

## Morgan Stanley India Investment Fund, Inc.

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*Chairman of the Board*

M.J. Marcel Vivian  
Descroizilles

Joseph J. Kearns

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Mary E. Mullin  
*Secretary*

# Morgan Stanley

## Morgan Stanley India Investment Fund, Inc. (IIF)

**Investment Adviser and Administrator**

Morgan Stanley Investment Management Inc.  
522 Fifth Avenue  
New York, New York 10036

**Custodian**

JPMorgan Chase Bank, N.A.  
270 Park Avenue  
New York, New York 10017

**Stockholder Servicing Agent**

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, Massachusetts 02021

**Legal Counsel**

Clifford Chance US LLP  
31 West 52nd Street  
New York, New York 10019-6131

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
200 Clarendon Street  
Boston, Massachusetts 02116

For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call 1(800) 231-2608 or visit our website at [www.morganstanley.com/msim](http://www.morganstanley.com/msim). All investments involve risks, including the possible loss of principal.

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Morgan Stanley  
Investment Management Inc.  
Investment Adviser

# Letter to Stockholders

## Performance

For the year ended December 31, 2008, the Morgan Stanley India Investment Fund, Inc. (the “Fund”) had total returns of -64.33%, based on net asset value, and -64.72% based on market value per share (including reinvestment of distributions), compared to its benchmark, the U.S. dollar adjusted Bombay Stock Exchange (BSE) National Index (the “Index”), which returned -63.82%. On December 31, 2008, the closing price of the Fund’s shares on the New York Stock Exchange was \$12.50, representing a 4.4% discount to the Fund’s net asset value per share. Past performance is no guarantee of future results.

## Factors Affecting Performance

- The year 2008 saw one of the sharpest ever declines in Indian equity markets. The Index ended the year down 64% (in U.S. dollar terms). Volatile markets coupled with the global liquidity crisis led to an increase in risk aversion. Growth rates that had accelerated from easy liquidity are showing signs of stress.
- A regime shift from hyper-growth to extreme risk aversion led the overweights in the consumer staples and telecommunications sectors to contribute positively to performance. As the Reserve Bank of India started easing interest rates, we moved to an overweight position in the financials sector, which too contributed to performance. In contrast, our overweight in the consumer discretionary sector and stock selection in energy and materials detracted from performance.

## Management Strategies

- The liquidity-fueled growth mirage of 2003-2007 is clearly behind us now. We believe India should now settle to the trend growth rate of 5.5%-6.0% that we observed from 1980 to 2002. Although this is a sharp step down from the average of about 8.9% in the post-2002 period, we feel this is still attractive from a relative investment opportunity standpoint.
- The overall strategy going into next year is two-pronged. First, we seek to position the Portfolio for the unprecedented monetary easing by overweighting the interest rate sensitive sectors. Our preference for implementing this strategy is through exposure to banks.
- We are also looking for outright value opportunities that seem to be emerging after the steep correction, particularly as the growth rates normalize.
- Our long-standing investment philosophy of not compromising on management quality and corporate governance has left us relatively unscathed after the recent corporate fraud episode in Satyam Computers.
- We continue to underweight global cyclicals and remain extremely wary of companies that make elevated growth promises in the current environment.

Sincerely,



Randy Takian  
Director, President and Principal Executive Officer

January 2009

December 31, 2008

## Portfolio of Investments

	Shares	Value (000)
<b>COMMON STOCKS (93.9%)</b> <b>(Unless Otherwise Noted)</b>		
<b>Auto Components (0.0%)</b>		
Apollo Tyres Ltd.	18,750	\$ 8
<b>Automobiles (3.7%)</b>		
Hero Honda Motors Ltd.	326,385	5,449
Maruti Suzuki India Ltd.	370,200	4,009
Patheja Forgings & Auto Parts Manufacturers Ltd. (a)(b)(c)	450,000	—
		9,458
<b>Chemicals (2.4%)</b>		
ICI India Ltd.	25,000	198
United Phosphorus Ltd.	2,586,132	5,873
		6,071
<b>Commercial Banks (24.3%)</b>		
Axis Bank Ltd.	375,900	3,959
Bank of Baroda (b)	676,993	3,999
Bank of India	1,093,100	6,558
HDFC Bank Ltd.	1,070,469	22,241
ICICI Bank Ltd.	970,300	9,064
State Bank of India Ltd. (b)	604,364	16,363
		62,184
<b>Construction &amp; Engineering (3.9%)</b>		
Larsen & Toubro Ltd.	527,900	8,442
Madhucon Projects Ltd.	804,045	1,463
		9,905
<b>Construction Materials (1.5%)</b>		
Ambuja Cements, Ltd.	965,500	1,397
India Cements Ltd.	1,237,184	2,496
		3,893
<b>Electrical Equipment (8.4%)</b>		
Bharat Heavy Electricals Ltd.	643,828	18,240
Jyoti Structures Ltd.	2,070,488	3,284
		21,524
<b>Energy Equipment &amp; Services (0.5%)</b>		
Aban Offshore Ltd.	89,780	1,259
<b>Food Products (5.2%)</b>		
Bajaj Hindusthan Ltd.	830,900	1,254
Balrampur Chini Mills (c)	2,655,100	2,743
Nestle India Ltd.	313,784	9,418
		13,415
<b>Household Products (6.7%)</b>		
Hindustan Unilever Ltd.	3,314,600	17,112

	Shares	Value (000)
<b>Information Technology Services (9.0%)</b>		
Infosys Technologies Ltd.	998,500	\$ 23,123
<b>Machinery (0.4%)</b>		
Praj Industries Ltd.	801,700	1,064
<b>Media (2.6%)</b>		
Deccan Chronicle Holdings Ltd.	3,888,224	3,495
New Delhi Television Ltd.	464,937	1,244
Television Eighteen India Ltd. (b)	946,936	1,825
		6,564
<b>Metals &amp; Mining (2.3%)</b>		
Ess Dee Aluminum Ltd.	895,519	2,389
Welspun-Gujarat Stahl Ltd.	1,577,000	3,604
		5,993
<b>Oil, Gas &amp; Consumable Fuels (6.5%)</b>		
Reliance Industries Ltd.	657,600	16,753
<b>Pharmaceuticals (1.8%)</b>		
Glenmark Pharmaceuticals Ltd. (c)	739,173	4,549
<b>Real Estate Management &amp; Development (0.7%)</b>		
Phoenix Mills Ltd.	1,112,831	1,786
<b>Software (1.8%)</b>		
Geodesic Ltd.	3,236,932	4,665
<b>Thriffs &amp; Mortgage Finance (2.8%)</b>		
Housing Development Finance Corp.	232,000	7,234
<b>Tobacco (1.7%)</b>		
ITC Ltd.	1,190,000	4,228
<b>Wireless Telecommunication Services (7.7%)</b>		
Bharti Airtel Ltd. (c)	1,336,200	19,739
<b>TOTAL COMMON STOCKS</b> (Cost \$343,618)		240,527
<b>SHORT-TERM INVESTMENT (14.0%)</b>		
<b>Investment Company (14.0%)</b>		
Morgan Stanley Institutional Liquidity Money Market Portfolio — Institutional Class (Cost \$35,812) (d)	35,812,201	35,812
<b>TOTAL INVESTMENTS</b> (107.9%) (Cost \$379,430) (e)		276,339
<b>LIABILITIES IN EXCESS OF OTHER ASSETS</b> (-7.9%)		(20,318)
<b>NET ASSETS</b> (100%)		\$256,021

- (a) Security has been deemed illiquid at December 31, 2008
- (b) At December 31, 2008, the Fund held approximately \$22,187,000 of fair valued securities, representing 8.7% of net assets. These securities have been fair valued as determined in good faith under procedures established by and under the general supervision of the Fund's Directors.
- (c) Non-income producing security.

## Portfolio of Investments (cont'd)

- (d) See Note G within the Notes to Financial Statements regarding investment in Morgan Stanley Institutional Liquidity Money Market Portfolio — Institutional Class.
- (e) The approximate market value and percentage of total investments, \$240,527,000 and 87.0%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A within the Notes to Financial Statements.

### Portfolio Composition

Classification	Percentage of Total Investments
Commercial Banks	22.5%
Information Technology Services	8.4
Electrical Equipment	7.8
Wireless Telecommunication Services	7.1
Household Products	6.2
Oil, Gas & Consumable Fuels	6.1
Other*	28.9
Short-Term Investments	13.0
Total Investments	100.0%

\* Industries which do not appear in the above table, as well as those which represent less than 5% of total investments, if applicable, are included in the category labeled "Other".

# Statement of Assets and Liabilities

December 31, 2008  
(000)

<b>Assets:</b>	
Investments in Securities of Unaffiliated Issuers, at Value (Cost \$343,618)	\$ 240,527
Investment in Security of Affiliated Issuer, at Value (Cost \$35,812)	35,812
Total Investments in Securities, at Value (Cost \$379,430)	276,339
Foreign Currency, at Value (Cost \$14,304)	14,544
Tax Reclaim Receivable	235
Dividends Receivable	176
Receivable for Investments Sold	140
Receivable from Affiliate	1
Other Assets	10
<b>Total Assets</b>	<b>291,445</b>
<b>Liabilities:</b>	
Payable For:	
Dividends Declared	34,742
Custodian Fees	252
Investment Advisory Fees	224
Directors' Fees and Expenses	96
Administration Fees	8
Other Liabilities	102
<b>Total Liabilities</b>	<b>35,424</b>
<b>Net Assets</b>	
Applicable to 19,566,112 Issued and Outstanding \$0.01 Par Value Shares (100,000,000 Shares Authorized)	\$ 256,021
<b>Net Asset Value Per Share</b>	<b>\$ 13.08</b>
<b>Net Assets Consist of:</b>	
Common Stock	\$ 196
Paid-in Capital	403,788
Distributions in Excess of Net Investment Income	(166)
Accumulated Net Realized Loss	(44,511)
Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Translations	(103,286)
<b>Net Assets</b>	<b>\$ 256,021</b>

# Statement of Operations

Year Ended  
December 31, 2008  
(000)

## Investment Income:

Dividends from Securities of Unaffiliated Issuers	\$ 5,529
Dividends from Security of Affiliated Issuer	300
<b>Total Investment Income</b>	<b>5,829</b>

## Expenses:

Investment Advisory Fees (Note B)	6,746
Custodian Fees (Note D)	1,162
Administration Fees (Note C)	515
Professional Fees	229
Stockholder Reporting Expenses	80
Stockholder Servicing Agent Fees	10
Other Expenses	535
<b>Total Expenses</b>	<b>9,277</b>

Waiver of Administration Fees (Note C)	(317)
Rebate from Morgan Stanley Affiliated Cash Sweep (Note G)	(11)
Expense Offset (Note D)	(22)

<b>Net Expenses</b>	<b>8,927</b>
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<b>Net Investment Loss</b>	<b>(3,098)</b>
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## Net Realized Gain (Loss) on:

Investments	(6,353)
Foreign Currency Transactions	(4,669)
<b>Net Realized Loss</b>	<b>(11,022)</b>

## Change in Unrealized Appreciation (Depreciation) on:

Investments	(636,752)
Foreign Currency Translations	36

<b>Change in Unrealized Appreciation (Depreciation)</b>	<b>(636,716)</b>
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<b>Net Realized Gain (Loss) and Change in Unrealized Appreciation (Depreciation)</b>	<b>(647,738)</b>
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<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>\$(650,836)</b>
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## Statements of Changes in Net Assets

	Year Ended December 31, 2008 (000)	Year Ended December 31, 2007 (000)
<b>Increase (Decrease) in Net Assets</b>		
Operations:		
Net Investment Loss	\$ (3,098)	\$ (3,504)
Net Realized Gain (Loss)	(11,022)	398,870
Net Change in Unrealized Appreciation (Depreciation)	(636,716)	139,859
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>(650,836)</b>	<b>535,225</b>
Distributions from and/or in Excess of:		
Net Investment Income	(3,988)	(3,206)
Net Realized Gain	(198,905)	(326,633)
<b>Total Distributions</b>	<b>(202,893)</b>	<b>(329,839)</b>
Capital Share Transactions:		
Reinvestment of Distributions (56,548 and 104,859 shares, respectively)	1,420	4,942
Repurchase of Shares (2,000 and 489,201 shares, respectively)	(89)	(22,835)
<b>Net Increase (Decrease) in Net Assets Resulting from Capital Share Transactions</b>	<b>1,331</b>	<b>(17,893)</b>
<b>Total Increase (Decrease)</b>	<b>(852,398)</b>	<b>187,493</b>
Net Assets:		
Beginning of Period	1,108,419	920,926
<b>End of Period (Including Distributions in Excess of Net Investment Income of \$(166) and \$(1,661), respectively)</b>	<b>\$ 256,021</b>	<b>\$1,108,419</b>

## Selected Per Share Data and Ratios

	Year Ended December 31,				
	2008	2007	2006	2005	2004
<b>Net Asset Value, Beginning of Period</b>	\$ 56.81	\$ 46.29	\$ 37.33	\$ 29.09	\$ 22.95
Net Investment Income (Loss)†	(0.16)	(0.18)	(0.06)	0.06	0.11
Net Realized and Unrealized Gain (Loss) on Investments	(33.18)	27.38	14.32	12.18	6.12
Total from Investment Operations	(33.34)	27.20	14.26	12.24	6.23
Distributions from and/or in Excess of:					
Net Investment Income	(0.20)	(0.16)	—	(0.28)	(0.09)
Net Realized Gain	(10.19)	(16.64)	(5.30)	(3.60)	—
Total Distributions	(10.39)	(16.80)	(5.30)	(3.88)	(0.09)
Dilutive Effect of Shares Issued through Rights Offering and Offering Costs	—	—	—	(0.12)	—
Anti-Dilutive Effect of Share Repurchase Program	0.00‡	0.12	—	—	—
<b>Net Asset Value, End of Period</b>	\$ 13.08	\$ 56.81	\$ 46.29	\$ 37.33	\$ 29.09
<b>Per Share Market Value, End of Period</b>	\$ 12.50	\$ 54.89	\$ 50.82	\$ 37.35	\$ 30.96
<b>TOTAL INVESTMENT RETURN:</b>					
Market Value	(64.72)%	45.29%	51.73%	32.57%	17.03%
Net Asset Value(1)	(64.33)%	65.09%	38.28%	41.02%	27.21%
<b>RATIOS, SUPPLEMENTAL DATA:</b>					
<b>Net Assets, End of Period (Thousands)</b>	\$256,021	\$1,108,419	\$920,926	\$740,050	\$465,448
Ratio of Expenses to Average Net Assets(2)	1.46%+	1.33%+	1.35%	1.38%	1.40%
Ratio of Net Investment Income (Loss) to Average Net Assets(2)	(0.51)%+	(0.33)%+	(0.13)%	0.17%	0.57%
Portfolio Turnover Rate	60%	60%	34%	32%	52%
<b>(2) Supplemental Information on the Ratios to Average Net Assets:</b>					
Ratios Before Expenses Waived by Administrator:					
Ratio of Expenses to Average Net Assets	1.51%+	1.39%+	1.40%	1.43%	1.41%
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.56)%+	(0.39)%+	(0.18)%	0.12%	0.56%

(1) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. This percentage is not an indication of the performance of a stockholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund.

† Per share amount is based on average shares outstanding.

‡ Amount is less than \$0.005 per share.

+ Reflects rebate of certain Fund expenses in connection with the investments in Morgan Stanley Institutional Liquidity Money Market Portfolio — Institutional Class during the period. As a result of such rebate, the expenses as a percentage of its net assets were effected by less than 0.005%.

## Notes to Financial Statements

The Morgan Stanley India Investment Fund, Inc. (the “Fund”) was incorporated in Maryland on December 22, 1993, and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund’s investment objective is long-term capital appreciation through investments primarily in equity securities of Indian Issuers. To the extent that the Fund invests in derivative instruments that the Adviser believes have economic characteristics similar to equity securities of Indian Issuers, such investments will be counted for purposes of the Fund’s policy in the previous sentence. To the extent the Fund makes such investments, the Fund will be subject to the risks of such derivative instruments as described herein.

**A. Accounting Policies:** The following significant accounting policies are in conformity with U.S. generally accepted accounting principles. Such policies are consistently followed by the Fund in the preparation of its financial statements. U.S. generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

**1. Security Valuation:** Securities listed on a foreign exchange are valued at their closing price except as noted below. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the current bid and asked prices obtained from reputable brokers. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. 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 investments for which market values are not readily available, including restricted securities, and those securities for which it is inappropriate to determine prices in accordance with the aforementioned procedures, are valued at fair value as determined in good faith under procedures adopted by the Board of Directors (the “Directors”), although the actual calculations may be done by others. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock

exchange (for exchange-traded securities), analysis of the issuer’s financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Most foreign markets close before the New York Stock Exchange (NYSE). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Directors.

- 2. Foreign Currency Translation:** The books and records of the Fund are maintained in U.S. dollars. Amounts denominated in Indian rupees are translated into U.S. dollars at the mean of the bid and asked prices of such currency against U.S. dollars last quoted by a major bank as follows:
- investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;
  - investment transactions and investment income at the prevailing rate of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rate 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 rate 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 the foreign exchange rate from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from sales and maturities of foreign currency exchange contracts, disposition of foreign currency, currency gains or losses realized between the trade and settlement dates on securities

## Notes to Financial Statements (cont'd)

transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on investments and foreign currency translations in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Fund's net assets consist of Indian securities which involve certain considerations and risks not typically associated with investments in the United States. In addition to its smaller size, less liquidity and greater volatility, the Indian securities market is less developed than the U.S. securities market and there is often substantially less publicly available information about Indian issuers than there is about U.S. issuers. Settlement mechanisms are also less developed and are accomplished, in certain cases, only through physical delivery, which may cause the Fund to experience delays or other difficulties in effecting transactions.

3. **Derivatives:** The Fund may use derivatives to achieve its investment objectives. The Fund may engage in transactions in futures contracts on foreign currencies, stock indices, as well as in options, swaps and structured products. Consistent with the Fund's investment objectives and policies, the Fund may use derivatives for non-hedging as well as hedging purposes.

Following is a description of derivative instruments that the Fund has utilized and their associated risks:

**Currency Transactions:** The Fund will invest in currency spot, forward and non-deliverable forward transactions. A currency spot transaction is a cash-settled contract to buy or sell immediately a specified quantity of currency for physical settlement in no more than two days. A currency forward transaction is a contract to buy or sell a specified quantity of currency at a specified date in the future at a specified price. Currency forwards generally may be used to increase or reduce exposure to currency price movements. A non-deliverable currency forward transaction is a synthetic short-term forward contract on a thinly traded or non-convertible foreign currency, where the profit or loss is the difference between a specified exchange rate and the

spot rate at the time of settlement. Non-deliverable forwards ("NDFs") allow investors to hedge or gain exposure to local currency movements of markets without actually dealing in the underlying markets. The demand for NDFs arises principally out of regulatory and liquidity issues in the underlying currency. NDFs, in particular, are used to gain exposure to foreign currencies which are not internationally traded and do not have a forward market for foreign investors. All currency transactions will be cash-settled in U.S. dollars. In certain less developed countries, NDFs may be relatively illiquid. The Fund will utilize NDFs only to the extent consistent with its overall restrictions on investments in illiquid securities in excess of 15% of the Fund's net assets.

**Foreign Currency Exchange Contracts:** The Fund may enter into foreign currency exchange contracts generally to attempt to protect securities and related receivables and payables against changes in future foreign exchange rates and, in certain situations, to gain exposure to a foreign currency. A foreign currency exchange 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 and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund 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. Risk may arise upon entering into these contracts from the potential inability of counter-parties to meet the terms of their contracts and is generally limited to the amount of unrealized gain on the contracts, if any, at the date of default. Risks may also arise from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. At December 31, 2008, the Fund did not have any outstanding foreign currency exchange contracts.

**Futures:** The Fund may purchase and sell futures contracts. Futures contracts provide for the sale by one party and purchase by another party of a specified amount of a specified security, index, instrument or basket of instruments. Futures contracts (secured by cash, government or other liquid securities deposited with brokers or custodians as "initial margin") are valued based upon their quoted daily settlement prices; changes in initial settlement value (represented by cash paid to or received from brokers

## Notes to Financial Statements (cont'd)

as “variation margin”) are accounted for as unrealized appreciation (depreciation). When futures contracts are closed, the difference between the opening value at the date of purchase and the value at closing is recorded as realized gains or losses in the Statement of Operations.

The Fund may use futures contracts in order to manage its exposure to the stock and bond markets, to hedge against unfavorable changes in the value of securities or to remain fully invested and to reduce transaction costs. Futures contracts involve market risk in excess of the amounts recognized in the Statement of Assets and Liabilities. Risks arise from the possible movements in security values underlying these instruments. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2008, the Fund did not have any outstanding futures contracts.

**Purchased & Written Options:** The Fund may write covered call and put options on portfolio securities and other financial instruments. Premiums are received and are recorded as liabilities. The liabilities are subsequently adjusted to reflect the current value of the options written. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the net realized gain or loss. By writing a covered call option, the Fund, in exchange for the premium, foregoes the opportunity for capital appreciation above the exercise price should the market price of the underlying security increase. By writing a put option, the Fund, in exchange for the premium, accepts the risk of having to purchase a security at an exercise price that is above the current market price.

The Fund may purchase call and put options on its securities or other financial instruments. The Fund may purchase call options to protect against an increase in the price of the security or financial instrument it anticipates purchasing. The Fund may purchase put options on securities which it holds or other financial instruments to protect against a decline in the value of the security or financial instrument or to close out covered written put

positions. Risks may arise from an imperfect correlation between the change in market value of the securities purchased or sold by the Fund and from the possible lack of a liquid secondary market for an option. The maximum exposure to loss for any purchased option is limited to the premium initially paid for the option.

At December 31, 2008, the Fund did not have any outstanding purchased or written options.

**Structured Notes:** Structured notes are derivatives on which the amount of principal repayment and/or interest payments is based upon the movement of one or more factors. These factors include, but are not limited to, currency exchange rates, interest rates (such as the prime lending rate and LIBOR) and stock indices such as the S&P 500 Index. In some cases, the impact of the movements of these factors may increase or decrease through the use of multipliers or deflators. The use of structured notes allows a Fund to tailor its investments to the specific risks and returns the Adviser wishes to accept while avoiding or reducing certain other risks.

**Over-the-Counter Trading:** Securities and other derivative instruments that may be purchased or sold by the Fund are expected to regularly consist of instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater, and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between bid and ask prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

4. **Restricted Securities:** The Fund may invest in unregistered or otherwise restricted securities. The term restricted securities refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. As a result, restricted securities may be more difficult to value and the Fund may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, the Fund, where it has contractual rights to do so, may have to cause such security

December 31, 2008

## Notes to Financial Statements (cont'd)

to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that the Fund could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. The Fund would, in either case, bear market risks during that period.

5. **New Accounting Pronouncement:** On March 19, 2008, Financial Accounting Standards Board ("FASB") released Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of SFAS 161 is required for fiscal years and interim periods beginning after November 15, 2008. At this time, management is evaluating the implications of SFAS 161 and its impact on the financial statements has not yet been determined.

6. **Fair Value Measurement:** The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), effective January 1, 2008. In accordance with SFAS 157, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments.

The inputs are summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2008 in valuing the Fund's investments carried at value:

<b>Valuation Inputs</b>	<b>Investments in Securities (000)</b>
Level 1 - Quoted Prices	\$ 35,812
Level 2 - Other Significant Observable Inputs	240,527
Level 3 - Significant Unobservable Inputs	—*
<b>Total</b>	<b>\$276,339</b>

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

	<b>Investments in Securities (000)</b>
<b>Balance as of 12/31/07</b>	<b>\$—*</b>
Accrued discounts/premiums	—
Realized gain (loss)	—
Change in unrealized appreciation (depreciation)	—
Net purchases (sales)	—
Net transfers in and/or out of Level 3	—
<b>Balance as of 12/31/08</b>	<b>\$—*</b>
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at 12/31/08.	\$—

\*Includes a security which is valued at zero.

## Notes to Financial Statements (cont'd)

7. **Other:** Security transactions are accounted for on the date the securities are purchased or sold. Investments in new Indian securities are made by making applications in the public offerings. The issue price, or a portion thereof, is paid at the time of application and reflected as share application money on the Statement of Assets and Liabilities. Upon allotment of the securities, this amount plus any remaining amount of issue price is recorded as cost of investments. Realized gains (losses) on the sale of investment securities are determined on the specific identified cost basis. Interest income is recognized on an accrual basis. Dividend income and distributions are recorded on the ex-dividend date (except certain dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes, if any.

**B. Investment Advisory Fees:** Morgan Stanley Investment Management Inc. (the "Adviser" or "MS Investment Management") provides investment advisory services to the Fund under the terms of an Investment Advisory and Management Agreement (the "Agreement"). Under the Agreement, the Adviser is paid a fee computed weekly and payable monthly at an annual rate of 1.10% of the Fund's average weekly net assets.

**C. Administration Fees:** MS Investment Management also serves as Administrator to the Fund pursuant to an Administration Agreement. Under the Administration Agreement, the administration fee is 0.08% of the Fund's average weekly net assets. MS Investment Management has agreed to limit the administration fee through a waiver so that it will be no greater than the previous administration fee of 0.02435% of the Fund's average weekly net assets plus \$24,000 per annum. This waiver is voluntary and may be terminated at any time. For the year ended December 31, 2008, approximately \$317,000 of administration fees were waived pursuant to this arrangement. Under a sub-administration agreement between the Administrator and JPMorgan Investor Services Co. ("JPMIS"), a corporate affiliate of JPMorgan Chase Bank, N.A., JPMIS provides certain administrative services to the Fund. For such services, the Administrator pays JPMIS a portion of the fee the Administrator receives from the Fund. Administration costs (including out-of-pocket expenses) incurred in the ordinary course of providing services under the administration agreement, except pricing services and extraordinary expenses, are covered under the administration fee.

Multiconsult, Ltd., whose registered office is in Mauritius, provides sub-administrative services to the Fund, including

maintaining certain Fund records and preparing certain periodic filings, under an agreement whereby Multiconsult is paid a fee of \$22,000 per annum.

**D. Custodian Fees:** JPMorgan Chase Bank, N.A. (the "Custodian") serves as Custodian for the Fund. The Custodian holds cash, securities, and other assets of the Fund as required by the 1940 Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

The Fund has entered into an arrangement with its Custodian whereby credits realized on uninvested cash balances were used to offset a portion of the Fund's expenses. These custodian credits are shown as "Expense Offset" on the Statement of Operations.

**E. Directors' Fees and Expenses:** Prior to April 1, 2008, the Fund paid each of its Mauritian Independent Directors an annual fee of \$10,000 and all other Independent Directors an annual fee of \$7,500. Additionally, each Mauritian Independent Director was paid a fee of \$750 for each Board Meeting attended. Effective April 1, 2008, the Directors of the Fund will receive an annual fee of \$15,000. There will no longer be a per meeting fee.

**E. Federal Income Taxes:** It is the Fund'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. Dividend income and distributions to stockholders are recorded on the ex-dividend date.

Effective October 1, 2004 there is no capital gains tax in India for long-term investments and the rate of capital gains tax for short-term investments is 10.455% for transactions conducted through a recognized stock exchange (the capital gains rates were 10.455% for long-term investments and 31.365% for short-term investments for the financial year April 1, 2004 to March 31, 2005). The Fund invests in India through a registered branch office established in Mauritius and, as a result, obtains the benefits under the double taxation treaty between Mauritius and India ("Treaty"). To obtain benefits under the Treaty, the Fund must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The Fund has obtained a tax residence certification from the Mauritian authorities and believes such certification is determinative of its resident status for Treaty purposes. A fund which is a tax resident in Mauritius under the Treaty but has no

## Notes to Financial Statements (cont'd)

branch or permanent establishment in India will not be subject to capital gains tax in India on the sale of securities, but is subject to a 15% (under Article 10 of the India-Mauritius tax treaty) withholding tax on dividends declared, distributed or paid by an Indian company prior to June 1, 1997 and for the period from April 1, 2002 through March 31, 2003. During the period June 1, 1997 through March 31, 2002 and after April 1, 2003, dividend income from Indian companies was exempt from Indian income tax. The Fund currently is subject to and accrues Indian withholding tax on interest earned on Indian securities at 20.91%. The Treaty benefits accorded to foreign investors were challenged by a non-governmental organization and the matter was litigated before India's Supreme Court (the highest court in India). In October 2003, India's Supreme Court upheld the validity of Treaty benefits accorded to foreign investors on the basis of a certificate of residence issued by Mauritian authorities (such as the one obtained by the Fund).

Financial Accounting Standards Board Interpretation No. 48 *Accounting for Uncertainty in Income Taxes (FIN 48)* sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other" expenses on the Statement of Operations. The Fund files tax returns with the U.S. Internal Revenue Service, New York and various states. Generally, each of the tax years in the four year period ended December 31, 2008, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown on the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal 2008 and 2007 was as follows:

2008 Distributions Paid From: (000)		2007 Distributions Paid From: (000)	
Ordinary Income	Long-term Capital Gain	Ordinary Income	Long-term Capital Gain
\$21,864	\$181,029	\$12,411	\$317,428

The amount and character of income and capital gain distributions to be paid by the Fund are determined in accordance with Federal income tax regulations, which may differ from U.S. generally accepted accounting principles. The book/tax differences are considered either temporary or permanent in nature.

Temporary differences are generally due to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions, net operating loss, basis adjustments on certain equity securities designated as issued by passive foreign investment companies and distribution redesignations, resulted in the following reclassifications among the components of net assets at December 31, 2008:

Increase (Decrease)		
Undistributed (Distributions in Excess of ) Net Investment Income (Loss) (000)	Accumulated Net Realized Gain (Loss) (000)	Paid-in Capital (000)
\$8,581	\$1,605	\$(10,186)

At December 31, 2008, the Fund had no distributable earnings on a tax basis.

At December 31, 2008, the U.S. Federal income tax cost basis of investments was approximately \$390,473,000 and, accordingly, net unrealized depreciation for U.S. Federal income tax purposes was \$114,134,000 of which \$19,516,000 related to appreciated securities and \$133,650,000 related to depreciated securities.

Net capital, currency and passive foreign investment company ("PFIC") losses incurred after October 31, and within the taxable year are deemed to arise on the first day of the Fund's next taxable year. For the year ended December 31, 2008, the Fund deferred to January 2, 2009, for U.S. Federal income tax purposes, capital and currency losses of approximately \$33,468,000 and \$77,000, respectively.

**F. Contractual Obligations:** The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the

December 31, 2008

## Notes to Financial Statements (cont'd)

Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### G. Security Transactions and Transactions with Affiliates:

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Money Market Portfolio, an open-end management investment company managed by the Adviser.

Investment Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of advisory and administration fees paid by the Morgan Stanley Institutional Liquidity Money Market Portfolio. For the year ended December 31, 2008, advisory fees paid were reduced by approximately \$11,000 relating to the Fund's investment in the Morgan Stanley Institutional Liquidity Money Market Portfolio.

A summary of the Fund's transactions in shares of the affiliated issuer during the year ended December 31, 2008 is as follows:

Market Value December 31, 2007 (000)	Purchases at Cost (000)	Sales Proceeds (000)	Dividend Income (000)	Market Value December 31, 2008 (000)
\$179,495	\$275,923	\$419,606	\$300	\$35,812

During the year ended December 31, 2008, the Fund made purchases and sales totaling approximately \$363,978,000 and \$584,297,000, respectively, of investment securities other than long-term U.S. Government securities and short-term investments. There were no purchases or sales of long-term U.S. Government securities.

During the year ended December 31, 2008, the Fund incurred approximately \$83,000 of brokerage commissions with Morgan Stanley & Co. Incorporated, an affiliated broker/dealer.

**H. Other:** Future economic and political developments in India could adversely affect the liquidity or value, or both, of securities in which the Fund is invested. In addition, the Fund's ability to hedge its currency risk is limited and accordingly, the Fund may be exposed to currency devaluation and other exchange rate fluctuations.

On August 10, 1998, the Fund commenced a share repurchase program for purposes of enhancing stockholder value and reducing the discount at which the Fund's shares trade from their net asset value. During the year ended December 31, 2008, the Fund repurchased 2,000 of its shares at an average discount of 2.31% from net asset value per share. Since the inception of the

program, the Fund has repurchased 8,941,882 of its shares at an average discount of 26.84% from net asset value per share. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Directors.

On December 12, 2008, the Officers of the Fund, pursuant to authority granted by the Directors, declared a distribution of \$1.7756 per share, derived from capital gains, payable on January 7, 2009, to stockholders of record on December 19, 2008.

**I. Supplemental Proxy Information (unaudited):** On June 19, 2008, an annual meeting of the Fund's stockholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Directors by all stockholders:

	For	Withhold
Gaetan Bouic	14,325,479	420,458
Ravindranath Santosh Kumar Hazareesing	14,330,470	415,468

## Notes to Financial Statements (cont'd)

### Federal Income Tax Information (unaudited)

For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during its taxable year ended December 31, 2008.

The Fund designated and paid approximately \$181,029,000 as long-term capital gain distribution.

For Federal income tax purposes, the following information is furnished with respect to the Fund's earnings for its taxable year ended December 31, 2008.

When distributed, certain earnings may be subject to a maximum tax rate of 15% as provided for the Jobs and Growth Tax Relief Reconciliation Act of 2004. The Fund designated up to a maximum of approximately \$2,000 as taxable at this lower rate.

For non-U.S. residents, the Fund may designate up to a maximum of approximately \$231,000 as qualifying as interest-related dividends. Additionally, the Fund may designate up to a maximum of approximately \$17,879,000 as qualifying as short-term capital gain dividends.

In January, the Fund provides tax information to stockholders for the preceding calendar year.

### For More Information About Portfolio Holdings (unaudited)

The Fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the Fund's second and fourth fiscal quarters. The semi-annual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. Morgan Stanley also delivers the semi-annual and annual reports to Fund stockholders and makes these reports available on its public website, [www.morganstanley.com/msim](http://www.morganstanley.com/msim). Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the Fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to stockholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, [www.sec.gov](http://www.sec.gov). You may also review and copy them at the SEC's public reference room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at 1(800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address ([publicinfo@sec.gov](mailto:publicinfo@sec.gov)) or by writing the public reference section of the SEC, Washington, DC 20549-0102.

In addition to filing a complete schedule of portfolio holdings with the SEC each fiscal quarter, the Fund makes portfolio holdings information available by periodically providing the information on its public website, [www.morganstanley.com/msim](http://www.morganstanley.com/msim).

The Fund provides a complete schedule of portfolio holdings on the public website on a calendar-quarter basis approximately 31 calendar days after the close of the calendar quarter. The Fund also provides Top 10 holdings information on the public website approximately 15 business days following the end of each month. You may obtain copies of the Fund's monthly or calendar-quarter website postings, by calling 1(800) 231-2608.

## Notes to Financial Statements (cont'd)

### **Proxy Voting Policy and Procedures and Proxy Voting Record (unaudited)**

A copy of (1) the Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities; and (2) how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, is available without charge, upon request, by calling 1 (800) 548-7786 or by visiting our website at [www.morganstanley.com/msim](http://www.morganstanley.com/msim). This information is also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

## Portfolio Management (unaudited)

The Fund is managed by members of the Emerging Markets Equity team. The team consists of portfolio managers and analysts. The current members of the team jointly and primarily responsible for the day-to-day management of the Fund's portfolio are James Cheng and Ruchir Sharma. Mr. Cheng is a Managing Director of the Sub-Adviser and Mr. Sharma is a Managing Director of the Adviser. Mr. Cheng has been associated with the Sub-Adviser in an investment management capacity since July 2006 and joined the team managing the Fund in February 2009. Prior to July 2006, Mr. Cheng worked in an investment management capacity at Invesco Asia Limited, Asia Strategic Investment Management Limited and Munich Re Asia Capital Management. Mr. Sharma has been associated with the Sub-Adviser in an investment management capacity since 1996 and joined the team managing the Fund in January 2001.

December 31, 2008


## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of  
Morgan Stanley India Investment Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Morgan Stanley India Investment Fund, Inc. (the "Fund"), including the portfolio of investments, as of December 31, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2008, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley India Investment Fund, Inc. at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

The signature of Ernst & Young LLP is written in a black, cursive script. The letters are fluid and connected, with a prominent 'E' and 'Y'.

Boston, Massachusetts  
February 25, 2009

## Dividend Reinvestment and Cash Purchase Plan (unaudited)

Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the “Plan”), each stockholder will be deemed to have elected, unless Computershare Trust Company, N.A. (the “Plan Agent”) is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested in Fund shares. Participants in the Plan have the option of making additional voluntary cash payments to the Plan Agent, annually, in any amount from \$100 to \$3,000, for investment in Fund shares.

Dividend and capital gain distributions will be reinvested on the reinvestment date in full and fractional shares. If the market price per share equals or exceeds net asset value per share on the reinvestment date, the Fund will issue shares to participants at net asset value or, if net asset value is less than 95% of the market price on the reinvestment date, shares will be issued at 95% of the market price. If net asset value exceeds the market price on the reinvestment date, participants will receive shares valued at market price. The Fund may purchase shares of its Common Stock in the open market in connection with dividend reinvestment requirements at the discretion of the Board of Directors. Should the Fund declare a dividend or capital gain distribution payable only in cash, the Plan Agent will purchase Fund shares for participants in the open market as agent for the participants.

The Plan Agent’s fees for the reinvestment of dividends and distributions will be paid by the Fund. However, each participant’s account will be charged a pro rata share of brokerage commissions incurred on any open market purchases effected on such participant’s behalf. A participant will also pay brokerage commissions incurred on purchases made by voluntary cash payments. Although stockholders in the Plan may receive no cash distributions, participation in the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder’s name and held for the account of beneficial owners who are participating in the Plan.

Stockholders who do not wish to have distributions automatically reinvested should notify the Plan Agent in writing. There is no penalty for non-participation or withdrawal from the Plan, and stockholders who have previously withdrawn from the Plan may rejoin at any time. Requests for additional information or any correspondence concerning the Plan should be directed to the Plan Agent at:

Morgan Stanley India Investment Fund, Inc.  
Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, Rhode Island 02940-3078  
1(800) 231-2608

# Morgan Stanley Institutional Closed End Funds

## An Important Notice Concerning Our U.S. Privacy Policy (unaudited)

We are required by federal law to provide you with a copy of our Privacy Policy annually.

The following Policy applies to current and former individual investors in Morgan Stanley Institutional closed end funds. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders. Please note that we may amend this Policy at any time, and will inform you of any changes to this Policy as required by law.

### We Respect Your Privacy

We appreciate that you have provided us with your personal financial information. We strive to maintain the privacy of such information while we help you achieve your financial objectives. This Policy describes what non-public personal information we collect about you, why we collect it, and when we may share it with others. We hope this Policy will help you understand how we collect and share non-public personal information that we gather about you. Throughout this Policy, we refer to the non-public information that personally identifies you or your accounts as “personal information.”

#### 1. What Personal Information Do We Collect About You?

To serve you better and manage our business, it is important that we collect and maintain accurate information about you. We may obtain this information from applications and other forms you submit to us, from your dealings with us, from consumer reporting agencies, from our Web sites and from third parties and other sources.

For example:

- We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.
- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.
- If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer's operating system and Web browser, your use of our Web sites and your product and service preferences, through the use of “cookies.” “Cookies” recognize your computer each time you return to one of our sites, and help to improve our sites' content and personalize your experience on our sites by, for example, suggesting offerings that may interest you. Please consult the Terms of Use of these sites for more details on our use of cookies.

#### 2. When Do We Disclose Personal Information We Collect About You?

To provide you with the products and services you request, to serve you better and to manage our business, we may disclose personal information we collect about you to our affiliated companies and to non-affiliated third parties as required or permitted by law.

**A. Information We Disclose to Our Affiliated Companies.** We do not disclose personal information that we collect about you to our affiliated companies except to enable them to provide services on our behalf or as otherwise required or permitted by law.

## Morgan Stanley Institutional Closed End Funds

### An Important Notice Concerning Our U.S. Privacy Policy (cont'd)

**B. Information We Disclose to Third Parties.** We do not disclose personal information that we collect about you to non-affiliated third parties except to enable them to provide services on our behalf, to perform joint marketing agreements with other financial institutions, or as otherwise required or permitted by law. For example, some instances where we may disclose information about you to nonaffiliated third parties include: for servicing and processing transactions, to offer our own products and services, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information with these companies, they are required to limit their use of personal information to the particular purpose for which it was shared and they are not allowed to share personal information with others except to fulfill that limited purpose.

#### **3. How Do We Protect the Security and Confidentiality of Personal Information We Collect About You?**

We maintain physical, electronic and procedural security measures to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information. Third parties that provide support or marketing services on our behalf may also receive personal information, and we require them to adhere to confidentiality standards with respect to such information.

December 31, 2008

## Director and Officer Information (unaudited)

### Independent Directors:

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Directors
Gaetan Bouic (74) Les Jamalacs Building 2nd Floor Vieux Conseil Street Port Louis, Mauritius	Chairman of the Board and Director	Since 2001	Finance Manager of United Basalt Products Ltd. (manufacturing company) (retired December 2002).	1	Director of Swiss Technology Venture Capital Fund (Private) Ltd.; CDC Financial Services (Mauritius) Ltd.; Cim Foreign Equity Fund Ltd. (commercial property fund); Aureos Capital Ltd. (private equity fund); CDC-PTL Holdings Ltd (investment firm).
M.J. Marcel Vivian Descroizilles (60) Les Jamalacs Building 2nd Floor Vieux Conseil Street Port Louis, Mauritius	Director	Since 2006	Managing Director of Société du Port [Rogers Group] (June to November 2006) Consultant, Total Outre Mer SA Paris (January to May 2006); formerly Managing Director and General Manager of ESSO Mauritius Ltd., affiliate of ExxonMobil Corp. (1996 to 2005); Finance Manager, Marketing Manager and Senior Internal Auditor for the Royal Dutch Shell Group of Companies (oil company) (1976 to 1996).	1	Independent director on a number of companies, including publicly quoted Roger & Co. Ltd.
Joseph J. Kearns (66) c/o Kearns & Associates LLC PMB754 23852 Pacific Coast Highway Malibu, CA 90265	Director	Since August 1994	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 2003) and Institutional Funds (since August 1994); formerly Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly, CFO of the J. Paul Getty Trust.	164	Director of Electro Rent Corporation (equipment leasing) and The Ford Family Foundation.
Ravindranath Santosh Kumar Hazareensing (58) Morcellement St. Andrews-Rose Hill, Mauritius	Director	Since 2003	Self-employed Management Consultant.	1	None.
Fergus Reid (76) c/o Lumelite Plastics Corporation 85 Charles Coleman Blvd. Pawling, NY 12564	Director	Since June 1992	Chairman, Lumelite Plastics Corporation; Chairperson of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and Institutional Funds (since June 1992).	164	Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by JP Morgan Investment Management Inc.

December 31, 2008

## Director and Officer Information (cont'd)

### Interested Directors:

Name, Age and Address of Interested Director	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Interested Director**	Other Directorships Held by Interested Director
Randy Takian (34) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Director, President and Principal Executive Officer	Since September 2008	President and Principal Executive Officer (since September 2008) of funds in the Fund Complex; President and Chief Executive Officer of Morgan Stanley Services Company Inc. (since September 2008). President of Morgan Stanley Investment Advisors Inc. (since July 2008). Head of the Retail and Intermediary business within Morgan Stanley Investment Management (since July 2008). Head of Liquidity and Bank Trust business (since July 2008) and the Latin American franchise (since July 2008) at Morgan Stanley Investment Management. Managing Director, Director and/or Officer of the Adviser and various entities affiliated with the Adviser. Formerly, Head of Strategy and Product Development for the Alternatives Group and Senior Loan Investment Management. Formerly with Bank of America (July 1996-March 2006), most recently as Head of the Strategy, Mergers and Acquisitions team for Global Wealth and Investment Management.	1	None.

\* This is the earliest date the Director began serving the Retail Funds or Institutional Funds. Each Director serves an indefinite term, until his or her successor is elected.

\*\* The Fund Complex includes all funds advised by Morgan Stanley Investment Management Inc. ("MSIM") that have an investment advisor that is an affiliated entity of MSIM (including but not limited to, Morgan Stanley Investment Advisors Inc. ("MSIA") and Morgan Stanley AIP GP LP). The Retail Funds are those funds advised by MSIA. The Institutional Funds are certain U.S. registered funds advised by MSIM and Morgan Stanley AIP GP LP.

December 31, 2008

## Director and Officer Information (cont'd)

### Executive Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years
Randy Takian (34) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer	Since September 2008	President and Principal Executive Officer (since September 2008) of funds in the Fund Complex; President and Chief Executive Officer of Morgan Stanley Services Company Inc. (since September 2008). President of Morgan Stanley Investment Advisors Inc. (since July 2008). Head of the Retail and Intermediary business within Morgan Stanley Investment Management (since July 2008). Head of Liquidity and Bank Trust business (since July 2008) and the Latin American franchise (since July 2008) at Morgan Stanley Investment Management. Managing Director, Director and/or Officer of the Adviser and various entities affiliated with the Adviser. Formerly, Head of Strategy and Product Development for the Alternatives Group and Senior Loan Investment Management. Formerly with Bank of America (July 1996-March 2006), most recently as Head of the Strategy, Mergers and Acquisitions team for Global Wealth and Investment Management.
Kevin Klingert (46) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Vice President	Since June 2008	Global Head, Chief Operating Officer and acting Chief Investment Officer of the Global Fixed Income Group of the Adviser and Morgan Stanley Investment Advisors Inc. (since April 2008). Head of Global Liquidity Portfolio Management and co-Head of Liquidity Credit Research of Morgan Stanley Investment Management (since December 2007). Managing Director of the Adviser and Morgan Stanley Investment Advisors Inc. (since December 2007). Previously, Managing Director on the Management Committee and head of Municipal Portfolio Management and Liquidity at BlackRock (October 1991 to January 2007).
Amy R. Doberman (46) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Vice President	Since July 2004	Managing Director of Morgan Stanley Investment Management (since July 2004); Vice President of the Retail Funds and Institutional Funds (since July 2004); Vice President of the Van Kampen Funds (since August 2004); Secretary (since February 2006) and Managing Director (since July 2004) of the Adviser and various entities affiliated with the Adviser. Formerly, Managing Director and General Counsel — Americas, UBS Global Asset Management (July 2000-July 2004).
Carsten Otto (45) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Chief Compliance Officer	Since October 2004	Managing Director and Global Head of Compliance for Morgan Stanley Investment Management (since April 2007) and Chief Compliance Officer of the Retail Funds and Institutional Funds (since October 2004). Formerly, U.S. Director of Compliance (October 2004-April 2007) and Assistant Secretary and Assistant General Counsel of the Retail Funds.
Stefanie V. Chang Yu (42) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Vice President	Since December 1997	Managing Director of the Adviser and various entities affiliated with the Adviser; Vice President of the Retail Funds (since July 2002) and Institutional Funds (since December 1997). Formerly, Secretary of various entities affiliated with the Adviser.
Mary E. Mullin (41) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Secretary	Since June 1999	Executive Director of the Adviser and various entities affiliated with the Adviser; Secretary of the Retail Funds (since July 2003) and Institutional Funds (since June 1999).

December 31, 2008

## Director and Officer Information (cont'd)

### Executive Officers (cont'd):

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years
James W. Garrett (40) Morgan Stanley Investment Management Inc. 522 Fifth Avenue New York, NY 10036	Treasurer and Chief Financial Officer	Treasurer since February 2002 and Chief Financial Officer since July 2003	Head of Global Fund Administration; Managing Director of the Adviser and various entities affiliated with the Adviser; Treasurer and Chief Financial Officer of the Institutional Funds.

\* This is the earliest date the Officer began serving the Retail Funds or Institutional Funds. Each Officer serves an indefinite term, until his or her successor is elected.

In accordance with Section 303A. 12(a) of the New York Stock Exchange Listed Company Manual, the Fund's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on October 3, 2008.

The Fund's Principal Executive Officer and Principal Financial Officer Certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Fund's N-CSR and are available on the Securities and Exchange Commission's Website at <http://www.sec.gov>.

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