. Incorporated; Officer of various investment management companies managed by MSAM; previously associated with Price Waterhouse.
Valerie Y. Lewis 1221 Avenue of the Americas New York, NY 10020	Secretary	Associated with Morgan Stanley Asset Management Inc.; previously associated with the General Counsel's Office, Citicorp and Citibank, N.A. (Securities and Funding).
James Rooney 73 Tremont Street Boston, MA 02108-3913	Treasurer	Assistant Vice President and Manager of Fund Administration and Compliance of Mutual Funds Service Company; previously associated with Scudder, Stevens & Clark, Inc.; prior thereto, associated with Ernst & Young.

Karl O. Hartmann 73 Tremont Street Boston, MA 02108-3913	Assistant Secretary	Senior Vice President and General Counsel of Mutual Funds Service Company; Senior Vice President, Secretary and General Counsel of Leland O'Brien Rubinstein Associates, Inc., (an investment adviser) from November 1990 to November 1991; Vice President and Associate General Counsel of The Boston Company Advisors, Inc. from August 1988 to November 1990.
Hilary Toole 1221 Avenue of the Americas New York, NY 10020	Assistant Secretary	Associated with Morgan Stanley Asset Management Inc. ("MSAM"); Officer of various investment management companies managed by MSAM; previously associated with Reboul, MacMurray, Hewitt, Maynard & Kristol.
Timothy F. Osborne 73 Tremont Street Boston, MA 02108-3913	Assistant Treasurer	Supervisor of Fund Administration and Compliance of Mutual Funds Service Company; previously associated with Coopers & Lybrand.

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*   "Interested Person" within the meaning of the 1940 Act.

</TABLE>

REMUNERATION OF DIRECTORS AND OFFICERS

The Fund pays each Director who is not also an officer or affiliated person an annual fee and reimburses all the Directors, including those who are officers or affiliated persons, travel and other expenses incurred in attending Board meetings. For the fiscal period ended June 30, 1994, the Fund paid approximately $39,000 in Directors' fees and expenses. Directors who are also officers or affiliated persons receive no remuneration for their services as Directors. The Fund's officers and employees are paid by the Adviser or its agents. As of June 30, 1994, to Fund management's knowledge, the Directors and officers of the Fund, as a group, owned less than 1% of the outstanding common stock of each Investment Fund of the Fund.

INVESTMENT ADVISORY AND ADMINISTRATIVE AGREEMENTS

The Adviser is a wholly-owned subsidiary of Morgan Stanley Group Inc. ("Group"). The principal offices of the Group are located at 1221 Avenue of the Americas, New York, NY 10020.

The Group, a renowned global financial services firm, is distinguished by quality, service and a commitment to excellence. Tracing its roots to the founding of the U.S. securities industry, the Group remains a leader in the field. The Group's premier list of clients includes some of the largest multinational corporations and institutions, governments, nation-states, royal households and very high-net-worth individuals.

The Group with its subsidiaries ("Morgan Stanley") maintains a major global presence with offices in Chicago, Frankfurt, Hong Kong, London, Los Angeles, Luxembourg, Melbourne, Milan, New York, Paris, San Francisco, Seoul, Singapore, Taipei, Tokyo, Toronto and Zurich. With over 7,000 employees, approximately 35% of which are located outside the U.S., and members of the portfolio management teams which are native to the countries in which they are investing, Morgan Stanley is in an exceptional position to interpret the forces that will impact the world's capital markets today, over the next decade and beyond.

The investment management division of Morgan Stanley was formed in 1975 under the leadership of Barton Biggs and incorporated as a wholly-owned subsidiary of the Group in 1981. MSAM was formed to offer investment management and fiduciary services to institutions and high-net-worth individuals. MSAM offers its clients the same superior service and high standards of integrity that have been the hallmark of Morgan Stanley since its founding in 1935.

As one of the world's premier global investment managers affiliated with one of the leading global financial services firms and with offices in the United States, Europe and Asia, MSAM brings a truly global perspective to the investment of its clients' assets. This global perspective, coupled with Morgan Stanley's long-standing tradition of integrity and prudence, puts MSAM in a unique position to offer investment management services. As compensation for advisory services for the fiscal year ended June 30, 1994, the Adviser earned fees of approximately $2,322,000 and voluntarily waived a portion of such fees equal to approximately $209,000.

Pursuant to the Administration Agreement between the Adviser and the Fund, the Adviser provides Administrative Services. For its services under the Administration Agreement, the Fund pays the Adviser a monthly fee which on an annual basis equals 0.25% of the average daily net assets of each Investment Fund. For the fiscal year ended June 30, 1994, the Fund paid administrative fees to MSAM of approximately $852,000.

Under the Agreement between the Adviser and United States Trust Company of New York ("United States Trust"), MFSC, a United States Trust subsidiary, provides certain administrative services to the Fund. MFSC provides operational and administrative services to investment companies with approximately $60 billion in assets and having approximately 229,000 shareholder accounts as of September 30, 1994. MFSC's business address is 73 Tremont Street, Boston, Massachusetts 02108-3913.

DISTRIBUTION OF FUND SHARES

Morgan Stanley & Co. Incorporated (the "Distributor"), a wholly-owned subsidiary of Group, serves as the Distributor of the Fund's shares pursuant to a Distribution Agreement for the Fund and a Plan of Distribution for the Money Market Fund and each class of the Non-Money Funds pursuant to Rule 12b-1 under the 1940 Act (each, a "Plan" and together, the "Plans"). Under each Plan the Distributor is entitled to receive from these Investment Funds a distribution fee, which is accrued daily and paid quarterly, of up to 0.25% for the Money Market Fund and the Class A shares of each of the Non-Money Funds, and up to 1.00% of the Class B shares of each of the Non-Money Funds, on an annualized basis, of the average daily net assets of such

Investment Fund or classes. The Distributor expects to allocate most of its fee to investment dealers, banks or financial service firms that provide distribution, administrative or shareholder services ("Participating Dealer"). The actual amount of such compensation is agreed upon by the Fund's Board of Directors and by the Distributor. The Distributor may, in its discretion, voluntarily waive from time to time all or any portion of its distribution fee and the Distributor is free to make additional payments out of its own assets to promote the sale of Fund shares.

The Plans obligate the Investment Funds to accrue and pay to the Distributor the fee agreed to under its Distribution Agreement. The Plans do not obligate the Investment Funds to reimburse the Distributor for the actual expenses the Distributor may incur in fulfilling its obligations under the Plan. Thus, under each Plan, even if the Distributor's actual expenses exceed the fee payable to it thereunder at any given time, the Investment Funds will not be obligated to pay more than that fee. If the Distributor's actual expenses are less than the fee it receives, the Distributor will retain the full amount of the fee. The Plans were most recently approved by the Fund's Board of Directors, including those directors who are not "interested persons" of the Fund as that term is defined in the 1940 Act and who have no direct or indirect financial interest in the operation of a Plan or in any agreements related thereto, on September 20, 1993.

As compensation for providing distribution services to the Fund for the fiscal period ended June 30, 1994, the Distributor received aggregate fees of approximately $1,383,000, which were attributable approximately as follows:

<TABLE>
<CAPTION>

	Fiscal Year Ended June 30, 1994
Global Equity Allocation Fund-Class A	$ 56,000
Global Equity Allocation Fund-Class B	172,000
Global Fixed Income Fund-Class A	20,000
Global Fixed Income Fund-Class B	61,000
Asian Growth Fund-Class A	238,000
Asian Growth Fund-Class B	764,000
American Value Fund-Class A*	14,000
American Value Fund-Class B*	44,000
Worldwide High Income Fund-Class A**	3,000
Worldwide High Income Fund-Class B**	11,000

Neither of the classes of the Emerging Markets, Latin American, European Equity and Growth and Income Funds were in operation in the fiscal period ended June 30, 1994.

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* The American Value Fund commenced operations on October 18, 1993.

** The Worldwide High Income Fund commenced operations on April 21, 1994.

</TABLE>

CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The names and addresses of the holders of 5% or more of the outstanding shares of any class of the Fund as of December 30, 1994 and the percentage of outstanding shares of such classes owned beneficially or of record by such shareholders as of such date are, to Fund management's knowledge, as follows:

GLOBAL EQUITY ALLOCATION FUND: FTC & Co., Attn: Datalynx #162, P.O. Box 173736, Denver, CO 80217-3736, owned 6% of the total outstanding Class A shares of such Investment Fund.

GLOBAL FIXED INCOME FUND: The Morgan Stanley Group, Inc. ("The Group"), 1221 Avenue of the Americas, New York, NY 10020, owned 31% of the total outstanding Class A shares and 48% of the total

outstanding Class B shares of such Investment Fund; WBD Financial A. Partnership, 55W. Monroe Street, Suite 3300, Chicago, IL 60603, owned 5% of the total outstanding Class A shares of such Investment Fund and Steve M. Barnett, 666 Dundee Road, Suite 301, Northbrook, IL 60062, owned 5% of the total outstanding Class A shares of such Investment Fund.

ASIAN GROWTH FUND: Advest, Inc. ("Advest"), 280 Trumbull Street, Hartford, CT 06103, owned 6% of the total outstanding Class A shares of such Investment Fund.

EMERGING MARKETS FUND: Crester Bank Trust Department, Sheltering Arms Foundation, a/c #10091700, P.O. Box 26246, Richmond, VA 23260, owned 12% of the total outstanding Class A shares of such Investment Fund; Advest, Inc. ("Advest"), 280 Trumbull Street, Hartford, CT 06103, owned 8% of the total outstanding Class A shares and 6% of the total outstanding Class B shares of such Investment Fund and Penny M. Newberg, c/o Alexander Kuhn, One Oak Brook Terrace, 22nd Street and Butterfield Road, Oakbrook Terrace, IL 60181-4474, owned 6% of such total outstanding Class A shares of such Investment Fund.

LATIN AMERICAN FUND: The Group owned 13% of the total outstanding Class A shares and 31% of the total outstanding Class B shares of such Investment Fund and J.C. Bradford & Co., 330 Commerce Street, Nashville, TN 37201, owned 6% of the total outstanding Class B shares of such Investment Fund.

AMERICAN VALUE FUND: The Group owned 37% of the total outstanding Class A shares and 58% of the total outstanding Class B shares of such Investment Fund; Smith Barney Inc., 388 Greenwich Street, New York, NY 10013, owned 8% of the total outstanding Class A shares of such Investment Fund and Advest, Inc. ("Advest"), 280 Trumbull Street, Hartford, CT 06103, owned 5% of the total outstanding Class A shares of such Investment Fund.

WORLDWIDE HIGH INCOME FUND: The Group owned 47% of the total outstanding Class A shares and 52% of the total outstanding Class B shares of such Investment Fund.

The Group may be deemed a "controlling person" of the Fund by virtue of its power to control the voting or disposition of the shares it owns. As a result of its ownership position, the Group may be able to control the outcome of matters voted on by shareholders of the Funds.

MONEY MARKET FUND NET ASSET VALUE

The Money Market Fund seeks to maintain a stable net asset value per share of $1.00. The Investment Fund uses the amortized cost method of valuing its securities, which does not take into account unrealized gains or losses. The use of amortized cost and the maintenance of the Investment Fund's per share net asset value at $1.00 is based on the Investment Fund's election to operate under the provisions of Rule 2a-7 under the 1940 Act. As a condition of operating under that Rule, the Money Market Fund must maintain a dollar-weighted average portfolio maturity of 90 days or less, purchase only instruments having remaining maturities of 397 days or less, and invest only in securities which are of "eligible quality" as determined in accordance with regulations of the SEC.

The Rule also requires that the Directors, as a particular responsibility within the overall duty of care owed to shareholders, establish procedures reasonably designed, taking into account current market conditions and the Investment Fund's investment objectives, to stabilize the net asset value per share as computed for the purposes of sales and redemptions at $1.00. These procedures include periodic review, as the Directors deem appropriate and at such intervals as are reasonable in light of current market conditions, of the relationship between the amortized cost value per share and a net asset value per share based upon available indications of market value. In such review, investments for which market quotations are readily available are valued at the most recent bid price or quoted yield available for such securities or for securities of comparable maturity, quality and type as obtained from one or more of the major market makers for the securities to be valued. Other

investments and assets are valued at fair value, as determined in good faith by, or under procedures adopted by, the Directors.

In the event of a deviation of over 1/2 of 1% between the Investment Fund's net asset value based upon available market quotations or market equivalents and $1.00 per share based on amortized cost, the Directors will promptly consider what action, if any, should be taken. The Directors will also take such action as they deem appropriate to eliminate or to reduce to the extent reasonably practicable any material dilution or other unfair results which might arise from differences between the two. Such action may include redemption in kind, selling instruments prior to maturity to realize capital gains or losses or to shorten the average maturity, withholding dividends, paying distributions from capital or capital gains or utilizing a net asset value per share as determined by using available market quotations.

There are various methods of valuing the assets and of paying dividends and distributions from a money market fund. The Money Market Fund values its assets at amortized cost while also monitoring the available market bid price, or yield equivalents. Since dividends from net investment income will be declared daily and paid monthly, the net asset value per share of the Investment Fund will ordinarily remain at $1.00, but the Investment Fund's daily dividends will vary in amount. Net realized short-term capital gains, if any, less any capital loss carryforwards, will be distributed whenever the Directors determine that such distributions would be in the best interest of shareholders, but in any event, at least once a year. The Money Market Fund does not expect to realize any long-term capital gains. Should any such gains be realized, they will be distributed annually, less any capital loss carryforwards.

PORTFOLIO TRANSACTIONS

The Investment Advisory Agreement authorizes the Adviser to select the brokers or dealers that will execute the purchases and sales of investment securities for the Investment Fund and directs the Adviser to use its best efforts to obtain the best available price and most favorable execution with respect to all transactions for the Investment Fund. The Fund has authorized the Adviser to pay higher commissions in recognition of brokerage services which, in the opinion of the Adviser, are necessary for the achievement of better execution, provided the Adviser believes this to be in the best interest of the Fund.

In purchasing and selling securities for the Investment Fund, it is the Fund's policy to seek to obtain quality execution at the most favorable prices, through responsible broker-dealers. In selecting broker-dealers to execute the securities transactions for the Investment Fund, consideration will be given to such factors as the price of the security, the rate of the commission, the size and difficulty of the order, the reliability, integrity, financial condition, general execution and operational capabilities of competing broker- dealers, and the brokerage and research services which they provide to the Fund. Some securities considered for investment by the Investment Fund may also be appropriate for other clients served by the Adviser. If purchase or sale of securities consistent with the investment policies of the Investment Fund and one or more of these other clients served by the Adviser is considered at or about the same time, transactions in such securities will be allocated among the Investment Fund and clients in a manner deemed fair and reasonable by the Adviser. Although there is no specified formula for allocating such transactions, the various allocation methods used by the Adviser, and the results of such allocations, are subject to periodic review by the Fund's Directors.

Subject to the overriding objective of obtaining the best possible execution of orders, the Adviser may allocate a portion of the Fund's portfolio brokerage transactions to Morgan Stanley or broker affiliates of Morgan Stanley. In order for Morgan Stanley or its affiliates to effect any portfolio transactions for the Fund, the commissions, fees or other remuneration received by Morgan Stanley or such affiliates must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on a securities exchange during a comparable period of time. Furthermore, the Directors of the Fund, including a majority of the Directors who are not "interested persons," have adopted procedures which are reasonably designed to provide that any

commissions, fees or other remuneration paid to Morgan Stanley or such affiliates are consistent with the foregoing standard. For the two fiscal years ended June 30, 1993 and June 30, 1994, the Fund paid brokerage commissions of approximately $36,558 and $2,060,894, respectively. During the same period, the Fund paid brokerage commissions of approximately $2,497 and $618,000, respectively, to the Distributor, an affiliated broker-dealer. For the fiscal year ended June 30, 1994 commissions paid to the Distributor represented approximately 30% of the total amount of brokerage commissions paid in such period and which were paid on transactions that represented 21% of the aggregate dollar amount of transactions that incurred commissions paid by the Fund during such period.

Investment Fund securities will not be purchased from, or through, or sold to or through, the Adviser or Morgan Stanley or any "affiliated persons," as defined in the 1940 Act, of Morgan Stanley when such entities are acting as principals, except to the extent permitted by law.

PERFORMANCE INFORMATION

The Fund may from time to time quote various performance figures to illustrate the Investment Funds' past performance.

Performance quotations by investment companies are subject to rules adopted by the SEC, which require the use of standardized performance quotations. In the case of total return, non-standardized performance quotations may be furnished by the Fund but must be accompanied by certain standardized performance information computed as required by the SEC. Current yield and average annual compounded total return quotations used by the Fund are based on the standardized methods of computing performance mandated by the SEC. An explanation of those and other methods used by the Fund to compute or express performance follows.

TOTAL RETURN

From time to time the Investment Funds may advertise total return. Total return figures are based on historical earnings and are not intended to indicate future performance. The average annual total return is determined by finding the average annual compounded rates of return over 1-, 5-, and 10-year periods (or over the life of the Investment Fund) that would equate an initial hypothetical $1,000 investment to its ending redeemable value. The calculation assumes that all dividends and distributions are reinvested when paid. The quotation assumes the amount was completely redeemed at the end of each 1-, 5-, and 10- year period (or over the life of the Investment Fund) and the deduction of all applicable Fund expenses on an annual basis.

Total return figures are calculated by raising the quantity 1+T to the power of n and multiplying this result by P.

where:

P = a hypothetical initial payment of $1,000
T = average annual total return
n = number of years
ERV = ending redeemable value of hypothetical $1,000 payment made at the beginning of the 1-, 5-, or 10-year periods at the end of the 1-, 5-, or 10-year periods (or fractional portion thereof).

Calculated using the formula above, the average annualized total return, exclusive of a sales charge or deferred sales charge, for each of the Investment Funds for the one year period ended June 30, 1994 and for the period from inception through June 30, 1994 are as follows:

<TABLE>
<CAPTION>

	One Year Period Ended June 30, 1994	Since Inception
<S>	<C>	<C>
Global Equity Allocation Fund		
(commenced operations on January 4, 1993)		
Class A Shares.	9.02%	13.64%
Class B Shares.	8.34%	12.88%
Global Fixed Income Fund		
(commenced operations on January 4, 1993)		
Class A Shares.	0.41%	5.62%
Class B Shares.	(0.25)%	4.88%
Asian Growth Fund		
(commenced operations on June 23, 1993)		
Class A Shares.	29.17%	28.55%
Class B Shares.	28.33%	27.73%
American Value Fund		
(commenced operations on October 18, 1993)		
Class A Shares.	---	1.12%
Class B Shares.	---	1.70%
Worldwide High Income Fund		

(commenced operations on April 21, 1994)		
Class A Shares.	---	2.86%
Class B Shares.	---	2.62%

</TABLE>

The aggregate total return, exclusive of a sales charge or deferred sales charge, for the Emerging Markets Fund for the period from commencement of operations on July 6, 1994 to November 30, 1994 are 0.08% for Class A shares and - -0.17% for Class B shares. The aggregate total return, exclusive of a sales charge or deferred sales charge, for the Latin American Fund for the period from commencement of operations on July 6, 1994 to November 30, 1994 are 19.25% for Class A shares and 18.67% for Class B shares.

The European Equity and Growth and Income Funds had not commenced operations in the period ended June 30, 1994.

YIELD FOR NON-MONEY FUNDS

From time to time certain of the Investment Funds may advertise yield.

Current yield reflects the income per share earned by an Investment Fund's investments.

Current yield is determined by dividing the net investment income per share earned during a 30-day base period by the maximum offering price per share on the last day of the period and annualizing the result. Expenses accrued for the period include any fees charged to all shareholders during the base period.

Current yield figures are obtained by using the following formula. Divide (i) the difference of b substracted from a by (ii) the product of c multiplied by d. Add 1 to this result. Raise this amount to the sixth power, subtract 1 and multiply this result by 2.

where:

a	=	dividends and interest earned during the period
b	=	expenses accrued for the period (net of reimbursements)
c	=	the average daily number of shares outstanding during the period that were entitled to receive income distributions
d	=	the maximum offering price per share on the last day of the period

The 30-day yield for the Global Fixed Income Fund as of June 30, 1994 was 6.32% for Class A shares and 5.88% for Class B shares.

CALCULATION OF YIELD FOR THE MONEY MARKET FUND

The current yield of the Money Market Fund is calculated daily on a base period return for a hypothetical account having a beginning balance of one share for a particular period of time (generally 7 days). The return is determined by dividing the net change (exclusive of any capital changes in such account) by its average net asset value for the period, and then multiplying it by 365/7 to determine the annualized current yield. The calculation of net change reflects the value of additional shares purchased with the dividends by the Money Market Fund, including dividends on both the original share and on such additional shares. An effective yield, which reflects the effects of compounding and represents an annualization of the current yield with all dividends reinvested, may also be calculated for the Money Market Fund by dividing the base period return by 7, adding 1 to the quotient, raising the sum to the 365th power, and subtracting 1 from the result.

The yield of the Money Market Fund will fluctuate. The annualization of a week's dividend is not a representation by the Money Market Fund as to what an investment in the Money Market Fund will actually yield in the future. Actual yields will depend on such variables as investment quality, average maturity, the type of instruments the Money Market Fund invests in, changes in interest rates on instruments, changes in the expenses of the Money Market Fund and other factors. Yields are one basis investors may use to analyze the Money Market Fund, and other investment vehicles; however, yields of other investment vehicles may not be comparable because of the factors set forth in the preceding sentence, differences in the time periods compared, and differences in the methods used in valuing portfolio instruments, computing net asset value and calculating yield.

The Money Market Fund is not currently in operation.

COMPARISONS

To help investors better evaluate how an investment in an Investment Fund of Morgan Stanley Fund, Inc. might satisfy their investment objective, advertisements regarding the Fund may discuss various measures of Fund performance as reported by various financial publications. Advertisements may also compare performance (as calculated above) to performance as reported by other investments, indices and averages. The following publications, indices and averages may be used:

(a) Dow Jones Composite Average or its component averages - an unmanaged index composed of 30 blue-chip industrial corporation stocks (Dow Jones Industrial Average), 15 utilities company stocks and 20 transportation stocks. Comparisons of performance assume reinvestment of dividends.

(b) Standard & Poor's 500 Stock Index or its component indices - unmanaged index composed of 400 industrial stocks, 40 financial stocks, 40 utilities company stocks and 20 transportation stocks. Comparisons of performance assume reinvestment of dividends.

(c) The New York Stock Exchange composite or component indices - unmanaged indices of all industrial, utilities, transportation and finance company stocks listed on the New York Stock Exchange.

(d) Wilshire 5000 Equity Index or its component indices - represents the return on the market value of all common equity securities for which daily pricing is available. Comparisons of performance assume reinvestment of dividends.

(e) Lipper - Mutual Fund Performance Analysis and Lipper - Fixed Income Fund Performance Analysis - measures total return and average current yield for the mutual fund industry. Ranks individual mutual

fund performance over specified time periods, assuming reinvestment of all distributions, exclusive of any applicable sales charges.

(f) Morgan Stanley Capital International EAFE Index - an arithmetic, market value-weighted average of the performance of over 900 securities on the stock exchanges of countries in Europe, Australia and the Far East.

(g) Goldman Sachs 100 Convertible Bond Index - currently includes 67 bonds and 33 preferred. The original list of names was generated by screening for convertible issues of $100 million or greater in market capitalization. The index is priced monthly.

(h) Salomon Brothers GNMA Index - includes pools of mortgages originated by private lenders and guaranteed by the mortgage pools of the Government National Association.

(i) Salomon Brothers High Grade Corporate Bond Index - consists of publicly issued, non-convertible corporate bonds rated AA or AAA. It is value-weighted, total return index, including approximately 800 issues with maturities of 12 years or greater.

(j) Salomon Brothers Broad Investment Grade Bond - is a market-weighted index that contains approximately 4700 individually priced investment grade corporate bonds rated BBB or better, United States Treasury/agency issues and mortgage pass-through securities.

(k) Salomon Brothers World Bond Index - measures the total return performance of high-quality securities in major sectors of the international bond market. The index covers approximately 600 bonds from 10 currencies:

Australian Dollars	Netherlands Guilder
Canadian Dollars	Swiss Francs
European Currency Units	UK Pounds Sterling
French Francs	U.S. Dollars
Japanese Yen	German Deutsche Marks

(l) J.P. Morgan Traded Global Bond Index - is an unmanaged index of government bond issues and includes Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, The Netherlands, Spain, Sweden, United Kingdom and United States gross of withholding tax.

(m) Lehman LONG-TERM Treasury Bond - is composed of all bonds covered by the Lehman Treasury Bond Index with maturities of 10 years or greater.

(n) Lehman Aggregate Bond Index - is an unmanaged index made up of the Government/Corporate Index, the Mortgage-Backed Securities Index and the Asset-Backed Securities Index.

(o) NASDAQ Industrial Index - is composed of more than 3,000 industrial issues. It is a value-weighted index calculated on price change only and does not include income.

(p) Composite Indices - 70% Standard & Poor's 500 Stock Index and 30% NASDAQ Industrial Index; 36% Standard & Poor's 500 Stock Index and 65% Salomon

Brothers High Grade Bond Index; and 65% Standard & Poor's 500 Stock Index and 35% Salomon Brothers High Grade Bond Index.

(q) CDA Mutual Fund Report, published by CDA Investment Technologies, Inc. - analyzes price, current yield, risk, total return and average rate of return (average annual compounded growth rate) over specified time periods for the mutual fund industry.

(r) Mutual Fund Source Book, published by Morningstar, Inc. - analyzes price, yield, risk and total return for equity funds.

(s) Financial publications: Business Week, Changing Times, Financial World, Forbes, Fortune, Money, Barron's, Consumer's Digest, Financial Times, Global Investor, Investor's Daily, Lipper Analytical Services, Inc., Morningstar, Inc., New York Times, Personal Investor, Wall Street Journal and Weisenberger Investment Companies Service - publications that rate fund performance over specified time periods.

(t) Consumer Price Index (or cost of Living Index), published by the United States Bureau of Labor Statistics - a statistical measure of change, over time, in the price of goods and services in major expenditure groups.

(u) Stocks, Bonds, Bills and Inflation, published by Hobson Associates - historical measure of yield, price and total return for common and small company stock, long-term government bonds, Treasury bills and inflation.

(v) Savings and Loan Historical Interest Rates - as published in the United States Savings & Loan League Fact Book.

(w) Historical data supplied by the research departments of First Boston Corporation, the J.P. Morgan companies, Salomon Brothers, Merrill Lynch, Pierce, Fenner & Smith, Lehman Brothers Inc. and Bloomberg L.P.

(x) The MSCI Combined Far East Free ex-Japan Index, a market-capitalization weighted index comprising stocks in Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore and Thailand. Korea is included in the MSCI Combined Far East Free ex Japan Index at 20% of its market capitalization.

(y) First Boston High Yield Index - generally includes over 180 issues with an average maturity range of seven to ten years with a minimum capitalization of $100 million. All issues are individually trader-priced monthly.

(z) Russell 2500 Small Company Index - is comprised of the bottom 500 stocks in the Russell 1000 Index which represents the universe of stocks from which most active money managers typically select; and all the stocks in the Russell 2000 Index. The largest security in the index has a market capitalization of approximately 1.3 billion.

(aa) Morgan Stanley Capital International World Index - An arithmetic, market value-weighted average of the performance of over 1,470 securities listed on the stock exchanges of countries in Europe, Australia, the Far East, Canada and the United States.

In assessing such comparisons of performance an investor should keep in mind that the composition of the investments in the reported indices and averages is not identical to the composition of investments in the Fund's Investment Funds, that the averages are generally unmanaged, and that the items included in the calculations of such averages may not be identical to the formula used by the Fund to calculate its performance. In addition, there can be no assurance that the Fund will continue this performance as compared to such other averages.

AMERICAN VALUE FUND

The American Value Fund's portfolio managers are "value" investors, and as such, their mission is to buy stocks of quality U.S.-based companies they believe to be selling below their intrinsic worth and sell them when they reach fair value. This involves buying quality stocks when they are out of favor with the majority of investors and selling them after the market has realized their fair value.

Since 1926, small market capitalization stocks have, on average, outperformed large market capitalization stocks by 2%-3% annualized. Small capitalized stocks are defined as the five smallest market capitalization deciles of the Center for Research in Security Prices at the University of Chicago ("CRSP"); large capitalization stocks constitute the five largest CRSP market capitalization deciles.

Wilshire Associates reports small cap value stocks (an index made up of the lowest price-to-book, lowest price-to-earnings and highest yielding small capitalization stocks) have outperformed the average small cap stock as well as the average small cap growth stock during the period of 1978 to 1992, and with less risk than the average small cap growth stock (an index made up of small capitalization stocks with the highest earnings growth, highest price-to-book and highest price-to-earnings ratios as shown in the chart below).

[THE FOLLOWING IS A NARRATIVE DESCRIPTION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

A graph entitled "A Favorable Risk/Return Profile" indicates returns from 15.1% to 21.0% on the vertical axis and risk (standard deviation) from 15.7% to 25.4% on the horizontal axis. The following points are indicated on the graph:

For Small Cap Value Stocks:
Return of 21.0% at risk (standard deviation of 19.8%

For Small Cap Mean Between Value and Growth:
Return of 17.1% at risk (standard deviation) of 22.0%

Small Cap Growth Stocks:
Return of 16.6% at risk (standard deviation) of 25.4%

For S&P 500 Index:
Return of 15.7% at risk (standard deviation) of 15.7%

Source: Wilshire Associates style performance data 1978-1993

[END OF NARRATIVE DESCRIPTION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

Past performance is no guarantee of future results. The S&P 500 and the Style Portfolio Data are unmanaged indices of securities. The risk factor is an annualized standard deviation of the annual returns. The Small Cap Value Index is a straightforward composite benchmark. It is the average of three separate indices: Low Price/Book Index ("Low P/B"), High Yield Index, and Low Price/Earnings Index ("Low P/E"). Each index is computed by sorting the companies of stocks ranked 501-2000 by market capitalization by the fundamental measure. The universe is then split into equally weighted deciles based on the sorted fundamental measure. The Low P/B and the Low P/E indices are simply the unweighted returns from the 8th and 9th decile. The High Yield Index is the unweighted return from the 2nd and 3rd decile. The process is a repetitive, rigid algorithm which is not subject to manager selectivity. The Small Cap Index is the Decile 6-8 index of the Center for Research in Security Prices of the University of Chicago ("CRSP"). The CRSP indices are composed of nearly all common stocks traded on the NYSE, AMEX, and NASDAQ within a given market-cap range. The size cutoffs are determined by ranking all NYSE stocks by market cap, forming deciles, and then adding all the issues that fit the size range from the other deciles. The CRSP Decile 6-8 represents the sixth through eighth deciles. The market capitalization ranges characterized by both indices are consistent with each other and represent the MSAM/Chicago definition of the small capitalization universe.

$10,000 invested 20 years ago in an unmanaged basket of small cap value stocks would have significantly outperformed the other investments shown in the chart below:

[THE FOLLOWING IS A TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

A graph entitled "Growth of a $10,000 investment on January 1, 1971 through September 30, 1994" indicates returns of $10,000 to $610,000 on the vertical axis and calendar quarters from the fourth quarter of 1970 to the third quarter of 1994 on the horizontal axis. Every sixth quarter is presented instead of lines covering each quarter.

<TABLE>
<CAPTION>
In Thousands (except last column)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
70Q4	72Q2	73Q4	75Q2	76Q4	78Q2	79Q4	81Q2	82Q4	84Q2	85Q4	87Q2	88Q4	90Q2	91Q4	93Q2	9/30/94
Small Cap Value $10	$10	$10	$10	$20	$30	$35	$55	$70	$110	$170	$240	$270	$270	$390	$525	$566,834

Small Cap	10	10	10	15	20	30	45	55	70	100	120	110	135	160	210	$242,539	10
Large Cap	10	10	10	15	15	15	15	30	35	50	65	65	85	110	130	$130,513	10
10 Year Govt Bond	10	10	10	12	15	15	15	30	30	35	40	45	50	60	75	$ 74,520	10
T-Bill	10	10	10	12	15	15	20	30	35	35	40	45	50	55	58	$ 58,820	10

</TABLE>

[END OF TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

Past performance is no guarantee of future results. Small cap securities are generally more volatile than T-Bills, 10-year government bonds or the S&P 500. The returns shown assume the reinvestment of all distributions of income and capital gains and do not reflect the deduction of sales charges or management fees and expenses that would be applicable to a managed basket of equity securities. The deduction of such sales charges and management fees and expenses would reduce the returns shown. It is not possible to invest directly in an index of equity securities, including any of the MSCI indices. An investment strategy may be designed to replicate an index of equity securities and may be more or less successful in achieving such a replication.

THE AMERICAN VALUE FUND'S PORTFOLIO. The portfolio universe consists of the next 2,000 companies that rank in size following the 500 largest U.S. corporations. The portfolio consists of approximately 100 companies, many of which have been in business for over one hundred years and meet the stringent criteria set forth by Morgan Stanley's portfolio management team. Companies in the portfolio must be bargain-priced, with quality products and a dominant market niche. They must demonstrate a sustainable growth rate, a healthy financial position and have a history of paying dividends.

Careful analysis, using this criteria, helps Morgan Stanley portfolio managers distinguish an underpriced stock that is in a position to recover, from one that will continue to decline.

THE MORGAN STANLEY DISTINCTION. The portfolio managers' goal is to capitalize on the market's tendency to overreact to bad news. Often a single negative event that has been exaggerated in the stock market can cause a stock's price to decline much more than is justified by the company's actual prospects. This type of discrepancy between a company's market price and its intrinsic worth (based on its earnings, cash flow, and/or asset values) is viewed by the portfolio managers as an opportunity.

The managers of the American Value Fund are long-term investors, not short-term traders. They recognize that the potentially higher rate of return available from small stocks cannot be achieved overnight. Value takes time to be realized.

The Fund's portfolio managers seek companies paying high, sustainable dividends. Dividends are important because they provide a good indication that a company has not only quality, shareholder-oriented management, but also financial strength.

THE ASIAN GROWTH POTENTIAL

Annual growth, as measured by Gross National Product, in the 1990s is projected to be 5.3% in Asia as compared with 2% in both North America and Europe, according to the World Bank Atlas. According to Morgan Stanley research, the economies in this region are less mature and are expected to have a higher rate of sustainable growth well into the next century.

According to research conducted by J. Walter Thompson, by the year 2000, Asia will have two-thirds of the world's population; only four of the world's largest cities will be non-Asian; affluent Asian households will rise by 50% to 51 million; and per capita Gross Domestic Product ("GDP") will double. In addition, 240 million Asian households will have televisions (a 70% increase in the past 5 years, as compared with a 4.3% increase in Britain and a 6.7% increase in the U.S.). China currently has one-quarter of the world's population and is projected to have 200 million middle-class consumers by the year 2000. By 2012, China, alone, is projected to have the world's largest economy.

Annualized returns of stock markets in this region are, in some cases, twice that of the U.S., according to Morgan Stanley Capital International (MSCI)

Indices. On a relative basis, stock prices in this region are less than many countries in the world, according to MSCI.

MORGAN STANLEY: THE ASIAN AUTHORITY. Morgan Stanley has a strong commitment to the Asian region. The portfolio team is based in Morgan Stanley's Singapore office, with managers who are native to the region and the markets they analyze, offering local insights that have contributed to a superior performance record. Morgan Stanley has over 700 employees located in the Far East and has offices in Singapore, Shanghai, Taipei and Seoul.

ESTIMATED GNP GROWTH
1990-2000

Asia	5.3%
North America	2.0%
South America	2.2%
Europe	2.0%
Middle East	1.6%
Africa	0.3%

Source: World Bank Atlas

[THE FOLLOWING IS A TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

The following replaces a bar graph that indicates percentage returns on the vertical axis and countries on the horizontal axis:

SUPERIOR HISTORIC MARKET RETURNS
1989-1993 Annualized Returns* (US Dollars)

Thailand	39.45%
Hong Kong	38.37
Philippines	33.58
CFEFxJ	32.00
Malaysia	30.07
Singapore	22.90
Indonesia	17.11
USA	14.83
World	6.44
Taiwan	5.64
EAFE	2.33
Korea	-3.59
Japan	-6.80

Past performance of Asian markets is not a guarantee of their future performance and is not indicative of the Fund's future performance.
*Gross Dividends
Sources: MSCI Indices

[END OF TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

Past Performance is no guarantee of future results. The MSCI indices represent an unmanaged basket of equity securities. The returns shown assume the reinvestment of all distributions of income and capital gains and do not reflect the deduction of sales charges or management fees and expenses that would be applicable to a managed basket of equity securities. The deduction of such sales charges and management fees and expenses would reduce the returns shown. It is not possible to invest directly in an index of equity securities, including any of the MSCI indices. An investment strategy may be designed to replicate an index of equity securities and may be more or less successful in achieving such a replication.

[THE FOLLOWING IS A TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

The following replaces a bar graph that indicates price earnings ratios in percentages from 0-100% on the vertical axis and countries on the horizontal axis:

PRICE/EARNINGS RATIO* as of August 31, 1994

Japan	92.4%

Taiwan (E)	35.1
Philippines	30.9
Malaysia	30.1
Korea (E)	26.6
World	26.2
Singapore	24.8
Indonesia	23.8
Thailand	22.7
CFEFxJ	22.2
USA	19.2
Hong Kong	16.7

*Trailing 12 Months
Source: MSCI
(E) Estimate, not from MSCI

[END OF TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

EMERGING MARKETS' GROWTH POTENTIAL

Annual growth, as measured by Gross National Product, in the 1990s is projected to be 6.5% in emerging markets as compared with 2.5% in industrial countries, according to the World Bank. According to

Morgan Stanley research, the economies in this region are less mature and are expected to have a higher rate of sustainable growth well into the next century. If the high savings in the emerging markets countries as of 1991 are sustained, the savings will provide much of the needed capital for economic growth:

[THE FOLLOWING IS A TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

The following replaces a bar graph that indicates percentage of growth from 0-50% on the vertical axis and countries on the horizontal axis:

GROWTH - High Savings Rate (1991)

Singapore	45%
China	43
Korea	37
Indonesia	37
Thailand	34
Japan	34
Hong Kong	33
Malaysia	33
Taiwan	30
EEC(1)	22
India(1)	20
Mexico	20
Chile	18
Philippines	16
Brazil	16
Argentina	16
USA	15

Source: World Bank
Note: (1) 1989 data.

[END OF TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

Morgan Stanley believes that population growth projected by the World Bank for the 1990s, particularly among the middle class, will create buying power and fuel demand for products, leading to economic growth and industrial sophistication:

	Total Population	Middle Classes
	(Percent Per Annum)	
Developed Countries	0.4%	1.1%
Developing Countries	1.9%	5.9%

SOURCE: WORLD BANK

A large percentage of the population is under the age of 15 in emerging countries. As these children mature, they will greatly increase consumption of goods and services.

[THE FOLLOWING IS A TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

The following replaces a bar graph that indicates the percentages of population under the age of 15 ranging from 0-50% on the horizontal axis and countries on the vertical axis.

YOUNG POPULATION (1991)
Source: The Economist
Note:(1) 1990 data.

USA	22%
Argentina(1)	30
Brazil(1)	35
Chile(1)	31
Mexico(1)	37
Venezuela(1)	38
Indonesia	37
S. Korea	27
Malaysia	37
Philippines	39
Taiwan	27
Thailand	35
India	36
Turkey(1)	35
Jordan(1)	44
Nigeria(1)	47

A large percentage of the population is under the age of 15 in emerging countries. As these children mature, they will have a tremendous impact on consumption of goods and services.

[END OF TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

Historically, the average annual total return of emerging markets has exceeded that of developed countries, and other indicators point to significant future growth in the emerging markets:

THE CASE FOR EMERGING MARKETS

<TABLE>
<CAPTION>

	RETURNS	GROWTH		VALUE		UNDER-REPRESEN-TATION	DIVERSI-FICATION
<S>	<C> Annual Returns (1940-1993)	<C> Real GNP Growth (1994-2000)	<C> Real EPS Growth (1994)	<C> P/E 1994E	<C> Mkt Cap/ GNP	<C> Foreign Inv. % of Institu-tional Assets	<C> Average Correlation
Emerging Markets	17%	6.5%	15%	24.0x	30%	0.6%	0.07
Developed Markets	13%	2.5%	5%	26.5x	70%	99.4%	0.51

</TABLE>

SOURCE: MORGAN STANLEY RESEARCH
THE RETURNS DO NOT REFLECT ANY ASSET-BASED CHARGES FOR INVESTMENT MANAGEMENT OR OTHER EXPENSES.
ASSUMES REINVESTMENT OF ALL DIVIDENDS/DISTRIBUTIONS.
THE PAST PERFORMANCE OF EMERGING MARKETS, HOWEVER, IS NO GUARANTEE OF THE EMERGING MARKETS FUND'S FUTURE PERFORMANCE.

MORGAN STANLEY: AN AUTHORITY IN LATIN AMERICA AND EMERGING MARKETS

Over one-third of Morgan Stanley's 8,200 employees live and work outside the United States, enabling them to recognize opportunities as they arise and, more importantly, to act on them quickly.

MSAM currently has over $48.1 billion in assets under management and fiduciary advice, including over $1 billion in Latin America markets and over

$6.4 billion in equities and fixed income in emerging markets, making it one of the largest investment managers in emerging markets.

Morgan Stanley portfolio managers have access to proprietary research through Morgan Stanley Capital International (MSCI), the generally recognized standard for measuring the performance of international securities worldwide. MSCI monitors approximately 3,350 of some of the world's leading companies, which account for about 80% of the total market value of the world's stock markets.

[THE FOLLOWING IS A TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

The following replaces a bell curve line graph that indicates development increasing upward in the vertical axis and time of maturity increasing to the right in the horizontal axis:

EMERGING MARKET LIFE CYCLE

COUNTRIES	BEHIND-THE-SCENES	EMERGING MARKETS	ESTABLISHED GROWTH	MATURE ECONOMIES
Germany				X
U.S.				X
Japan			X	
U.K.				X
Spain			X	
Hong Kong			X	
Singapore			X	
Portugal		X		
Taiwan		X		
Greece		X		
Korea		X		
Malaysia		X		
Turkey		X		
Thailand		X		
Mexico		X		
Chile		X		
Argentina		X		
Venezuela		X		
Indonesia		X		
Philippines		X		
India		X		
Brazil		X		
Pakistan		X		
Sri Lanka		X		
Peru		X		
Egypt	X			
Sub-Saharan Africa	X			
Eastern Europe	X			
Cuba	X			
Vietnam	X			

Iran	X

Source: Morgan Stanley Research

[END OF TABULAR REPRESENTATION THAT REPLACES GRAPHIC MATERIAL FOR EDGAR FILING PURPOSES.]

GROWTH POTENTIAL IN LATIN AMERICA

An economic transformation is occurring in Latin America today, which we believe is creating a positive environment for investors. Old (protected) economies are being transformed into new (open) free market economies, as evidenced by many changes, including:

Old (Protected)	New (Open)
High import tariffs	Low tariffs
Regulated exchange rates	Free exchange rates
Regulated interest rates	Market interest rates
Investment restrictions	Open foreign investment
High tax rates	Competitive tax rates
Command economy	Market economy
Employment priority	Efficiency priority
Subsidies	Competitive market prices
State-owned industry	Privatization
Deficit spending	Fiscal austerity
Capital flight	Return capital
High inflation	Lower inflation

According to Morgan Stanley research, the economies in this region are less mature and are expected to have higher rates of sustainable growth well into the next century. We believe the greatest potential for gain is when situations are improving and not when they are mature.

To Be Inserted

Historically, this region's economy has grown faster than the industrial countries, as measured by Gross Domestic Product, and the World Bank projects it to grow twice as fast as the industrial countries by the year 2000.

	Real GDP Growth	
	1965-93	1993-2000 Forecast
Latin America	4.3%	5.0%
Industrial Countries	3.1%	2.5%
SOURCE: WORLD BANK		

PAST PERFORMANCE OF LATIN AMERICAN MARKETS, HOWEVER, IS NO GUARANTEE OF THE LATIN AMERICAN FUND'S FUTURE PERFORMANCE.

Morgan Stanley believes that the population growth projected by the World Bank for the 1990s in these developing countries, particularly among the middle class, will create buying power and fuel demand for products, leading to economic growth and industrial sophistication:

	Growth of Total Population	Growth of Middle Classes
	(Percent Per Annum)	
Developed Countries	0.4%	1.1%
Developing Countries	1.9%	5.9%
SOURCE: WORLD BANK		

According to Morgan Stanley research, historically, annualized returns of stock markets in this region have been superior, and on a relative basis, stock prices in this region are significantly lower than developed markets as well as other emerging markets, as measured by price/earnings ratios.

	1988-93 Annualized Return	1993 Return
S & P 500	14.5%	10.0%
T-Bills	5.7%	3.1%
Emerging Growth Stocks	18.4%	21.0%
U.S. Government Bonds	10.7%	8.2%
EAFE	2.0%	32.6%
Japanese Stocks	-7.0%	25.5%
Emerging Market Equities	16.5%	67.5%
MSCI LATIN AMERICA	42.4%	49.1%

Source: Morgan Stanley Research

The returns do not reflect any asset-based charges for investment management or other expenses. Assumes reinvestment of all dividends/distribution. Past Performance is no guarantee of the Latin American Fund's future performance.

	Price/Earnings Ratio	Market Cap/GNP
Developed Markets	26.X	.7
Emerging Markets	24.0X	.3
LATIN AMERICA	18.1X	.3

DATA AS OF MARCH 1994, EMERGING MARKETS P/E REPRESENTED BY THE IFC INDEX, DEVELOPED MARKETS BY MSCI WORLD

GENERAL INFORMATION

DESCRIPTION OF SHARES AND VOTING RIGHTS

The Fund's Articles of Incorporation permit the Directors to issue 7,750,000,000 shares of common stock, par value $.001 per share, from an unlimited number of Investment Funds. Currently the Fund is authorized to offer shares of ten Investment Funds, nine of which have Class A and Class B shares.

The shares of each Investment Fund of the Fund are fully paid and non-assessable, and have no preference as to conversion, exchange, dividends, retirement or other features. The shares of each Investment Fund of the Fund have no pre-emptive rights. The shares of the Fund have non-cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of Directors can elect 100% of the Directors if they choose to do so. A shareholder is entitled to one vote for each full share owned (and a fractional vote for each fractional share owned), then standing in his name on the books of the Fund.

DIVIDENDS AND DISTRIBUTIONS

The Fund's policy is to distribute substantially all of each Investment Fund's net investment income, if any. Each Investment Fund may choose to make sufficient distributions of net capital gains to avoid liability for federal excise tax. An Investment Fund will not be subject to federal income tax on capital gains or ordinary income distributed to shareholders so long as it qualifies as a RIC (see discussion under "Dividends and Distributions" and "Taxes" in the Prospectus). However, the Fund may also choose to retain net realized capital gains and pay taxes on such gains. The amounts of any income dividends or distributions cannot be predicted.

Any dividend or distribution paid shortly after an investor purchases shares of an Investment Fund will reduce the per share net asset value of that Investment Fund by the per share amount of the dividend or distribution. Furthermore, such dividends or distributions, although in effect a return of capital, are subject to income taxes to shareholders subject to taxes as set forth in the Prospectus.

As set forth in the Prospectus, unless the shareholder elects otherwise in writing, all dividends and distributions of an Investment Fund are automatically reinvested in additional shares of that Investment Fund at net asset value as of the business day following the record date. This reinvestment policy will remain in effect until the shareholder notifies the Transfer Agent in writing at least three days prior to a record date that the shareholder has elected either the Income Option (income dividends in cash and distributions in additional shares at net asset value) or the Cash Option (both income dividends and distributions in cash). No initial sales charge or CDSC is imposed on shares of any of the Investment Funds, including the Non-Money Funds, that are purchased through the automatic reinvestment of dividends and distributions of an Investment Fund.

Each Investment Fund generally will be treated as a separate corporation (and hence as a separate "regulated investment company") for federal tax purposes. Any net capital gains of any Investment Fund, whether or not distributed to investors, can not be offset against net capital losses of any other Investment Fund.

CUSTODY ARRANGEMENTS

United States Trust Company of New York serves as the Fund's domestic custodian. United States Trust Company of New York is not affiliated with Morgan Stanley & Co. Incorporated. Morgan Stanley Trust Company, Brooklyn, NY, acts as the Fund's custodian for foreign assets held outside the United States and employs subcustodians who were approved by the Directors of the Fund in accordance with Rule 17f-5 adopted by the SEC under the 1940 Act. Morgan Stanley Trust Company is an affiliate of Morgan Stanley & Co. Incorporated. In the selection of foreign subcustodians, the Directors consider a number of factors, including, but not limited to, the reliability and financial stability of the institution, the ability of the institution to provide efficiently the custodial services required for the Fund, and the reputation of the institution in the particular country or region.

DESCRIPTION OF SECURITIES AND RATINGS

I. DESCRIPTION OF COMMERCIAL PAPER AND BOND RATINGS

EXCERPTS FROM MOODY'S INVESTORS SERVICE, INC. ("MOODY'S") DESCRIPTION OF BOND RATINGS: AAA - Bonds which are rated Aaa are judged to be the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edge." Interest payments are protected by a large or by an exceptionally stable margin, and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. AA - Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities. Moody's applies numerical modifiers 1, 2 and 3 in the Aa and A rating categories. The modifier 1 indicates that the security ranks at a higher end of the rating category, modifier 2 indicates a mid-range rating and the modifier 3 indicates that the issue ranks at the lower end of the rating category.

A - Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future. BAA - Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well. BA - Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class. B - Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contact over any long period of time may be small. CAA - Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest. CA - Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings. C - Bonds which are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

EXCERPTS FROM STANDARD & POOR'S CORPORATION (S&P") DESCRIPTION OF BOND RATINGS: AAA - Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation and indicate an extremely strong capacity to pay principal and interest. AA - Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only to a small degree. A - Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories. BBB - Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than for debt in higher rated categories. BB, B, CCC, CC - Debt rated BB, B, CCC and CC is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest

degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions. C - The rating C is reserved for income bonds on which no interest is being paid. D - Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears.

DESCRIPTION OF MOODY'S RATINGS OF STATE AND MUNICIPAL NOTES: Moody's ratings for state and municipal notes and other short-term obligations are designated Moody's Investment Grade ("MIG"). Symbols used are as follows: MIG-1 - - best quality, enjoying strong protection from established cash flows of funds for their servicing or from established broad-based access to the market for refinancing, or both; MIG-2 - high quality with margins of protection ample although not so large as in the preceding group.

DESCRIPTION OF MOODY'S HIGHEST COMMERCIAL PAPER RATING: Prime-1 ("P1") - Judged to be of the best quality. Their short-term debt obligations carry the smallest degree of investment risk.

EXCERPT FROM S&P'S RATING OF MUNICIPAL NOTE ISSUES: S-1+ - very strong capacity to pay principal and interest; SP-1 - strong capacity to pay principal and interest.

DESCRIPTION OF S&P'S HIGHEST COMMERCIAL PAPER RATINGS: A-1+ - this designation indicates the degree of safety regarding timely payment is overwhelming. A-1 - this designation indicates the degree of safety regarding timely payment is very strong.

WITH RESPECT TO RATINGS BY IBCA LTD., the designation A1 by IBCA, Ltd. indicates that the obligation is supported by a very strong capacity for timely repayment. Those obligations rated A1+ are supported by the highest capacity for timely repayment. Obligations rated A2 are supported by a strong capacity for timely repayment, although such capacity may be susceptible to adverse changes in business, economic or financial conditions.

II. DESCRIPTION OF UNITED STATES GOVERNMENT SECURITIES

The term "United States Government securities" refers to a variety of securities which are issued or guaranteed by the United States Government, and by various instrumentalities which have been established or sponsored by the United States Government.

United States Treasury securities are backed by the "full faith and credit" of the United States. Securities issued or guaranteed by Federal agencies and United States Government sponsored instrumentalities may or may not be backed by the full faith and credit of the United States. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment. Agencies which are backed by the full faith and credit of the United States include the Export-Import Bank, Farmers Home Administration, Federal Financing Bank, and others. Certain agencies and instrumentalities, such as the Government National Mortgage Associates, are, in effect, backed by the full faith and credit of the United States through provisions in their charters that they may make "indefinite and unlimited" drawings on the Treasury, if needed to service debt. Debt from certain other agencies and instrumentalities, including the Federal Home Loan Bank and Federal National Mortgage Association, are not guaranteed by the United States, but those institutions are protected by the discretionary authority for the United States Treasury to purchase certain amounts of their securities to assist the institution in meeting its debt obligations. Finally, other agencies and instrumentalities, such as the Farm Credit System and the Federal Home Loan Mortgage Corporation, are federally chartered institutions under Government

supervision, but their debt securities are backed only by the creditworthiness of those institutions, not the United States Government.

Some of the United States Government agencies that issue or guarantee securities include the Export-Import Bank of the United States, Farmers Home Administration, Federal Housing Administration, Maritime Administration, Small Business Administration, and the Tennessee Valley Authority.

An instrumentality of the United States Government is a Government agency organized under Federal charter with Government supervision. Instrumentalities issuing or guaranteeing securities include, among others, Federal Home Loan

Banks, the Federal Land Banks, Central Bank for Cooperatives, Federal Immediate Credit Banks, and the Federal National Mortgage Association.

III. FOREIGN INVESTMENTS

The Investment Funds may invest in securities of foreign issuers. Investors should recognize that investing in such foreign securities involves certain special considerations which are not typically associated with investing in United States issuers. For a description of the effect on the Investment Funds of currency exchange rate fluctuations, see "Investment Objectives and Policies - - Forward Foreign Currency Exchange Contracts" above. As foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards and may have policies that are not comparable to those of domestic issuers, there may be less information available about certain foreign companies than about domestic issuers. Securities of some foreign issuers are generally less liquid and more volatile than securities of comparable domestic issuers. There is generally less government supervision and regulation of stock exchanges, brokers and listed issuers than in the United States. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments which could affect United States investments in those countries. Foreign securities not listed on a recognized domestic or foreign exchange are regarded as not readily marketable and therefore such investments will be limited to 15% of an Investment Fund's net asset value at the time of purchase.

Although the Investment Funds will endeavor to achieve the most favorable execution costs in their portfolio transactions, fixed commissions on many foreign stock exchanges are generally higher than negotiated commissions on United States exchanges.

Certain foreign governments levy withholding or other taxes on dividend and interest income. Although in some countries a portion of these taxes are recoverable, the non-recovered portion of foreign withholding taxes will reduce the income received from investments in such countries. Except in the case of the Global Fixed Income Fund, Asian Growth Fund, European Equity Fund and Worldwide High Income Fund, it is not expected that an Investment Fund or its shareholders would be able to claim a credit for U.S. tax purposes with respect to any such foreign taxes. However, these foreign withholding taxes may not have a significant impact on any such Investment Fund because its investment objective is to seek long-term capital appreciation and any dividend or interest income should be considered incidental.

IV. EMERGING COUNTRY EQUITY AND DEBT SECURITIES

The definition of emerging country equity or debt securities of each of the Global Equity Allocation, Global Fixed Income, Asian Growth, Emerging Markets, Latin American, European Equity and Worldwide High Income Funds includes securities of companies that may have characteristics and business relationships common to companies in a country or countries other than an emerging country. As a result, the value of the securities of such companies may reflect economic and market forces

applicable to other countries, as well as to an emerging country. The Adviser believes, however, that investment in such companies will be appropriate because the Investment Fund will invest only in those companies which, in its view, have sufficiently strong exposure to economic and market forces in an emerging country such that their value will tend to reflect developments in such emerging country to a greater extent than developments in another country or countries. The Investment Fund may invest in companies organized and located in countries other than an emerging country, including companies having their entire production facilities outside of an emerging country, when securities of such companies meet one or more elements of the Investment Fund's definition of an emerging country debt security and so long as the Adviser believes at the time of investment that the value of the company's securities will reflect principally conditions in such emerging country.

The value of debt securities held by the Investment Fund generally will vary inversely to changes in prevailing interest rates. The Investment Fund's investments in fixed-rated debt securities with longer terms to maturity are subject to greater volatility than the Investment Fund's investments in shorter-term obligations. Debt obligations acquired at a discount are subject to greater fluctuations of market value in response to changing interest rates than debt obligations of comparable maturities which are not subject to such discount.

Investments in emerging country government debt securities involve special risks. Certain emerging countries have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. The issuer or governmental authority that controls the repayment of an emerging country's debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. As a result of the foregoing, a government obligor may default on its obligations. If such an event occurs, the Investment Fund may have limited legal recourse against the issuer and/or guarantor. Remedies must, in some cases, be pursued in the courts of the defaulting party itself, and the ability of the holder of foreign government debt securities to obtain recourse may be subject to the political climate in the relevant country. In addition, no assurance can be given that the holders of commercial bank debt will not contest payments to the holders of other foreign government debt obligations in the event of default under their commercial bank loan agreements.

The Investment Fund may invest in certain debt obligations customarily referred to as "Brady Bonds," which are created through the exchange of existing commercial bank loans to foreign entities for new obligations in connection with debt restructurings under a plan introduced by former U.S. Secretary of the Treasury Nicholas F. Brady (the "Brady Plan"). Brady Bonds have been issued only recently, and, accordingly, do not have a long payment history. They may be collateralized or uncollateralized and issued in various currencies (although most are U.S. dollar-denominated) and they are actively traded in the over-the-counter secondary market. The Investment Fund may purchase Brady Bonds either in the primary or secondary markets. The price and yield of Brady Bonds purchased in the secondary market will reflect the market conditions at the time of purchase, regardless of the stated face amount and the stated interest rate. With respect to Brady Bonds with no or limited collateralization, the Investment Fund will rely for payment of interest and principal primarily on the willingness and ability of the issuing government to make payment in accordance with the terms of the bonds.

U.S. dollar-denominated, collateralized Brady Bonds, which may be fixed rate par bonds or floating rate discount bonds, are generally collateralized in full as to principal due at maturity by U.S. Treasury zero coupon obligations which have the same maturity as the Brady Bonds. Interest payments on these Brady Bonds generally are collateralized by cash or securities in an amount that, in the case of fixed rate bonds, is equal to at least one year of rolling interest payments or, in the case of floating rate bonds, initially is equal to at least one year's rolling interest payments based on the applicable

interest rate at that time and is adjusted at regular intervals thereafter. Certain Brady Bonds are entitled to "value recovery payments" in certain circumstances, which in effect constitute supplemental interest payments but generally are not collateralized. Brady Bonds are often viewed as having three or four valuation components: (i) the collateralized repayment of principal at final maturity; (ii) the collateralized interest payments; (iii) the uncollateralized interest payments; and (iv) any uncollateralized repayment of principal at maturity (these uncollateralized amounts constitute the "residual risk"). In the event of a default with respect to collateralized Brady Bonds as a result of which the payment obligations of the issuer are accelerated, the U.S. Treasury zero coupon obligations held as collateral for the payment of principal will not be distributed to investors, nor will such obligations be sold and the proceeds distributed. The collateral will be held to the scheduled maturity of the defaulted Brady Bonds by the collateral agent, at which time the face amount of the collateral will equal the principal payments which would have then been due on the Brady Bonds in the normal course. In addition, in light of the residual risk of the Brady Bonds and, among other factors, the history of defaults with respect to commercial bank loans by public and private entities of countries issuing Brady Bonds, investments in Brady Bonds should be viewed as speculative.

Brady Plan debt restructurings totaling approximately $73 billion have been implemented to date in Argentina, Costa Rica, Mexico, Nigeria, the Philippines, Uruguay and Venezuela, with the largest proportion of Brady Bonds having been issued to date by Mexico and Venezuela. Brazil and Poland have announced plans to issue Brady Bonds aggregating approximately $52 billion, based on current estimates. There can be no assurance that the circumstances regarding the issuance of Brady Bonds by these countries will not change.

FINANCIAL STATEMENTS

The Fund's audited financial statements and related notes and the Report of Independent Accountants for the fiscal year ended June 30, 1994 for the Morgan Stanley Global Equity Allocation, Morgan Stanley Global Fixed Income, Morgan Stanley Asian Growth, Morgan Stanley American Value and Morgan Stanley Worldwide High Income Funds, which appear in the Fund's June 30, 1994 Annual Report to Shareholders, and the unaudited financial statements and related notes for the semi-annual period ended December 31, 1994 for the Morgan Stanley Global Equity Allocation, Morgan Stanley Global Fixed Income, Morgan Stanley Asian Growth, Morgan Stanley American Value, Morgan Stanley Worldwide High Income, Morgan Stanley Emerging Markets and Morgan Stanley Latin American

Funds, which appear in the Fund's December 31, 1994 Semi-Annual Report to Shareholders, are attached hereto. The Morgan Stanley European Equity and Morgan Stanley Growth and Income Funds were not operational as of the date of this Statement of Additional Information. The Morgan Stanley Money Market Fund ceased offering shares as of August 6, 1993.

MORGAN STANLEY
GLOBAL EQUITY ALLOCATION FUND

PORTFOLIO OF INVESTMENTS
JUNE 30, 1994

SHARES		VALUE (000)
COMMON STOCKS (98.5%)		
AUSTRALIA (7.9%)		
30,535	Amcor Ltd.	$ 201
13,300	Ampol Exploration Ltd.	40
23,600	Australian National Industries Ltd.	31
57,011	Boral Ltd.	139
10,500	Brambles Industries	100
71,013	Broken Hill Proprietary Ltd.	931
24,400	Burns, Phillip & Co. Ltd.	62
15,128	Coca-Cola Amatil Ltd.	95
67,700	Coles Myer Ltd.	209
26,100	CRA Ltd.	339
43,700	CSR Ltd.	153
147,300	Fosters Brewing Corp.	114
31,083	General Property Trust	56
58,739	Goodman Fielder Ltd.	55
16,800	ICI Australia Ltd.	131
10,109	Lend Lease Corp. Ltd.	120
61,100	MIM Holdings Ltd.	128
57,600	National Australia Bank Ltd.	460
12,400	Newcrest Mining Ltd.	59
76,137	News Corp. Ltd.	464
32,000	North Broken Hill Peko Ltd.	80
47,500	Pacific Dunlop Ltd.	149
43,200	Pioneer International Ltd.	90
+14,600	Renison Goldfields Consolidated Ltd.	48
36,712	Santos Ltd.	102
28,567	Southcorp Holdings Ltd.	58
18,100	TNT Ltd.	30
42,250	Western Mining Corp.	222
35,000	Westfield Trust	60
83,800	Westpac Banking Corp.	273
		4,999
BELGIUM (3.9%)		
1,700	AG Fin	130
110	Beksert SA	81
2,700	Delhaize Freres et Cie 'Le Lion' SA	109
2,350	Electrabel	408
550	Electrabel, Series 1	96
820	Generale de Banque	204
*37	Generale de Banque (New)	8
200	Gevaert Photo-Production NV	55
300	Glaverbel SA	41
1,250	Groupe Bruxelles Lambert	157
125	Kredietbank (AVF1 Shares)	25
750	Kredietbank	149
1,220	Petrofina SA	378
750	Reunies Electrobel & Tractebel SA	226
750	Royale Belge	116
450	Solvay et Cie	196
1,350	Union Miniere SA	109
		2,488
CANADA (4.2%)		
4,700	Alcan Aluminum Ltd.	106
6,100	American Barrick Resources Corp.	146
5,200	Bank of Montreal	88
4,300	Bank of Nova Scotia	78
5,900	BCE, Inc.	192
3,000	Bombardier, Inc. "B"	43
1,900	Brascan Ltd "A"	26
4,100	Canadian Imperial Bank of Commerce	88

1,300	Canadian Occidental Petroleum Ltd.	23

SHARES		VALUE (000)
7,100	Canadian Pacific Ltd.	$ 105
2,000	Canadian Tire Corp. "A"	16
2,000	Cominco Ltd.	30
2,000	Dofasco, Inc.	27
2,700	Dupont Canada "A"	30
2,300	Echo Bay Mines, Ltd.	25
1,500	George Weston Ltd.	40
+3,800	Gulf Canada Resource Ltd.	12
2,800	Imasco Ltd.	68
4,400	Imperial Oil Ltd.	129
1,900	Inco Ltd.	46
800	Interprovincial Pipeline	17
2,900	Lac Minerals Ltd.	24
4,100	Laidlaw Inc., "B"	27
3,800	MacMillan Bloedel Ltd.	48
900	Magna International "A"	36
2,600	Moore Corp.	44
1,600	Newbridge Networks Corp.	55
3,800	Noranda, Inc.	65
1,700	Norcen Energy Resources Ltd.	17
4,800	Northern Telecom Ltd.	133
12,600	Nova Corp. of Alberta	98
4,900	Placer Dome, Inc.	105
1,200	Potash Corp. of Saskatchewan, Inc.	33
2,900	Ranger Oil Ltd.	19
1,700	Renaissance Energy Ltd.	36
6,100	Royal Bank of Canada	118
7,700	Seagram Co. Ltd.	232
+1,200	Talisman Energy, Inc.	24
1,700	Teck Corp. "B"	28
1,000	The Oshawa Group "A"	14
12,000	Thomson Corp.	131
4,600	Transcanada Pipeline Ltd.	54
4,000	Trizec Corp. "A"	1
		2,677
FRANCE (7.6%)		
550	Accor S.A.	62
1,400	Air Liquide	189
3,000	Alcatel Alsthom	326
3,000	AXA S.A.	124
4,050	Banque Nationale de Paris	173
200	BIC Corp.	43
500	Bouygues	53
1,400	B.S.N. S.A.	202
500	Carrefour Supermarch S.A.	166
125	Chargeurs	30
2,100	Cie de Financiere de Paribas "A"	133
1,650	Cie de Saint Gobain	193
3,550	Cie de Suez	173
525	Cie Generale des Eaux	212
500	Compagnie Bancaire S.A.	45
5,000	Elf Aquitaine	349
450	Elf Sanofi S.A.	71
600	Eridania Beghin--Say S.A.	95
1,450	Estabissments Economiques du Casino Guichard Perrachon	36
1,200	Havas S.A.	94
1,800	Lafarge Coppee S.A.	135
60	Legrand	61
1,200	L'Oreal	236
1,500	LVMH Moet Hennessy Louis Vuitton	230
1,350	Lyonnaise des Eaux Demez	124

The accompanying notes are an integral part of the financial statements.

SHARES		VALUE (000)
FRANCE (CONT.)		
2,100	Michelin (C.G.D.E.) "B"	$ 87

+1,000	Pernod-Ricard	68
350	Pinault S.A.	55
400	Promodes	63
950	PSA Peugeot Citroen S.A.	135
5,400	Rhone Poulenc S.A.	123
100	Sagem	49
1,000	Schneider S.A.	65
500	SIMCO	47
80	Societe Eurofrance S.A.	29
1,800	Societe Generale	184
200	St. Louis	60
2,900	Thomson CSF S.A.	82
4,000	Total Francaise Petrol S.A. "B"	230
		4,832
HONG KONG (3.7%)		
10,400	Bank of East Asia	45
50,000	Cathay Pacific Airways Ltd.	74
36,000	Cheung Kong Holdings Ltd.	157
31,000	China Light & Power Ltd.	158
28,561	Dairy Farm International Holdings	40
29,070	Hang Seng Bank Ltd.	192
24,520	Hong Kong & China Gas Co.	47
32,500	Hong Kong Electric Holdings	98
46,662	Hong Kong Land Holdings	118
172,400	Hong Kong Telecom	326
50,000	Hopewell Holdings Ltd.	40
56,000	Hutchison Whampoa	230
10,000	Hysan Development Co.	27
11,200	Jardine Matheson Ltd.	86
17,338	Mandarin Oriental	24
25,191	New World Development Co. Ltd.	70
66,000	Regal Hotel International	16
35,000	South China Morning Post	20
34,100	Sun Hung Kai Properties	197
24,500	Swire Pacific Ltd. Class A	177
8,000	Television Broadcasting Ltd.	32
37,000	Wharf Holdings Ltd.	136
1,700	Wing Lung Bank	12
		2,322
ITALY (2.1%)		
10,250	Assicurazioni Generali SPA	263
14,000	Banca Commerciale Italiana	41
4,500	Banca Nazionale Dell'Agricoltura SPA	9
10,000	Banco Ambrosiano Veneto	27
2,500	Benetton Group SPA	37
+2,000	Cogefar Italian	3
17,500	Credit Italiano	23
9,000	Edison SPA	43
+2,000	Falck Italian	6
34,000	Fiat SPA	136
9,000	Fiat SPA Risp	22
5,000	Fidis Italian	18
10,800	Finanziaria Cirio Bertolli Rica	7
9,000	Finanziaria Italgel SPA	9
+5,000	Gilardini Industrial SPA	13
8,500	Istituto Bancario San Paolo di Torina SPA	53
3,000	Italcable	18
3,500	Italcementi Fabbriche Riunit SPA	27

SHARES		VALUE (000)
10,000	Italgas	$ 33
6,800	Mediobanca	63
80,000	Montedison SPA	74
10,000	Montedison SPA NCS	8
20,000	Olivetti Group	30
+15,000	Pirelli SPA	23
2,565	Rinascente	16
2,750	Riunione Adriatica di Sicurti	44
1,500	Riunione Adriatica di Sicurti Risp Non Convertible	15
70,000	SIP	174
15,000	SIP Risp NCS	31
4,500	Sirti SPA	33
10,000	SME Meridonale Finance	25
+10,000	Snia BPO SPA	16
1,500	Societe Assicuratrice Industriale SPA	19
		1,359

JAPAN (23.4%)		
11,000	Ajinomoto Cos., Inc.	151
3,000	Aoki Corp.	16
18,000	Asahi Bank Ltd.	228
3,000	Asahi Breweries	33
21,000	Asahi Chemical Industries	158
14,000	Asahi Glass Co.	173
14,000	Bank of Tokyo	227
10,000	Bank of Yokohama	94
7,000	Bridgestone Co.	114
7,000	Canon, Inc.	123
7,000	Chiba Bank	65
1,000	Chiyoda Corp.	13
3,000	Chugai Pharmaceutical Ltd.	37
3,000	Cosmo Oil	26
24,000	Dai Ichi Kangyo Bank	477
11,000	Dai Nippon Printing Co., Ltd.	218
3,000	Daikin Industries Ltd.	29
+2,000	Daishowa Paper Manufacturing Co., Ltd.	20
5,000	Daiwa Housing Industries	78
11,000	Daiwa Securities Co., Ltd.	193
3,000	Fanuc Co.	144
22,000	Fuji Bank	505
6,000	Fuji Photo Film Ltd.	134
20,000	Fujitsu	229
7,000	Furukawa Electric	51
7,000	Hankyu Corp.	41
3,000	Hazama-Gumi	15
28,000	Hitachi	293
18,000	Industrial Bank of Japan	592
2,000	Ito Yokado Ltd.	111
+17,000	Japan Air Lines Co.	123
7,000	Jujo Paper Co.	52
4,000	Jusco Ltd.	93
11,000	Kajima Corp.	111
6,400	Kansai Electric Power	172
11,000	KAO Corp.	134
+38,000	Kawasaki Steel Corp.	161
10,000	Kinki Nippon Railway	86
11,000	Kirin Brewery Co.	131
+31,000	Kobe Steel Ltd.	99
7,000	Komatsu	68
17,000	Kubota Corp.	127
9,000	Kumagai Gumi Co.	45

PORTFOLIO OF INVESTMENTS (CONT.)
JUNE 30, 1994

SHARES		VALUE (000)
JAPAN (CONT.)		
3,000	Kyowa Hakko Kogyo	$ 28
20,000	Marubeni Corp.	110
4,000	Marui Co.	75
15,000	Matsushita Electric Industries Ltd.	275
20,000	Mitsubishi Corp.	252
26,000	Mitsubishi Electric	176
10,000	Mitsubishi Estate Co. Ltd.	124
39,000	Mitsubishi Heavy Industries	312
10,000	Mitsubishi Kasel	53
11,000	Mitsubishi Trust and Banking	183
10,000	Mitsui & Co.	85
7,000	Mitsui Fudosan	85
11,000	Mitsui Trust & Banking Co.	136
7,000	Mitsukoshi	73
1,200	Mochida Pharmaceutical	25
13,000	NEC Corp.	161
3,000	NGK Insulators	32
7,000	Nippon Denso Co., Ltd.	147
11,000	Nippon Express	117
3,000	Nippon Fire & Marine Insurance Co.	23
3,000	Nippon Meat Packers	46
16,000	Nippon Oil Co.	124
49,000	Nippon Steel Corp.	171
10,000	Nippon Yusen	64
14,000	Nissan Motors	124
+39,000	NKK Corp.	105
14,000	Nomura Securities	338

7,000	Obayashi Corp.	48
17,000	Odakyu Electric Railway Co.	126
7,000	Oji Paper Ltd.	75
21,000	Osaka Gas Co.	99
3,000	Penta-Ocean Construction	20
2,000	Pioneer Electronic Corp.	57
24,000	Sakura Bank	341
3,000	Sankyo Co. Ltd.	67
16,000	Sanyo Electric Co. Ltd.	90
8,000	Sekisui Chemical	93
7,000	Sekisui House	90
3,000	Seven-Eleven Japan	239
9,000	Sharp Corp.	163
3,000	Shin-Etau Chemical Co.	64
7,000	Shizuoka Bank	96
+7,000	Showa Denko	25
2,000	Sony Corp.	123
23,000	Sumitomo Bank	506
24,000	Sumitomo Chemical Co.	130
10,000	Sumitomo Corp.	105
7,000	Sumitomo Electric Industries	107
+32,000	Sumitomo Metal Industries	96
13,000	Taisei Corp.	90
11,000	Takeda Chemical Industries	133
7,000	Teijin Ltd.	38
7,210	Tobu Railway Co.	49
18,000	Tokai Bank	240
14,000	Tokio Marine & Fire Industries	180
3,000	Tokyo Dome Corp.	61
10,900	Tokyo Electric Power	355
1,000	Tokyo Electron Ltd.	33
28,000	Tokyo Gas	142
7,000	Tokyu Corp.	54
3,000	Toppan Printing	46

SHARES		VALUE (000)
17,000	Toray Industries	$ 128
3,000	Toto Ltd.	53
7,000	Toyoba Co.	32
3,000	Toyoda Automatic Loom	60
28,000	Toyota Motor Corp.	629
+7,000	Ube Industries Ltd.	28
7,000	Yamaichi Securities	66
4,000	Yamanouchi Pharmaceuticals	76
3,000	Yamato Transport Co., Ltd.	40
10,000	Yasuda Trust & Banking	97
		14,824
NETHERLANDS (7.7%)		
10,700	ABN-Amro Holdings N.V.	354
5,000	Ahold N.V.	126
2,000	Akzo N.V.	215
2,600	Elsevier	224
1,600	Heineken N.V.	194
9,850	Internationale Nederlanden Groep N.V.	423
2,100	KLM Airlines	59
2,600	Koninklijke KNP	63
850	Konink Ned Hoogovens Sico	34
+850	Nedlloyd Groep N.V.	30
12,000	Phillips Electronics N.V.	347
19,500	Royal Dutch Petroleum Co.	2,055
1,119	Stork N.V.	28
5,900	Unilever N.V.	601
2,282	Wolters Kluwer N.V.	135
		4,888
NEW ZEALAND (5.2%)		
527,370	Brierly Investments Ltd.	386
342,100	Carter Holt Harvey Ltd.	763
9,800	Ceramco Corp. Ltd.	27
21,200	Fisher & Paykel Industries	52
292,200	Fletcher Challenge Ltd.	638
73,100	Fletcher Challenge Ltd. (Forestry Shares)	94
99,300	Lion Nathan Ltd.	182
382,500	Telecom Corp. of New Zealand Ltd.	1,032
19,900	Wilson & Horton Ltd.	92
		3,266

SPAIN (5.5%)		
950	Alba Finance S.A.	40
5,800	Argentaria S.A.	226
8,950	Autopistas Acesa	83
10,600	Banco Bilbao Vizcaya	233
8,050	Banco Central Hispano Americano	157
5,250	Banco de Santander	190
6,600	Banco Espanol de Credito	47
650	Carburos Metalicos	22
3,350	Dragados y Construccion S.A.	53
2,550	Ebro Agricolas Compania de Allmentacion	27
12,100	Empresa Nacional de Electricdad S.A.	547
6,100	Ercros S.A.	11
1,100	Fabricacion de Automobiles Renault de Espana S.A.	62
650	Fomento Construccion	68
1,700	Gas Natural SDG	134
39,700	Iberdrola S.A.	279
150	Immobilaria Metropolitana Vasco Central	5

The accompanying notes are an integral part of the financial statements.

PORTFOLIO OF INVESTMENTS (CONT.)
JUNE 30, 1994

SHARES		VALUE (000)
SPAIN (CONT.)		
1,250	Mapfre Corporacion	$ 48
500	Portland Valderrivas	40
14,350	Repsol B.A.	414
+1,900	Sarrio S.A.	8
1,700	Tabacalera S.A. "A"	44
42,600	Telefonica de Espana S.A.	576
13,800	Union Electrica Fenosa	67
+1,850	Uralita S.A.	21
1,800	Vallehermosa S.A.	33
183	Vallehermosa S.A.	3
350	Zardoya Otis	42
		3,480
UNITED KINGDOM (6.4%)		
10,900	Abbey National plc	66
7,900	Argyll Group plc	28
7,650	Arjo Wiggins Appleton plc	32
3,100	Associated British Foods plc	24
12,391	Barclays plc	100
5,700	Bass plc	44
18,550	BAT Industries plc	115
3,650	BICC plc	22
6,862	Blue Circle Industries plc	30
3,450	BOC Group plc	37
6,700	Boots Co. plc	55
3,050	Bowater plc	21
4,600	BPB Industries plc	22
2,668	British Aerospace plc	19
6,250	British Airways plc	36
30,500	British Gas plc	127
36,209	British Petroleum Co. plc	218
18,500	British Steel plc	41
38,300	British Telecommunications plc	218
22,600	BTR plc	124
1,550	Burmah Castrol plc	21
14,350	Cable & Wireless plc	90
6,450	Cadbury Schweppes plc	42
4,272	Caradon plc	20
4,600	Coats Viyella plc	15
2,779	Commercial Union plc	22
2,650	Courtaulds plc	19
1,900	De La Rue plc	26
3,250	Eastern Electricity plc	31
6,750	Forte plc	24
3,750	General Accident plc	31
20,450	General Electric plc	89
2,913	GKN plc	25
17,450	Glaxo Holdings plc	147
14,700	Grand Metropolitan plc	93
7,150	Great Universal Stores plc	62

8,700	Guardian Royal Exchange plc	23
11,100	Guinness plc	75
13,027	HSBC Holdings plc	142
32,633	Hanson plc	122
6,500	Harrisons & Crossfields plc	17
4,600	Imperial Chemical Industries plc	55
9,000	Ladbroke Group plc	21
4,125	Land Securities plc	39
5,750	Lasmo plc	12
8,401	Lloyds Bank plc	68
8,800	Lonrho plc	17

SHARES		VALUE (000)
18,500	Marks and Spencer plc	$ 112
3,050	MEPC plc	20
8,200	National Power plc	55
3,450	North West Water Group plc	25
5,550	Peninsular & Oriental Steam Navigation Co.	54
7,650	Pilkington plc	20
15,676	Prudential Corp. plc	70
7,125	Rank Organisation plc	41
4,327	Redland plc	33
5,050	Reed International plc	59
11,600	Reuters Holdings plc	77
7,914	Rio Tinto Zinc plc (Registered)	101
1,700	RMC Group plc	22
5,803	Royal Bank of Scotland Group plc	38
4,845	Royal Insurance Holdings plc	19
10,700	Sainsbury (J) plc	66
4,800	Scottish Power plc	27
9,950	Sears plc	18
4,450	Sedgwick Group plc	12
2,300	Slough Estates plc	8
6,100	Smithkline Beecham plc "A"	38
6,700	Smithkline Beecham plc units (5 "B" shares common plus 1 preferred share)	38
2,050	Southern Electricity plc	19
7,210	Tarmac plc	16
3,822	Taylor Woodrow plc	8
10,352	Tesco plc	36
3,650	Thames Water plc	25
3,250	Thorn EMI plc	51
2,650	TI Group plc	15
6,922	Trafalgar House plc	9
4,100	Unilever plc	61
6,700	Vodafone Group plc	51
4,600	Zeneca Group plc	52
		4,023
UNITED STATES (20.9%)		
5,400	Abbott Laboratories	157
1,500	Aluminum Co. of America	110
3,100	American Express Co.	80
3,000	American International Group, Inc.	260
+1,500	American Medical Response Corp.	89
10,600	American Telephone & Telegraph Co.	576
3,300	Amoco Co.	188
1,100	Atlantic Richfield Co.	112
1,500	Automatic Data Processing, Inc.	80
2,992	Banc One Corp.	102
3,000	BankAmerica Corp.	137
4,100	Bell Atlantic Corp.	230
3,300	Bellsouth Corp.	204
3,000	Boeing Co.	139
3,700	Bristol-Myers Squibb Co.	198
4,500	Campbell Soup Co.	155
1,000	Capital Cities ABC, Inc.	71
1,500	Caterpillar, Inc.	150
4,000	Chevron Corp.	168
2,500	Chrysler Corp.	118
1,500	Chubb Corp.	115
3,000	Citicorp	120
9,100	Coca Cola Co.	370
2,700	Columbia/HCA Healthcare Corp.	101

 The accompanying notes are an integral part of the financial statements.

JUNE 30, 1994

SHARES		VALUE (000)
UNITED STATES (CONT.)		
1,500	Computer Associates International, Inc.	$ 60
3,000	Consolidated Edison Co. of New York, Inc.	80
1,500	Cooper Industries, Inc.	54
1,500	Corning, Inc.	49
1,500	CSX Corp.	113
800	Deere & Co.	54
2,200	Dow Chemical Co.	144
3,000	Duke Power Co.	107
4,500	DuPont (EI) de Nemours Co.	263
3,000	Eastman Kodak Co.	144
2,000	Enron Corp.	65
7,500	Exxon Corp.	425
3,000	Federal National Mortgage Association	251
3,000	FPL Group, Inc.	90
1,500	Gannett Co., Inc.	74
6,100	General Electric Co.	284
4,900	General Motors Corp.	246
1,500	General Motors Corp., Class 'E'	52
1,500	General RE Corp.	164
1,500	Goodyear Tire & Rubber Co.	54
4,500	Heinz H.J. Co.	143
3,000	Hewlett Packard	226
3,000	Home Depot, Inc.	126
1,500	Intel Corp.	88
3,400	International Business Machines Corp.	200
1,500	International Paper Co.	99
1,500	ITT Corp.	122
1,800	J.C. Penney, Co. Inc.	98
4,000	Johnson & Johnson	172
4,500	K-Mart Corp.	70
1,480	Lehman Brothers Holdings Inc.	22
2,200	Lilly, Eli & Co.	125
1,500	May Department Stores Co.	59
6,000	McDonalds Corp.	173
1,500	Melville Corp.	58
7,500	Merck & Co., Inc.	223
+2,500	Microsoft Corp.	129
3,000	Minnesota Mining & Manufacturing Co.	149
2,600	Mobil Corp.	212
1,500	Morgan (J.P.) & Co., Inc.	93
3,700	Motorola, Inc.	165
3,000	Nationsbank Corp.	154
1,500	Norfolk Southern Corp.	95
3,300	Norwest Corp.	86
+2,300	Novell, Inc.	39
1,500	Oracle Systems Corp.	56
4,500	Pacific Gas & Electric Co.	107
6,100	Pepsico, Inc.	187
3,000	Pfizer, Inc.	189
5,200	Philip Morris Cos., Inc.	268
1,800	PPG Industries, Inc.	68
6,900	Procter & Gamble Co.	368
4,500	Public Service Enterprise Group, Inc.	117
3,000	Rockwell International Corp.	112
3,000	SCE Corp.	39
3,000	Sears Roebuck & Co.	144
4,500	Southern Co.	84
3,000	Southwestern Bell Corp.	131
1,500	Suntrust Banks, Inc.	73
3,000	Texas Utilities Co.	94

SHARES		VALUE (000)
1,500	The Dun & Bradstreet Corp.	$ 83
3,000	The Limited, Inc.	52
4,500	Time Warner, Inc.	158
+3,000	Toys "R" Us, Inc.	98
2,400	Travelers, Inc.	77
800	U.S. Healthcare, Inc.	30
9,100	Wal-Mart Stores, Inc.	220
4,500	Walt Disney Co.	186
500	Wells Fargo & Co.	75
4,500	Westinghouse Electric Corp.	52
3,000	Weyerhaeuser Co.	120
3,200	WMX Technologies, Inc.	85
		13,202

TOTAL COMMON STOCKS (COST $60,388)		62,360
PREFERRED STOCKS (0.1%)		
ITALY (0.1%)		
14,000	Fiat SPA	35
NETHERLANDS (0.0%)		
156	Koninklijke KNP	1
TOTAL PREFERRED STOCKS (COST $15)		36
RIGHTS (0.1%)		
BELGIUM (0.0%)		
* 1,220	Petrofina SA	--
FRANCE (0.0%)		
* 1,225	Cie de Financiere de Paribas, expiring 5/6/96	8
ITALY (0.0%)		
* 3,500	Italcementi Fabbriche Riunit SPA, expiring 7/18/94	8
* 15,000	Pirelli SPA, expiring 7/18/94	--
		8
SPAIN (0.1%)		
* 5,250	Banco de Santander	33
* 1,250	Mapfre Corporacion, expiring 7/8/94	--
		33
TOTAL RIGHTS (COST $52)		49
WARRANTS (0.0%)		
FRANCE (0.0%)		
*1,200	Lagardere Group, expiring 6/30/97	--
HONG KONG (0.0%)		
*1,460	Hong Kong & China Gas Co., expiring 12/31/95	2
ITALY (0.0%)		
*10,000	Fiat SPA, expiring 12/31/94	17
*45,000	Montedison SPA, expiring 12/31/95	5
*45,000	Montedison SPA, expiring 1/19/97	11
		33
TOTAL WARRANTS (COST $0)		35
TOTAL FOREIGN & US EQUITY SECURITIES (98.7%) (COST $60,455)		62,480

The accompanying notes are an integral part of the financial statements.

PORTFOLIO OF INVESTMENTS (CONT.)
JUNE 30, 1994

FACE AMOUNT (000)		VALUE (000)
SHORT-TERM INVESTMENT (5.1%)		
REPURCHASE AGREEMENT		
UNITED STATES		
$3,205	U.S. Trust 4.10%, dated 6/30/94, due 7/1/94, to be repurchased at $3,205, collateralized by $3,315 U.S. Treasury Notes 4.625%, due 11/30/94, valued at $3,314 (COST $3,205)	$ 3,205
FOREIGN CURRENCY (0.7%)		
A$ 19	Australian Dollar	14
BF 2,414	Belgian Franc	74
L 28	British Pound	44
C$ 115	Canadian Dollar	83
DK 14	Danish Krone	2
DM 4	German Deutsche Mark	3

FF	31	French Franc	6
HK$	215	Hong Kong Dollar	28
IL	24,803	Italian Lira	16
Y	1,871	Japanese Yen	19
MYR	12	Malaysian Ringgit	4
NG	116	Netherland Guilder	65
NZ$	89	New Zealand Dollar	53
S$	4	Singapore Dollar	3
SP	4,766	Spanish Peseta	36
TOTAL FOREIGN CURRENCY (COST $440)			450
TOTAL INVESTMENTS (104.5%) (COST $64,100)			66,135
LIABILITIES IN EXCESS OF OTHER ASSETS (-4.5%)			(2,818)
NET ASSETS (100%)			$ 63,317

SUMMARY OF FOREIGN & US EQUITY SECURITIES BY INDUSTRY CLASSIFICATION
(UNAUDITED)

INDUSTRY	VALUE (000)	PERCENT OF NET ASSETS
Finance	$ 13,605	21.5%
Services	11,842	18.7
Energy	10,095	15.9
Consumer Goods	9,280	14.7
Materials	8,358	13.2
Capital Equipment	6,427	10.1
Multi-Industry	2,501	4.0
Mining	372	0.6
	$ 62,480	98.7%

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NCS Non Convertible Shares
+ Non-income producing securities
* Fair valued securities. -- See Note A-1

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACT INFORMATION:

Under the terms of forward foreign currency contracts open at June 30, 1994, the Fund is obligated to deliver or is to receive foreign currency in exchange for U.S. dollars as indicated below:

CURRENCY TO DELIVER (000)	VALUE (000)	SETTLEMENT DATE	IN EXCHANGE FOR (000)	VALUE (000)	NET UNREALIZED LOSS (000)
FF 12,199	$ 2,240	09/14/94	$ 2,100	$ 2,100	$ (140)
Y 944,888	9,858	04/28/95	$ 9,400	9,400	(458)
SP 329,046	2,488	10/31/94	$ 2,320	2,320	(168)
$ 2,549	2,549	07/29/94	FF13,782	2,533	(16)
	$ 17,135			$ 16,353	$ (782)

 The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY
GLOBAL FIXED INCOME FUND

PORTFOLIO OF INVESTMENTS
JUNE 30, 1994

FACE AMOUNT (000)		VALUE (000)
FIXED INCOME SECURITIES (94.8%)		
BELGIAN FRANC (3.9%)		
GOVERNMENT BOND		
BF 21,000	Kingdom of Belgium 8.00%, 12/24/12	$ 622
CANADIAN DOLLAR (14.8%)		
EUROBONDS		
C$ 900	British Colombia Province 7.75%, 6/16/03	577
1,000	Kingdom of Norway 8.375%, 1/27/03	664
1,000	The Export Import Bank Of Japan 7.75%, 10/8/02	646
		1,887

	GOVERNMENT BONDS	
700	Government of Canada 7.50%, 12/1/03	455
		2,342
	DANISH KRONE (9.5%)	
	GOVERNMENT BOND	
DK 10,250	Kingdom of Denmark 7.00%, 12/15/04	1,503
	FINNISH MARKKA (1.2%)	
	GOVERNMENT BOND	
MK 1,000	Republic of Finland 9.50%, 3/15/04	188
	FRENCH FRANC (5.5%)	
	GOVERNMENT BOND	
FF 6,150	Government of France O.A.T., 6.00%, 10/25/25	865
	GERMAN DEUTSCHE MARK (11.7%)	
	EUROBONDS	
DM 1,200	LKB Baden-Wurttemberg 6.50%, 9/15/08	693
1,000	Republic of Austria 6.50%, 1/10/24	540
		1,233
	GOVERNMENT BOND	
1,150	Bundesrepublik 6.25%, 1/4/24	609
		1,842
	ITALIAN LIRA (5.8%)	
	GOVERNMENT BONDS	
IL 900,000	Republic of Italy (Treasury Bond) 11.50%, 3/1/03	591
600,000	Republic of Italy (Treasury Bond) 9.00%, 11/1/23	323
		914
	JAPANESE YEN (4.9%)	
	EUROBOND	
Y 70,000	KFW International Finance 6.00%, 11/29/99	773
	NETHERLAND GUILDER (6.7%)	
	GOVERNMENT BOND	
NG 1,900	Government of Netherlands 7.50%, 1/15/23	1,057
	NEW ZEALAND DOLLAR (2.9%)	
	GOVERNMENT BOND	
NZ$ 750	Government of New Zealand 8.00%, 4/15/04	450

FACE AMOUNT (000)		VALUE (000)
	SPANISH PESETA (3.3%)	
	GOVERNMENT BOND	
SP 80,000	Government of Spain 8.00%, 5/30/04	$ 513
	SWEDISH KRONA (6.0%)	
	GOVERNMENT BOND	
SK 7,900	Kingdom of Sweden 9.00%, 4/20/09	941
	UNITED STATES DOLLAR (18.6%)	
	CORPORATE BOND	
$ 200	Atlantic Richfield Co. 10.25%, 7/2/00	220
	EUROBOND	
400	Republic of Italy 6.875%, 9/27/23	325
	U.S. GOVERNMENT AND AGENCY OBLIGATIONS	
	FEDERAL HOME LOAN BANK	
500	Discount Note, 7/12/94	499
	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
471	Pool #337260 7.00%, 12/15/22	433
	U.S. TREASURY BOND	
30	8.125%, 8/15/19	31
	U.S. TREASURY NOTES	
400	7.875%, 2/15/96	412
200	8.625%, 8/15/97	211
100	8.75%, 10/15/97	106
300	8.00%, 5/15/01	313

300	7.25%, 5/15/04	298
		1,340
		2,303
YANKEE BONDS		
100	LKB Baden-Wurttemberg 7.625%, 2/1/23	93
		2,941
TOTAL FIXED INCOME SECURITIES (COST $15,540)		14,951
SHORT-TERM INVESTMENT (4.3%)		
REPURCHASE AGREEMENT		
UNITED STATES		
683	U.S. Trust, 4.10%, dated 6/30/94, due 7/1/94, to be repurchased at $683, collateralized by $675 Government National Mortgage Association 9.50%, with various maturity dates, valued at $714 (COST $683)	683
FOREIGN CURRENCY (0.0%)		
BF 1	Belgian Franc	--
DM 3	German Deutsche Mark	2
IL 1	Italian Lira	--
SP 2	Spanish Peseta	--
SK 1	Swedish Krona	--
TOTAL FOREIGN CURRENCY (COST $2)		2
TOTAL INVESTMENTS (99.1%) (COST $16,225)		15,636
OTHER ASSETS IN EXCESS OF LIABILITIES (0.9%)		140
NET ASSETS (100%)		$15,776

PORTFOLIO OF INVESTMENTS (CONT.)
JUNE 30, 1994

FORWARD FOREIGN CURRENCY CONTRACT INFORMATION:

Under the terms of forward foreign currency contracts open at June 30, 1994, the Fund is obligated to deliver or is to receive foreign currency in exchange for U.S. dollars or foreign currency as indicated below:

CURRENCY TO DELIVER (000)	VALUE (000)	SETTLEMENT DATE	IN EXCHANGE FOR (000)	VALUE (000)	NET UNREALIZED GAIN (LOSS) (000)
BF 10,000	$ 307	7/7/94	SK 2,273	$ 297	$ (10)
SK 2,258	295	7/7/94	BF 10,000	307	12
$ 913	913	7/13/94	DM 1,500	946	33
DM 1,500	946	7/13/94	$ 874	874	(72)
NG 1,800	1,012	7/13/94	$ 936	936	(76)
SP 35,000	266	8/18/94	IL 406,228	256	(10)
DK 3,000	481	9/7/94	$ 444	444	(37)
BF 10,000	306	9/9/94	IL 473,380	298	(8)
SP 40,000	304	9/12/94	$ 291	290	(14)
	$ 4,830			$ 4,648	$ (182)

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DK -- Danish Krone
NG -- Netherland Guilder

PORTFOLIO OF INVESTMENTS
JUNE 30, 1994

VALUE

SHARES		VALUE (000)
COMMON STOCKS (86.2%)		
CHINA (1.6%)		
200,000	China International Marine Container "B"	$ 181
330,000	China Merchants Shokou Port Services "B"	222
3,311,000	Maanshan Iron & Steel Co. Ltd.	910
568,100	Shanghai Diesel Engine Co. Ltd. "B"	517
315,000	Shanghai Erfangji Co. Ltd. "B"	90
500,000	Shanghai Industries Sewing Machine "B"	226
215,670	Shanghai Jin Jiang Tower "B"	145
546,000	Shanghai Jinqiao "B"	453
8,800	Shanghai Petrochemical Co. ADR	202
608,000	Shanghai Phoenix Bicycle "B"	347
170,000	Shanghai Refrigerator Compressor Co., Ltd. "B"	50
250,000	Shanghai Shangling Electric "B"	170
335,500	Shanghai Tire & Rubber "B"	174
75,000	Shanghai Yaohua Pilkington Glass "B"	79
81,400	Shenzhen Chiwan Harbour "B"	41
820,000	Yizheng Chemical Fibre Co.	205
		4,012
HONG KONG (23.2%)		
3,070,000	Charoen Pokphand Co.	834
1,915,000	Cheung Kong Holdings Ltd.	8,362
593,000	China Light & Power Co. Ltd.	3,030
1,837,000	Citic Pacific Ltd.	4,967
7,890,000	Guangdong Investments Ltd.	4,542
699,000	Hong Kong Electric Holdings	2,107
1,813,800	Hong Kong Telecom	3,426
1,068,000	Hopewell Holdings Ltd.	864
612,400	HSBC Holdings	6,695
1,928,000	Hutchison Whampoa Ltd.	7,920
1,495,000	New World Development Co. Ltd.	4,158
430,000	Peregrine Investment Holdings	706
300,000	Sum Cheong International	190
601,100	Sun Hung Kai Properties	3,461
625,300	Swire Pacific "A"	4,490
552,000	Varitronix International Ltd.	850
685,000	Wharf Holdings Ltd.	2,526
		59,128
INDIA (0.5%)		
38,000	Grasim Industries Ltd. GDR	893
50,000	Indian Aluminum Co. Ltd. GDR	506
		1,399
INDONESIA (7.3%)		
99,800	Astra International (Foreign)	713
24,000	Astra International IDR	152
204,000	Bankbali (Foreign)	498
404,000	Bank International Indonesia (Foreign)	1,280
385,000	Barito Pacific Timber (Foreign)	1,446
277,000	Charoen Pokphand (Foreign)	1,200
82,750	Duta Anggada Realty (Foreign)	194
140,000	Gudang Garam (Foreign)	606
226,000	Indocement Tunggal (Foreign)	1,698
+160,000	Jembo Cable Co. (Foreign)	472
483,000	Kalbe Farma (Foreign)	1,647
670,000	Modern Photo Film Co. (Foreign)	2,933
481,200	Sona Topas Tourism (Foreign)	1,534
259,500	Sorini (Foreign)	1,016
16,000	Sumalindo Lestari Jaya (Foreign)	63
88,000	Tempo Scan Pacific (Foreign)	331
550,000	Ultra Jaya Milk (Foreign)	1,445
739,000	United Tractors (Foreign)	1,550
		18,778

SHARES		VALUE (000)
KOREA (1.0%)		
40,000	Korea Electric Power	$ 1,332
20,000	Samsung Electronics Co. GDS	1,170
		2,502
MALAYSIA (17.5%)		
201,000	Ekran Bhd.	1,351
428,000	Genting Bhd.	5,095
24,999	Hong Leong Credit Bhd.	130

35,000	Hong Leong Industries Bhd.	159
24,250	Kim Hin Industries Bhd.	122
120,000	Magnum Corp. Bhd.	256
1,363,500	Malayan Banking	7,645
366,000	Malaysian International Shipping (Foreign)	1,272
1,017,000	Malaysian Resources Corp. Bhd.	1,898
219,000	Mulpha International Bhd.	308
500,000	Renong Bhd.	607
895,000	Resorts World Bhd.	5,155
1,068,000	Tanjong plc	4,634
1,062,000	Telekom Malaysia Bhd.	7,912
983,000	Tenaga Nasional Bhd.	5,511
634,000	United Engineers Bhd.	2,556
		44,611
PAKISTAN (0.3%)		
180,000	Dandot Cement Co. Ltd.	742
PHILIPPINES (3.6%)		
594,000	Ayala Corp. "B"	814
787,500	Ayala Land "B"	802
2,383,000	JG Summit Holding "B"	812
125,310	Manila Electric "B"	1,566
15,500	Philippines Long Distance Telephone "B"	959
9,800	Philippines Long Distance Telephone ADR	578
55,360	Philippine National Bank "B"	892
222,600	San Miguel "B"	1,113
3,311,000	SM Prime Holdings Inc.	656
1,200,000	Universal Robina Php	978
		9,170
SINGAPORE (13.8%)		
260,000	British-American Tobacco	1,142
494,000	City Development Ltd.	2,090
95,000	Cycle and Carriage	710
516,500	Development Bank of Singapore (Foreign)	4,945
217,000	Fraser and Neave	2,391
1,125,000	IPC Corp.	1,033
310,000	Jurong Cement	972
70,000	Jurong Engineering Ltd.	505
728,000	Keppel Corp.	5,013
596,666	Overseas-Chinese Banking Corp (Foreign)	5,282
165,000	Overseas Union Bank Ltd.	709
200,000	Resources Development Corp. Ltd.	682
241,000	Sembawang Corp.	1,739
115,000	Singapore Airlines Ltd. (Foreign)	950
177,000	Singapore Press Holdings (Foreign)	2,960
1,964,000	Singapore Technologies Industrial Corp.	2,396
200,000	Straits Steamship Land Ltd.	485
500,000	Straits Trading Co. Ltd.	1,213
		35,217

 The accompanying notes are an integral part of the financial statements.

PORTFOLIO OF INVESTMENTS (CONT.)
JUNE 30, 1994

SHARES		VALUE (000)
TAIWAN (5.1%)		
228,000	Asia Cement	$ 476
199,000	China Motor	427
451,000	Hocheng Group Corp.	2,556
423,000	Merida Industry Co. Ltd.	706
1,848,000	Nan Ya Plastics	4,238
972,765	United Micro Electronics Corp. Ltd.	4,516
		12,919
THAILAND (12.3%)		
53,000	Asia Credit Ltd.	529
741,100	Bangkok Bank Ltd.	5,268
41,000	Bangkok Bank Ltd. (Foreign)	311
21,152	Finance One Co. Ltd.	324
276,348	Finance One Co. Ltd. (Foreign)	4,525
239,400	International Engineering Co.	1,931
69,400	Land & House Co. Ltd. (Foreign)	1,220

246,800	MDX Co.	1,153
50,400	Phattra Thanakit Ltd.	1,626
16,900	Post Publishing Co. Ltd.	122
96,000	Shinawatra Computer Co. Ltd. (Foreign)	2,147
44,200	Siam Cement Co. Ltd.	1,924
25,000	Siam Cement Co. Ltd. (Foreign)	1,160
93,700	Siam Commercial Bank Co. Ltd. (Foreign)	711
258,100	Somprasong Land (Foreign)	1,361
500,000	Telecomasia Co. Ltd. (Foreign)	1,618
748,400	Thai Farmer's Bank Ltd.	3,497
70,000	Thai Farmer's Bank Ltd. (Foreign)	369
92,000	Thai Telephone & Telecomm (Foreign)	515
403,000	Wongpaitoon Footwear Co. Ltd. (Foreign)	1,211
		31,522
TOTAL COMMON STOCKS (COST $213,461)		220,000
RIGHTS (0.1%)		
SINGAPORE (0.1%)		
*+98,800	City Development Ltd.	230
*+30,000	Overseas Union Bank Ltd. (Foreign)	37
TOTAL RIGHTS (COST $0)		267
WARRANTS (2.1%)		
HONG KONG (1.9%)		
+3,678,000	Citic Telecom, expiring 2/10/95	4,758
SINGAPORE (0.1%)		
+100,000	Keppel Corp., expiring 6/30/97	298
THAILAND (0.1%)		
+53,700	Finance One Co. Ltd., expiring 3/15/99	371
TOTAL WARRANTS (COST $4,927)		5,427

FACE AMOUNT (000)		VALUE (000)
CONVERTIBLE DEBENTURES (1.4%)		
KOREA (0.2%)		
$ #500	Daewoo Corp. 0.00%, 12/31/04	$ 500
PHILIPPINES (1.0%)		
*536	Benpres Holding Co. 4.20%, 11/26/49	2,546
THAILAND (0.1%)		
TB #537	Finance One Co. Ltd. 3.75%, 1/1/01	214
UNITED STATES (0.1%)		
$ 150	Sterlite Industries 3.50%, 6/30/99	149
TOTAL CONVERTIBLE DEBENTURES (COST $1,669)		3,409
TOTAL FOREIGN SECURITIES (89.8%) (COST $220,057)		229,103
SHORT-TERM INVESTMENT (6.8%)		
REPURCHASE AGREEMENT		
UNITED STATES		
17,425	U.S. Trust 4.10%, dated 6/30/94, due 7/1/94, to be repurchased at $17,627, collateralized by $3,470 U.S. Treasury Notes, 4.625% due 11/30/94, valued at $3,469 and $14,610 U.S. Treasury Notes, 3.876% due 2/28/95, valued at $14,489 (COST $17,425)	17,425
FOREIGN CURRENCY (4.2%)		
HK$ 8,600	Hong Kong Dollar	1,113
IR 6,415,412	Indonesian Rupiah	2,956
MYR 7,661	Malaysian Ringgit	2,942
PH 40	Philippine Peso	2
S$ 168	Singapore Dollar	110
T$ 81,087	Taiwanese Dollar	3,023
TB 11,568	Thailand Baht	462
TOTAL FOREIGN CURRENCY (COST $10,552)		10,608
TOTAL INVESTMENTS (100.8%) (COST $248,034)		257,136
LIABILITIES IN EXCESS OF OTHER ASSETS (-0.8%)		(2,035)
NET ASSETS (100%)		$255,101

ADR	--	American Depositary Receipt
GDS	--	Global Depositary Shares
GDR	--	Global Depositary Receipt
IDR	--	International Depositary Receipt
+	--	Non-income producing securities
*	--	Fair-valued securities -- See Note A-1
#	--	Securities valued at cost -- See Note A-1

SUMMARY OF FOREIGN SECURITIES BY INDUSTRY CLASSIFICATION (UNAUDITED)

<TABLE>
<CAPTION>

INDUSTRY	VALUE (000)	PERCENT OF NET ASSETS
<S>	<C>	<C>
Services............................	$ 56,566	22.2%
Finance.............................	42,093	16.5
Banking.............................	37,394	14.6
Materials...........................	24,123	9.5
Multi-Industry......................	21,838	8.6
Capital Equipment...................	19,232	7.5
Consumer Goods......................	15,401	6.0
Energy..............................	12,456	4.9
	$ 229,103	89.8%

</TABLE>

MORGAN STANLEY
AMERICAN VALUE FUND

PORTFOLIO OF INVESTMENTS
JUNE 30, 1994

SHARES		VALUE (000)
COMMON STOCKS (91.3%)		
AEROSPACE (1.6%)		
11,100	AAR Corp.	$ 150
31,200	United Industrial Corp.	140
		290
BANKING (8.4%)		
5,900	BB&T Financial Corp.	184
6,500	Deposit Guaranty Corp.	192
5,800	First Security Corp.	170
4,500	First Tennessee National Corp.	197
6,800	Fourth Financial Corp.	196
5,550	Mercantile Bancorp.	195
8,000	Summit Bancorp.	173
6,500	Union Bank of San Francisco	193
		1,500
BUILDING (2.8%)		
5,100	Ameron, Inc.	181
10,400	Gilbert Associates, Inc. "A"......................	161
10,500	Pratt & Lambert, Inc.	158
		500
CAPITAL GOODS (3.1%)		
8,200	Binks Manufacturing Corp.	170
9,700	Cascade Corp.	213
7,700	Starret (L.S.) Co. "A"............................	166
		549
CHEMICALS (4.3%)		
11,500	Aceto Corp.	175
7,700	Dexter Corp.	187
11,700	LeaRonal, Inc.	199
11,300	Quaker Chemical Corp.	209
		770
COMMUNICATIONS (1.2%)		

9,300	Comsat Corp.	216

CONSUMER DURABLES (3.0%)		
10,400	Knape & Vogt Manufacturing Co.	200
12,300	Oneida Ltd.	174
5,500	Springs Industries Inc. "A"	164
		538
CONSUMER--RETAIL (5.0%)		
12,500	CPI Corp.	208
24,500	Deb Shops, Inc.	165
5,900	Edison Brothers Stores	149
8,000	Guilford Mills, Inc.	164
12,700	Purolator Products Co.	222
		908
CONSUMER--STAPLES (5.3%)		
9,600	American Maize Products Co. "A"	197
5,600	Block Drug Co. "A"	178
11,300	Coors (Adolph) "B"	198
11,700	International Multifoods Corp.	186
10,900	Nash Finch Co.	188
		947
ENERGY (2.1%)		
6,700	Diamond Shamrock, Inc.	170
8,100	Ultramar Corp.	213
		383

SHARES		VALUE (000)
FINANCIAL--DIVERSIFIED (2.2%)		
4,900	GATX Corp.	$ 198
5,800	GFC Financial Corp.	194
		392
HEALTH CARE (5.9%)		
7,900	Beckman Instruments, Inc.	199
11,700	Bergen Brunswig Corp. "A"	196
14,000	Bindley Western Industries, Inc.	166
7,200	Diagnostic Products Corp.	156
15,000	Hooper Holmes, Inc.	165
45,800	Kinetic Concepts, Inc.	172
		1,054
INDUSTRIAL (7.0%)		
5,500	American Filtrona Corp.	154
5,900	Barnes Group, Inc.	208
8,400	Commercial Intertech Corp.	221
13,100	Gencorp, Inc.	151
19,600	Kaman Corp. "A"	179
14,300	Zero Corp.	177
8,500	Zurn Industries Inc.	172
		1,262
INSURANCE (5.2%)		
7,100	Argonaut Group, Inc.	197
10,600	Enhance Financial Services Group	185
7,200	Provident Life & Accident Insurance Co. of America "B"	184
7,600	Selective Insurance Group Inc.	191
4,900	US Life Corp.	174
		931
METALS (2.3%)		
3,100	Carpenter Technology Corp.	185
6,100	Cleveland-Cliffs Iron Co.	232
		417
PAPER & PACKAGING (3.2%)		
7,300	Ball Corp.	190
5,000	Pentair, Inc.	179
13,600	Sealright Co., Inc.	207
		576

SERVICES (10.3%)		
10,700	ABM Industries, Inc.	217
7,500	Angelica Corp.	198
11,700	Cross A.T. Co. "A"	187
10,500	Gibson Greetings, Inc.	168
16,800	Handleman Co.	170
6,700	National Service Industries, Inc.	174
9,100	New England Business Services, Inc.	170
16,500	Piccadilly Cafeterias, Inc.	161
13,500	Russ Berrie & Co., Inc.	206
6,400	Wallace Computer Services, Inc.	205
		1,856
TECHNOLOGY (9.0%)		
34,600	American Software, Inc.	173
6,300	Avnet, Inc.	198
8,100	CTS Corp.	200
8,300	Cubic Corp.	156
7,500	Joslyn Corp.	191
9,000	Kuhlman Corp.	133
7,000	MTS Systems Corp.	198
15,600	National Computer Systems, Inc.	183
7,900	Shared Medical Systems Corp.	190
		1,622

PORTFOLIO OF INVESTMENTS (CONT.)
JUNE 30, 1994

SHARES		VALUE (000)
TRANSPORTATION (1.9%)		
8,800	Overseas Shipholding Group, Inc.	$ 161
10,100	Yellow Corp.	175
		336
UTILITIES (7.5%)		
6,500	Central Hudson Gas & Electric Corp.	171
15,100	Central Maine Power Co.	174
4,100	Commonwealth Energy Systems	166
7,000	Eastern Enterprises	160
11,500	Oneok, Inc.	197
5,200	Orange & Rockland Utilities, Inc.	162
4,700	SJW Corp.	169
10,600	Washington Water Power Co.	152
		1,351
TOTAL COMMON STOCKS (COST $17,080)		16,398

FACE AMOUNT (000)		VALUE (000)
SHORT-TERM INVESTMENT (3.1%)		
REPURCHASE AGREEMENT (3.1%)		
$557	U.S. Trust 4.10%, dated 6/30/94, due 7/1/94, to be repurchased at $557, collateralized by $545 Government National Mortgage Association, 9.50%-10.00%, with various maturities, valued at $581 (COST $557)	$ 557
TOTAL INVESTMENTS (94.4%) (COST $17,637)		16,955
OTHER ASSETS IN EXCESS OF LIABILITIES (5.6%)		999
NET ASSET VALUE (100%)		$ 17,954

PORTFOLIO OF INVESTMENTS
JUNE 30, 1994

FACE AMOUNT (000)		VALUE (000)
FIXED INCOME SECURITIES (91.0%)		
CANADIAN DOLLAR (2.3%)		
GOVERNMENT BOND		
C$ 500	Government of Canada 6.50%, 6/1/04	$ 297
DANISH KRONE (2.7%)		
GOVERNMENT BOND		
DK 2,400	Kingdom of Denmark 7.00%, 12/15/04	352
FINNISH MARKKA (2.9%)		
GOVERNMENT BOND		
MK 2,000	Republic of Finland 9.50%, 3/15/04	377
ITALIAN LIRA (2.5%)		
GOVERNMENT BOND		
IL 500,000	Republic of Italy (Treasury Bond) 11.50%, 3/1/03	328
SWEDISH KRONA (2.6%)		
GOVERNMENT BOND		
SK 2,800	Kingdom of Sweden 9.00%, 4/20/09	333
UNITED STATES DOLLAR (78.0%)		
CORPORATE BONDS		
$ 500	Armco Inc. 9.375%, 11/1/00	480
500	Charter Medical Corp. 11.25%, 4/15/04	509
500	Comcast Corp. 9.50%, 1/15/08	464
500	Continental Cablevision, Inc. 11.00%, 6/1/07	516
225	Healthtrust Inc. 8.75%, 3/15/05	203
350	IMC Fertilizer Group, Inc. 9.25%, 10/1/00	336
500	Owens Illinois, Inc. 10.50%, 6/15/02	509
500	Penn Traffic Co. 9.625% 4/15/05	470
500	Reliance Group Holdings, Inc. 9.00%, 11/15/00	452
200	Riverwood International Corp. 10.375%, 6/30/04	199
175	Southland Corp. 5.00%, 12/15/03	116
500	Tracor, Inc. 10.875%, 8/15/01	511
508	Trump Taj Mahal PIK 11.35%, 11/15/99	412

FACE AMOUNT (000)		VALUE (000)
$ 500	Westpoint Stevens, Inc. 9.375%, 12/15/05	$ 452
		5,629
EUROBONDS		
**1,000	Federal Republic of Brazil "C" Bond 8.00%, 4/15/14 PIK	406
**990	Federal Republic of Brazil "IDU" Bond 6.0625%, 1/1/01	695
500	National Bank Of Hungary 8.875%, 11/1/13	402
*150	Polysindo Eka Perkasa 13.00%, 6/15/01	150
**800	Republic of Argentina 5.00%, 3/31/05	571
**300	Republic of Panama 5.9375%, 5/10/02	233
1,800	Republic of Venezuela Par "A" 6.75%, 3/31/20	875
		3,332
LOAN AGREEMENT		
**1,000	Morocco Restructuring and Consolidation Agreement "A" 1990	721
YANKEE BOND		
500	Petroleos Mexicanos 8.625%, 12/1/23	406
		10,088
TOTAL FIXED INCOME SECURITIES (COST $11,891)		11,775
SHORT-TERM INVESTMENT (10.8%)		
REPURCHASE AGREEMENT		
UNITED STATES		
$ 1,395	U.S. Trust 4.10%, dated 6/30/94, due 7/1/94, to be repurchased at $1,395, collateralized by $1,480 U.S. Treasury Notes, 3.875%, due 10/31/95, valued at $1,446 (COST $1,395)	$ 1,395
TOTAL INVESTMENTS (101.8%) (COST $13,286)		13,170
LIABILITIES IN EXCESS OF OTHER ASSETS (-1.8%)		(232)

NET ASSETS (100%)	$ 12,938

- ---------------
* Security valued at cost -- See Note A-1
** Variable or floating rate security -- rate disclosed is as of June 30, 1994
PIK -- Payment-in-Kind. Income may be received in additional securities or cash at the discretion of the issuer.

SUMMARY OF FIXED INCOME SECURITIES BY INDUSTRY CLASSIFICATION (UNAUDITED)

INDUSTRY	VALUE (000)	PERCENT OF NET ASSETS
Foreign Government Bonds	$ 4,869	37.6%
Consumer Durables	1,113	8.6
Communications	980	7.6
Loan Agreements	721	5.6
Health Care	712	5.5
Paper & Packaging	708	5.5
Consumer -- Retail	586	4.5
Industrial	480	3.7
Insurance	452	3.5
Entertainment	412	3.2
Energy	406	3.1
Chemicals	336	2.6
	$ 11,775	91.0%

 The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS
STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1994

	GLOBAL EQUITY ALLOCATION FUND (000)	GLOBAL FIXED INCOME FUND (000)	ASIAN GROWTH FUND (000)	AMERICAN VALUE FUND (000)	WORLDWIDE HIGH INCOME FUND (000)
ASSETS:					
Investments in Securities, at Value* -- See accompanying portfolios	$ 65,685	$ 15,634	$ 246,528	$ 16,955	$ 13,170
Foreign Currency at Value	450	2	10,608	--	--
Cash	234	--	8	1	1
Receivable for Investments Sold	48	1,194	--	17	--
Receivable for Fund Shares Sold	539	35	1,587	1,042	220
Dividends Receivable	184	--	430	40	--
Interest Receivable	--	464	16	--	228
Foreign Withholding Tax Reclaim Receivable	39	4	6	--	--
Expense Reimbursement Receivable	--	--	--	10	22
Deferred Organization Costs	68	67	43	70	76
Total Assets	67,247	17,400	259,226	18,135	13,717
LIABILITIES:					
Payable for Investments Purchased	2,581	550	593	55	641
Payable for Fund Shares Redeemed	213	97	2,373	--	2
Bank Overdraft	--	690	--	--	--
Unrealized Loss on Forward Foreign Currency Contracts	782	182	--	--	--
Dividends Payable	1	1	--	49	7
Investment Advisory Fees Payable	94	17	244	--	--
Administrative Fees Payable	26	5	75	5	4
Custody Fees Payable	48	10	220	14	2
Professional Fees Payable	36	34	48	19	27
Distribution Fees Payable	92	20	371	24	14
Shareholder Reporting Expenses Payable	40	17	123	7	3
Directors' Fees and Expenses Payable	1	1	1	2	1
Filing and Registration Fees Payable	16	--	77	6	4

Organizational Costs Payable	--	--	--	--	74
Total Liabilities	3,930	1,624	4,125	181	779
NET ASSETS	$ 63,317	$ 15,776	$ 255,101	$ 17,954	$ 12,938
Net Assets Consist Of:					
Capital Stock at Par	$ 5	$ 2	$ 17	$ 2	$ 1
Paid in Capital in Excess of Par	61,333	16,573	242,227	18,410	12,844
Undistributed (Distributions in Excess of) Net Investment Income	(104)	(28)	--	16	15
Accumulated (Distributions in Excess of) Net Realized Gain	820	(22)	3,756	208	193
Unrealized Appreciation (Depreciation) on Investments and Foreign Currency	1,263	(749)	9,101	(682)	(115)
NET ASSETS	$ 63,317	$ 15,776	$ 255,101	$ 17,954	$ 12,938
CLASS A SHARES:					
Net Assets	$ 33,425	$ 10,369	$ 138,212	$ 10,717	$ 6,857
Shares Issued and Outstanding ($.001 par value)**	2,787	1,087	8,916	916	564
Net Asset Value and Redemption Price Per Share	$ 11.99	$ 9.53	$ 15.50	$ 11.70	$ 12.17
Maximum Sales Charge	4.75%	4.75%	4.75%	4.75%	4.75%
Maximum Offering Price Per Share (Net Asset Value Per Share x 100/95.25)	$ 12.59	$ 10.01	$ 16.27	$ 12.28	$ 12.78
CLASS B SHARES:					
Net Assets	$ 29,892	$ 5,407	$ 116,889	$ 7,237	$ 6,081
Shares Issued and Outstanding ($.001 par value)**	2,512	567	7,589	619	500
Net Asset Value and Offering Price Per Share	$ 11.90	$ 9.54	$ 15.40	$ 11.69	$ 12.16
Investments at Cost, Including Foreign Currency	$ 64,100	$ 16,225	$ 248,034	$ 17,637	$ 13,286

</TABLE>

* Includes repurchase agreements valued at $3,205,000, $683,000, $17,425,000, $557,000 and $1,395,000 for Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund, American Value Fund and Worldwide High Income Fund, respectively.

** Shares authorized are 375,000,000 each for Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund, American Value Fund and Worldwide High Income Fund, respectively.

The accompanying notes are an integral part of the financial statements. 61

MORGAN STANLEY FUNDS

STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	GLOBAL EQUITY ALLOCATION FUND YEAR ENDED JUNE 30, 1994 (000)	GLOBAL FIXED INCOME FUND YEAR ENDED JUNE 30, 1994 (000)	ASIAN GROWTH FUND YEAR ENDED JUNE 30, 1994 (000)	AMERICAN VALUE FUND PERIOD FROM OCTOBER 18, 1993* TO JUNE 30, 1994 (000)	WORLDWIDE HIGH INCOME FUND PERIOD FROM APRIL 21, 1994* TO JUNE 30, 1994 (000)
<S>	<C>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:					
Dividends	$ 1,032	$ --	$ 2,462	$ 335	$ --
Interest	133	886	615	33	227
Less Foreign Taxes Withheld	(97)	(16)	(230)	--	--
Total Income	1,068	870	2,847	368	227
EXPENSES:					
Investment Advisory Fees					
Basic Fee	398	106	1,715	86	17
Less: Fees Waived	(353)	(106)	(464)	(86)	(17)
Investment Advisory Fees -- Net	45	--	1,251	--	--

Administrative Fees	197	46	571	31	7
Custodian Fees	128	26	523	24	2
Filing and Registration Fees	16	--	77	6	4
Directors' Fees and Expenses	11	10	9	7	2
Professional Fees	51	43	98	21	27
Shareholder Reports	72	32	231	15	3
Distribution Fees					
Class A	56	20	238	14	3
Class B	172	61	764	44	11
Blue Sky Fees					
Class A	16	16	29	13	2
Class B	15	16	21	12	2
Amortization of Organizational Costs	24	24	16	12	3
Other	3	1	3	2	--
Expenses Reimbursed by Adviser	--	(44)	--	(16)	(22)
Net Expenses	806	251	3,831	185	44
Net Investment Income (Loss)	262	619	(984)	183	183
NET REALIZED GAIN (LOSS) ON INVESTMENTS					
Securities Sold	966	440	4,352	208	193
Foreign Currency Transactions	(334)	64	371	--	(1)
Total Net Realized Gain	632	504	4,723	208	192
CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)	86	(1,219)	9,101	(682)	(115)
Total Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	718	(715)	13,824	(474)	77
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 980	($ 96)	$ 12,840	($ 291)	$ 260

</TABLE>

- ---------------
*Commencement of operations

 The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

GLOBAL EQUITY ALLOCATION FUND

<TABLE>
<CAPTION>

<S>	<C> JANUARY 4, 1993* TO JUNE 30, 1993 (000)	<C> YEAR ENDED JUNE 30, 1994 (000)
OPERATIONS:		
Net Investment Income	$ 46	$ 262
Net Realized Gain on Investments	2	632
Change in Unrealized Appreciation	1,177	86
Net Increase in Net Assets Resulting from Operations	1,225	980
DISTRIBUTIONS:		
Net Investment Income:		
Class A	--	(50)
Class B	--	--
	--	(50)
Realized Gains:		
Class A	--	(127)
Class B	--	(85)
	--	(212)
Net Decrease in Net Assets Resulting from Distributions	--	(262)
CAPITAL SHARE TRANSACTIONS (1):		
Issued	21,109	59,445
Distributions Reinvested	--	243
Redeemed	(4,907)	(14,518)

Net Increase in Net Assets Resulting from Capital Share Transactions	16,202	45,170
Total Increase in Net Assets	17,427	45,888
NET ASSETS -- Beginning of Period	2	17,429
NET ASSETS -- End of Period (including undistributed (distributions in excess of) net investment income of $46 and $(104), respectively)	$ 17,429	$ 63,317
(1) CLASS A:		
Shares:		
Issued	1,170	2,528
Distributions Reinvested	--	14
Redeemed	(229)	(696)
Net Increase in Class A Shares Outstanding	941	1,846
Dollars:		
Issued	$ 12,317	$ 30,362
Distributions Reinvested	--	164
Redeemed	(2,523)	(8,163)
Net Increase in Class A Shares Outstanding	$ 9,794	$ 22,363
CLASS B:		
Shares:		
Issued	849	2,421
Distributions Reinvested	--	6
Redeemed	(216)	(548)
Net Increase in Class B Shares Outstanding	633	1,879
Dollars:		
Issued	$ 8,792	$ 29,083
Distributions Reinvested	--	79
Redeemed	(2,384)	(6,355)
Net Increase in Class B Shares Outstanding	$ 6,408	$ 22,807

</TABLE>

*Commencement of operations

The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

GLOBAL FIXED INCOME FUND

<TABLE>
<CAPTION>

	JANUARY 4, 1993* TO JUNE 30, 1993 (000)	YEAR ENDED JUNE 30, 1994 (000)
<S>	<C>	<C>
OPERATIONS:		
Net Investment Income	$ 249	$ 619
Net Realized Gain on Investments	88	504
Change in Unrealized Appreciation (Depreciation)	470	(1,219)
Net Increase (Decrease) in Net Assets Resulting from Operations	807	(96)
DISTRIBUTIONS:		
Net Investment Income:		
Class A	(137)	(371)
Class B	(104)	(248)

In Excess of Net Investment Income:		
Class A	--	(93)
Class B	--	(62)
	(241)	(774)
Realized Gains:		
Class A	--	(267)
Class B	--	(237)
In Excess of Realized Gains:		
Class A	--	(14)
Class B	--	(13)
	--	(531)
Net Decrease in Net Assets Resulting from Distributions	(241)	(1,305)
CAPITAL SHARE TRANSACTIONS (1):		
Issued	11,948	15,880
Distributions Reinvested	238	737
Redeemed	(1)	(12,193)
Net Increase in Net Assets Resulting from Capital Share Transactions	12,185	4,424
Total Increase in Net Assets	12,751	3,023
NET ASSETS -- Beginning of Period	2	12,753
NET ASSETS -- End of Period (including undistributed (distributions in excess of) net investment income of $8 and ($28), respectively)	$ 12,753	$ 15,776

(1) CLASS A:		
Shares:		
Issued	586	989
Distributions Reinvested	43	41
Redeemed	--	(572)
Net Increase in Class A Shares Outstanding	629	458
Dollars:		
Issued	$ 6,218	$ 10,128
Distributions Reinvested	134	426
Redeemed	(1)	(5,980)
Net Increase in Class A Shares Outstanding	$ 6,351	$ 4,574
CLASS B:		
Shares:		
Issued	561	549
Distributions Reinvested	18	30
Redeemed	--	(591)
Net Increase (Decrease) in Class B Shares Outstanding	579	(12)
Dollars:		
Issued	$ 5,730	$ 5,752
Distributions Reinvested	104	311
Redeemed	--	(6,213)
Net Increase (Decrease) in Class B Shares Outstanding	$ 5,834	($ 150)

</TABLE>

* Commencement of operations

MORGAN STANLEY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

ASIAN GROWTH FUND

<TABLE>
<CAPTION>

<S>	JUNE 23, 1993* TO JUNE 30, 1993 (000) <C>	YEAR ENDED JUNE 30, 1994 (000) <C>
OPERATIONS:		
Net Investment Loss	$ (4)	$ (984)
Net Realized Gain on Investments	--	4,723
Change in Unrealized Appreciation	--	9,101
Net Increase (Decrease) in Net Assets Resulting from Operations	(4)	12,840
CAPITAL SHARE TRANSACTIONS (1):		
Issued	20,265	285,430
Redeemed	--	(63,430)
Net Increase in Net Assets Resulting from Capital Share Transactions	20,265	222,000
Total Increase in Net Assets	20,261	234,840
NET ASSETS -- Beginning of Period	--	20,261
NET ASSETS -- End of Period (including accumulated net investment loss of $4 and $0, respectively.)	$ 20,261	$ 255,101
(1) CLASS A:		
Shares:		
Issued	981	10,025
Redeemed	--	(2,090)
Net Increase in Class A Shares Outstanding	981	7,935
Dollars:		
Issued	$ 11,771	$ 150,145
Redeemed	--	(32,820)
Net Increase in Class A Shares Outstanding	$ 11,771	$ 117,325
CLASS B:		
Shares:		
Issued	708	8,840
Redeemed	--	(1,959)
Net Increase in Class B Shares Outstanding	708	6,881
Dollars:		
Issued	$ 8,494	$ 135,285
Redeemed	--	(30,610)
Net Increase in Class B Shares Outstanding	$ 8,494	$ 104,675

</TABLE>

* Commencement of operations

The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

AMERICAN VALUE FUND

<TABLE>
<CAPTION>

OCTOBER 18,

	1993* TO JUNE 30, 1994 (000)
OPERATIONS:	
Net Investment Income	$ 183
Net Realized Gain on Investments	208
Change in Unrealized Depreciation	(682)
Net Decrease in Net Assets Resulting from Operations	(291)
DISTRIBUTIONS:	
Net Investment Income:	
Class A	(120)
Class B	(59)
Net Decrease in Net Assets Resulting from Distributions	(179)
CAPITAL SHARE TRANSACTIONS (1):	
Issued	18,925
Distributions Reinvested	55
Redeemed	(556)
Net Increase in Net Assets Resulting from Capital Share Transactions	18,424
Total Increase in Net Assets	17,954
NET ASSETS -- Beginning of Period	--
NET ASSETS -- End of Period (including undistributed net investment income of $16)	$ 17,954

(1) CLASS A:	
Shares:	
Issued	940
Distributions Reinvested	4
Redeemed	(28)
Net Increase in Class A Shares Outstanding	916
Dollars:	
Issued	$ 11,269
Distributions Reinvested	42
Redeemed	(336)
Net Increase in Class A Shares Outstanding	$ 10,975
CLASS B:	
Shares:	
Issued	636
Distributions Reinvested	1
Redeemed	(18)
Net Increase in Class B Shares Outstanding	619
Dollars:	
Issued	$ 7,656
Distributions Reinvested	13
Redeemed	(220)
Net Increase in Class B Shares Outstanding	$ 7,449

</TABLE>

* Commencement of operations

 The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

WORLDWIDE HIGH INCOME FUND

<TABLE>
<CAPTION>

<S>	APRIL 21, 1994* TO JUNE 30, 1994 (000) <C>
OPERATIONS:	
Net Investment Income	$ 183
Net Realized Gain on Investments	192
Change in Unrealized Depreciation	(115)
Net Increase in Net Assets Resulting from Operations	260
DISTRIBUTIONS:	
Net Investment Income:	
Class A	(94)
Class B	(76)
Net Decrease in Net Assets Resulting from Distributions	(170)
CAPITAL SHARE TRANSACTIONS (1):	
Issued	12,701
Distributions Reinvested	161
Redeemed	(14)
Net Increase in Net Assets Resulting from Capital Share Transactions	12,848
Total Increase in Net Assets	12,938
NET ASSETS -- Beginning of Period	--
NET ASSETS -- End of Period (including undistributed net investment income of $15)	$ 12,938
(1) CLASS A:	
Shares:	
Issued	557
Distributions Reinvested	7
Net Increase in Class A Shares Outstanding	564
Dollars:	
Issued	$ 6,729
Distributions Reinvested	88
Redeemed	(2)
Net Increase in Class A Shares Outstanding	$ 6,815
CLASS B:	
Shares:	
Issued	495
Distributions Reinvested	6
Redeemed	(1)
Net Increase in Class B Shares Outstanding	500
Dollars:	
Issued	$ 5,972
Distributions Reinvested	73
Redeemed	(12)
Net Increase in Class B Shares Outstanding	$ 6,033

</TABLE>

* Commencement of operations

The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS
FINANCIAL HIGHLIGHTS

GLOBAL EQUITY ALLOCATION FUND

SELECTED PER SHARE DATA AND RATIOS	CLASS A JANUARY 4, 1993** TO JUNE 30, 1993	CLASS A YEAR ENDED JUNE 30, 1994	CLASS B JANUARY 4, 1993** TO JUNE 30, 1993	CLASS B YEAR ENDED JUNE 30, 1994
NET ASSET VALUE, BEGINNING OF PERIOD	$ 10.00	$ 11.09	$ 10.00	$ 11.05
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Income	0.04	0.10	0.01	0.06
Net Realized and Unrealized Gain On Investments	1.05	0.90	1.04	0.86
Total From Investment Operations	1.09	1.00	1.05	0.92
DISTRIBUTIONS				
Net Investment Income	--	(0.03)	--	--
Realized Gains	--	(0.07)	--	(0.07)
Total Distributions	--	(0.10)	--	(0.07)
NET ASSET VALUE, END OF PERIOD	$ 11.09	$ 11.99	$ 11.05	$ 11.90
TOTAL RETURN(1)	10.90%***	9.02%	10.50%***	8.34%
RATIOS AND SUPPLEMENTAL DATA				
Net Assets, End of Period (Thousands)	$ 10,434	$ 33,425	$ 6,995	$ 29,892
Ratio of Net Expenses to Average Net Assets	1.70%*	1.70%	2.45%*	2.45%
Ratio of Net Investment Income to Average Net Assets	1.04%*	0.98%	0.29%*	0.23%
Portfolio Turnover Rate	14%***	30%	14%***	30%
During the periods, various fees and expenses were waived and reimbursed. The ratios of expenses had such waivers and reimbursements not occurred are as follows:				
Ratio of Expenses to Average Net Assets	3.65%*	2.58%	4.40%*	3.34%

GLOBAL FIXED INCOME FUND

SELECTED PER SHARE DATA AND RATIOS	CLASS A JANUARY 4, 1993** TO JUNE 30, 1993	CLASS A YEAR ENDED JUNE 30, 1994	CLASS B JANUARY 4, 1993** TO JUNE 30, 1993	CLASS B YEAR ENDED JUNE 30, 1994
NET ASSET VALUE, BEGINNING OF PERIOD	$ 10.00	$ 10.55	$ 10.00	$ 10.56
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Income	0.25	0.52	0.21	0.43
Net Realized and Unrealized Gain (Loss) On Investments	0.55	(0.42)	0.55	(0.40)
Total From Investment Operations	0.80	0.10	0.76	0.03
DISTRIBUTIONS				
Net Investment Income	(0.25)	(0.50)	(0.20)	(0.44)
In Excess of Net Investment Income	--	(0.12)	--	(0.11)
Realized Gains	--	(0.47)	--	(0.47)
In Excess of Realized Gains	--	(0.03)	--	(0.03)
Total Distributions	(0.25)	(1.12)	(0.20)	(1.05)
NET ASSET VALUE, END OF PERIOD	$ 10.55	$ 9.53	$ 10.56	$ 9.54
TOTAL RETURN(1)	8.02%***	0.41%	7.61%***	(0.25)%
RATIOS AND SUPPLEMENTAL DATA				

Net Assets, End of Period (Thousands)	$ 6,633	$ 10,369	$ 6,120	$ 5,407
Ratio of Expenses to Average Net Assets	1.45%*	1.45%	2.20%*	2.20%
Ratio of Net Investment Income to Average Net Assets	5.00%*	4.70%	4.25%*	3.95%
Portfolio Turnover Rate	55%***	168%	55%***	168%
During the periods, various fees and expenses were waived and reimbursed. The ratios of expenses had such waivers and reimbursements not occurred are as follows:				
Ratio of Expenses to Average Net Assets	2.88%*	2.48%	3.63%*	3.29%

</TABLE>

* Annualized
** Commencement of operations
*** Not annualized
(1) Total return is calculated exclusive of sales charges or deferred sales charges

 The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS
FINANCIAL HIGHLIGHTS

ASIAN GROWTH FUND

<TABLE>
<CAPTION>

SELECTED PER SHARE DATA AND RATIOS	CLASS A JUNE 23, 1993** TO JUNE 30, 1993	CLASS A YEAR ENDED JUNE 30, 1994	CLASS B JUNE 23, 1993** TO JUNE 30, 1993	CLASS B YEAR ENDED JUNE 30, 1994
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$ 12.00	$ 12.00	$ 12.00	$ 12.00
INCOME FROM INVESTMENT OPERATIONS				
Net Investment Loss	--	(0.03)	--	(0.10)
Net Realized and Unrealized Gain on Investments	--	3.53	--	3.50
Total From Investment Operations	--	3.50	--	3.40
NET ASSET VALUE, END OF PERIOD	$ 12.00	$ 15.50	$ 12.00	$ 15.40
TOTAL RETURN (1)	0.00%***	29.17%	0.00%***	28.33%
RATIOS AND SUPPLEMENTAL DATA				
Net Assets, End of Period (Thousands)	$ 11,770	$ 138,212	$ 8,491	$ 116,889
Ratio of Expenses to Average Net Assets	1.90%*	1.90%	2.65%*	2.65%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.81)%*	(0.24)%	(1.56)%*	(0.99)%
Portfolio Turnover Rate	0%***	34%	0%***	34%
During the periods, various fees and expenses were waived and reimbursed. The ratios of expenses had such waivers and reimbursements not occurred are as follows:				
Ratio of Expenses to Average Net Assets	11.83%*	2.17%	12.64%*	2.92%

</TABLE>

AMERICAN VALUE FUND

<TABLE>
<CAPTION>

SELECTED PER SHARE DATA AND RATIOS	CLASS A OCTOBER 18, 1993** TO JUNE 30, 1994	CLASS B OCTOBER 18, 1993** TO JUNE 30, 1994
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$12.00	$12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	0.17	0.11
Net Realized and Unrealized Loss On Investments	(0.30)	(0.31)
Total From Investment Operations	(0.13)	(0.20)

DISTRIBUTIONS		
Net Investment Income	(0.17)	(0.11)
NET ASSET VALUE, END OF PERIOD	$11.70	$11.69
TOTAL RETURN (1)	(1.12)%***	(1.70)%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$10,717	$ 7,237
Ratio of Expenses to Average Net Assets	1.50%*	2.25%*
Ratio of Net Investment Income to Average Net Assets	2.14%*	1.39%*
Portfolio Turnover Rate	17%***	17%***
During the period, various fees and expenses were waived and reimbursed. The ratios of expenses had such waiver and reimbursement not occurred are as follows:		
Ratio of Expenses to Average Net Assets	2.48%*	3.28%*

</TABLE>

* Annualized
** Commencement of operations
*** Not annualized
(1) Total return is calculated exclusive of sales charges or deferred sales charges

The accompanying notes are an integral part of the financial statements.

MORGAN STANLEY FUNDS
FINANCIAL HIGHLIGHTS

WORLDWIDE HIGH INCOME FUND

<TABLE>
<CAPTION>

SELECTED PER SHARE DATA AND RATIOS	CLASS A APRIL 21, 1994** TO JUNE 30, 1994	CLASS B APRIL 21, 1994** TO JUNE 30, 1994
<S>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	$12.00	$12.00
INCOME FROM INVESTMENT OPERATIONS		
Net Investment Income	0.18	0.17
Net Realized and Unrealized Gain On Investments	0.16	0.15
Total From Investment Operations	0.34	0.32
DISTRIBUTIONS		
Net Investment Income	(0.17)	(0.16)
NET ASSET VALUE, END OF PERIOD	$12.17	$12.16
TOTAL RETURN(1)	2.86%***	2.62%***
RATIOS AND SUPPLEMENTAL DATA		
Net Assets, End of Period (Thousands)	$6,857	$6,081
Ratio of Expenses to Average Net Assets	1.55%*	2.30%*
Ratio of Net Investment Income to Average Net Assets	8.29%*	7.54%*
Portfolio Turnover Rate	19%***	19%***
During the period, various fees and expenses were waived and reimbursed. The ratios of expenses had such waiver and reimbursement not occurred are as follows:		
Ratio of Expenses to Average Net Assets	2.67%*	4.74%*

</TABLE>

* Annualized
** Commencement of operations
*** Not annualized
(1) Total return is calculated exclusive of sales charges or deferred sales charges

MORGAN STANLEY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1994

Morgan Stanley Fund, Inc. ("the Fund") was incorporated under the laws of Maryland on August 14, 1992 and commenced operations on January 4, 1993. The Fund is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company which offers redeemable shares of diversified and non-diversified investment portfolios. As of June 30, 1994, the Fund had five separate investment portfolios: Morgan Stanley Global Equity Allocation Fund, Morgan Stanley Global Fixed Income Fund, Morgan Stanley Asian Growth Fund, Morgan Stanley American Value Fund, and Morgan Stanley Worldwide High Income Fund (referred to herein respectively as "Global Equity Allocation Fund", "Global Fixed Income Fund", "Asian Growth Fund", "American Value Fund", and "Worldwide High Income Fund" and collectively as the "Portfolios"). The Fund currently offers Class A and Class B shares of each Portfolio. Prior to January 4, 1993, the Fund had no operations other than those relating to organizational matters and the initial sale of shares of Global Equity Allocation Fund, Global Fixed Income Fund and Money Market Fund to Morgan Stanley Asset Management Inc. (the "Adviser" or "MSAM"). Effective August 6, 1993, Morgan Stanley Money Market Fund was closed to new investors and became inactive.

A. ACCOUNTING POLICIES: The following is a summary of significant accounting policies for the Fund. Such policies are in conformity with generally accepted accounting principles for investment companies and are consistently followed by the Fund in the preparation of the financial statements.

1. SECURITY VALUATION: Equity securities listed on an exchange and equity securities traded on NASDAQ are valued at the latest quoted sales price on the valuation date. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the average of the mean between the current bid and asked prices, if any, of reputable brokers. Bonds and other fixed income securities are valued according to the broadest and most representative market. In addition, bonds and other fixed income securities are valued on the basis of prices provided by a pricing service which are based primarily on institutional size trading in similar groups of securities. Debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, if it approximates market value. All other securities and assets for which market values are not readily available, including restricted securities, are valued at fair value as determined in good faith by the Board of Directors, although the actual calculations may be done by others.

2. INCOME TAXES: It is each Portfolio's intention to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on either income earned or repatriated. The Fund recognizes such taxes when the related income is accrued.

For the year ended June 30, 1994 Global Equity Allocation Fund, Global Fixed Income Fund and Worldwide High Income Fund deferred to July 1, 1994 post October currency losses of approximately $966,000, $115,000 and $1,000, respectively, for Federal income tax purposes. Global Fixed Income Fund also deferred to July 1,1994 post October capital losses of approximately $16,000.

3. REPURCHASE AGREEMENTS: In connection with transactions in repurchase agreements, a bank as custodian for the Fund takes possession of the underlying securities, the value of which is at least equal to the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to determine the adequacy of the collateral. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

4. FOREIGN CURRENCY TRANSLATION AND FOREIGN INVESTMENTS: The books and records of the Fund are maintained in United States dollars. Foreign currency amounts are translated into U.S. dollars at the bid prices of such currencies against U.S. dollars last quoted by a major bank. Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) are included in the reported net

realized and unrealized gains (losses) on investment transactions and balances. However, pursuant to U.S. Federal income tax regulations, gains and losses from certain foreign currency transactions and sales of foreign denominated debt securities are treated as ordinary income for U.S. Federal income tax purposes.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from forward foreign currency contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amount actually received or paid, and certain currency related amounts of realized gains or losses from the sale of foreign denominated debt securities.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the possibly lower level of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

Prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries, and the extent of foreign investment in domestic companies may be subject to limitation in other emerging countries. Foreign ownership limitations also may be imposed by the charters of individual companies in emerging countries to prevent, among other concerns, violation of foreign investment limitations. As a result, an additional class of shares (identified as "foreign" in the Portfolio of Investments) may be created and offered for investment. The "local" and "foreign" shares' market values may vary.

5. FORWARD FOREIGN CURRENCY CONTRACTS: Each Portfolio, except American Value Fund, may enter into forward foreign currency contracts to attempt to protect securities and related receivables and payables against changes in future foreign exchange rates. A forward currency contract is an agreement between two parties to buy or sell currency at a set price on a future date. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked-to-market daily using the forward rate and the change in market value is recorded by the Portfolio as unrealized gain or loss. The Portfolio records realized gains or losses when the contract is closed equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Risks may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

6. ORGANIZATIONAL COSTS: The organizational costs of the Portfolios are being amortized on a straight line basis over a period of five years beginning with each Portfolio's commencement of operations. MSAM has agreed that in the event any of its initial shares in a Portfolio are redeemed, the proceeds on redemption will be reduced by the pro-rata portion of any unamortized organizational costs in the same proportion as the number of shares redeemed bears to the initial shares held at time of redemption.

7. OTHER: Security transactions are accounted for on the date the securities are purchased or sold. Costs used in determining realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date. Interest income is recognized on the accrual basis except where collection is in doubt. Discounts and premiums on securities purchased are amortized according to the effective yield method over their respective lives. Most expenses of the Fund can be directly attributed to a particular Portfolio. Expenses which cannot be directly attributed are apportioned among the Portfolios based upon relative net assets. Income, expenses (other than class specific expenses) and realized and unrealized gains or losses are allocated to each class of shares based upon their relative net assets. Distributions from the Portfolios are recorded on the ex-distribution date.

Income and capital gain distributions are determined in accordance with U.S. Federal income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for foreign currency transactions and deferral of wash sale and post-October losses. For the year ended June 30, 1994, the effects of certain differences were reclassified from undistributed net investment income (accumulated loss) and accumulated net realized gain to paid in capital in excess of par as follows:

<TABLE>
<CAPTION>

	UNDISTRIBUTED NET INVESTMENT INCOME (ACCUMULATED LOSS) (000)	ACCUMULATED NET REALIZED GAIN (000)
Global Equity Allocation Fund.......	$ (264)	$ 300
Global Fixed Income Fund..................	60	(24)
Asian Growth Fund......	984	(967)
American Value Fund....	12	--
Worldwide High Income Fund..................	2	1

B. ADVISER: The Adviser provides the Fund with investment advisory services at a fee paid quarterly and calculated at the annual rates of average daily net assets indicated below. The Adviser has agreed to reduce fees

payable to it and to reimburse the Portfolios, if necessary, if the annual operating expenses, expressed as a percentage of average daily net assets, exceed the maximum ratios indicated below.

FUND	ADVISORY FEE	CLASS A MAXIMUM EXPENSE RATIO	CLASS B MAXIMUM EXPENSE RATIO
Global Equity Allocation Fund...	1.00%	1.70%	2.45%
Global Fixed Income Fund........	0.75%	1.45%	2.20%
Asian Growth Fund...............	1.00%	1.90%	2.65%
American Value Fund.............	0.85%	1.50%	2.25%
Worldwide High Income Fund......	0.75%	1.55%	2.30%

C. ADMINISTRATOR: MSAM also provides the Fund with administrative services pursuant to an Administrative Agreement for a monthly fee which on an annual basis equals 0.25% of the average daily net assets of each Portfolio. Under an agreement between MSAM and U.S. Trust Company of New York ("U.S. Trust"), Mutual Funds Service Company ("MFSC"), a subsidiary of U.S. Trust, provides certain administrative services to the Fund. MFSC is compensated for such services by MSAM from the fee it receives from the Fund, subject to certain fee minimums as defined in the agreement, which for the year ended June 30, 1994, totaled $130,000, $130,000, $130,000, $99,000 and $28,000 for Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund, American Value Fund and Worldwide High Income Fund, respectively. Certain employees of MFSC are officers of the Fund.

D. DISTRIBUTOR: Morgan Stanley & Co. Incorporated (the "Distributor"), an affiliate of MSAM, serves as the distributor of the Fund and provides both classes of each Portfolio with distribution services pursuant to a Distribution Plan in accordance with Rule 12b-1 under the Investment Company Act of 1940. The Distributor is entitled to receive from the Portfolios a distribution fee, which is accrued daily and paid quarterly, of up to 0.25% for the Class A shares of each Portfolio and up to 1.00% of the Class B shares of each Portfolio, on an annualized basis, of the average daily net assets of such class. The amount of distribution fees for the year ended June 30, 1994 is presented in each Portfolio's Statement of Operations.

The Distributor may receive a maximum 4.75% sales charge from the sale of Class A shares of each Portfolio. For the year ended June 30, 1994, the Distributor has advised the Fund that it has earned sales charges of $58,000, $15,000, $281,000, $5,000 and $2,000 for Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund, American Value Fund and Worldwide High Income Fund, respectively.

The Distributor may receive a deferred sales charge for certain purchases of Class A and Class B shares of each Portfolio redeemed within one year following such purchase. For the year ended June 30, 1994, the Distributor has advised the Fund that it earned deferred sales charges of $18,000, $17,000, $141,000 and $1,000 for Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund and American Value Fund, respectively.

E. PURCHASES AND SALES: During the year ended June 30, 1994, purchases and sales of investment securities other than U.S. Government securities and short-term

investments were:
<TABLE>
<CAPTION>

FUND	PURCHASES (000)	SALES (000)
<S>	<C>	<C>
Global Equity Allocation Fund....	$ 55,848	$ 10,607
Global Fixed Income Fund.........	14,993	10,620
Asian Growth Fund................	265,942	50,237
American Value Fund..............	19,089	2,217
Worldwide High Income Fund.......	13,668	1,991

</TABLE>

Purchases and sales during the year ended June 30, 1994 of U.S. Government securities, other than short-term U.S. Government securities, occurred in Global Equity Allocation Fund and Global Fixed Income Fund and totaled $168,000 and $0, and $9,234,000 and $10,269,000, respectively.

F. CUSTODIANS: Morgan Stanley Trust Company ("MSTC") acts as custodian for the Fund's non-U.S. assets held outside the United States in accordance with a custodian agreement. U.S. Trust acts as custodian for the Fund's domestic assets in accordance with a custodian agreement. Custodian fees are computed and payable monthly based on investment purchases and sales activity, an account maintenance fee, plus reimbursement for certain out-of-pocket expenses. MSTC, the Adviser and the Distributor are wholly owned subsidiaries of Morgan Stanley Group, Inc. Fees incurred for custody services provided by MSTC for the year ended June 30, 1994, totaled $119,000, $14,000, $513,000 and $1,000 for Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund and Worldwide High Income Fund, respectively, of which $44,000, $6,000, $216,000 and $1,000 were payable at June 30, 1994.

G. OTHER: At June 30, 1994, the following Portfolios' net assets were comprised of foreign denominated securities and currency as indicated below. Changes in currency rates will affect the value of and investment income from such securities.
<TABLE>
<CAPTION>

FUND	PERCENTAGE
<S>	<C>
Global Equity Allocation Fund................	78.5%
Global Fixed Income Fund.....................	76.2%
Asian Growth Fund............................	93.9%
Worldwide High Income Fund...................	13.0%

</TABLE>

Portfolio securities and foreign currency holdings were translated at the following exchange rates as of June 30, 1994:

<TABLE>

<S>	<C>	<C>	<C>
Australian Dollar.................	1.3709	=	$1.00
Belgian Franc.....................	32.6325	=	$1.00
British Pound Sterling............	.6456	=	$1.00
Canadian Dollar...................	1.3824	=	$1.00
Danish Krone......................	6.2272	=	$1.00
Finnish Markka....................	5.2852	=	$1.00
French Franc......................	5.4412	=	$1.00
German Deutsche Mark..............	1.5850	=	$1.00
Hong Kong Dollar..................	7.7295	=	$1.00
Indonesian Rupiah.................	2,169.9750	=	$1.00
Italian Lira......................	1,578.0000	=	$1.00
Japanese Yen......................	98.5500	=	$1.00
Korean Won........................	805.0500	=	$1.00
Malaysian Ringgit.................	2.6040	=	$1.00
Netherland Guilder................	1.7785	=	$1.00
New Zealand Dollar................	1.6800	=	$1.00
Pakistani Rupee...................	30.5794	=	$1.00
Philippine Peso...................	27.0000	=	$1.00
Singapore Dollar..................	1.5248	=	$1.00
Spanish Peseta....................	131.0750	=	$1.00
Swedish Krona.....................	7.6539	=	$1.00
Taiwanese Dollar..................	26.8190	=	$1.00
Thai Baht.........................	25.0400	=	$1.00

</TABLE>

The Global Equity Allocation Fund and Asian Growth Fund incurred approximately $12,000 and $606,000, respectively, as brokerage commissions to Morgan Stanley & Co. Incorporated, an affiliated broker/dealer.

At June 30, 1994, cost and unrealized appreciation (depreciation) for Federal income tax purposes of the securities of each Portfolio were:

FUND	COST (000)	APPREC. (000)	(DEPREC.) (000)	NET APPRECIATION (DEPRECIATION) (000)
Global Equity Allocation Fund......	$ 63,676	$ 4,472	$ (2,463)	$ 2,009
Global Fixed Income Fund.................	16,229	152	(747)	(595)
Asian Growth Fund.....	238,297	19,319	(11,088)	8,231
American Value Fund...	17,637	575	(1,257)	(682)
Worldwide High Income Fund.................	13,286	136	(252)	(116)

H. STATEMENT OF POSITION 93-2: During the current year, the Fund adopted Statement of Position 93-2: DETERMINATION, DISCLOSURE, AND FINANCIAL STATEMENT PRESENTATION OF INCOME, CAPITAL GAIN, AND RETURN OF CAPITAL DISTRIBUTIONS BY INVESTMENT COMPANIES. Accordingly, permanent book and tax differences relating to shareholder distributions have been reclassified to additional paid-in capital. As of July 1, 1993, the cumulative effect of such differences of $(98,000) and $98,000 for Global Equity Allocation Fund; $59,000 and $(59,000) for Global Fixed Income Fund and $4,000 and $0 for Asian Growth Fund were reclassified from undistributed net investment income and accumulated net realized gain, respectively, to paid in capital in excess of par. Net investment income, net realized gains, and net assets were not affected by this change.

FEDERAL TAX INFORMATION: (UNAUDITED)
For the year ended June 30, 1994, the percentage of dividends that qualify for the 70% dividend received deduction for corporate shareholders for Global Equity Allocation Fund and American Value Fund are 27.11% and 83.15%, respectively. Global Equity Allocation Fund has designated approximately $336,000 as long-term capital gain for the fiscal year ended June 30, 1994. Foreign taxes accrued during the fiscal year ended June 30, 1994 amounting to $97,000 and $16,000 for Global Equity Allocation Fund and Global Fixed Income Fund, respectively, are expected to be passed through to shareholders as foreign tax credits on Form 1099-DIV for the year ending December 31, 1994, which shareholders of the funds will receive in late January 1995.

MORGAN STANLEY FUNDS
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of
Morgan Stanley Fund, Inc.

In our opinion, the accompanying statements of assets and liabilities, including the portfolios of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Global Equity Allocation Fund, Global Fixed Income Fund, Asian Growth Fund, American Value Fund and Worldwide High Income Fund (constituting the Morgan Stanley Fund, Inc., hereafter referred to as the "Fund") at June 30, 1994, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the Funds for each of the respective periods presented, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at June 30, 1994 by correspondence with the custodians and brokers and the application of alternative auditing procedures where confirmations from brokers were not received, provide a reasonable basis for the opinion expressed above.

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