

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST

Form N-30D

January 24, 2003

Morgan Stanley Municipal Income Opportunities Trust  
LETTER TO THE SHAREHOLDERS - NOVEMBER 30, 2002

Dear Shareholder:

During the six months ended November 30, 2002, U.S. economic indicators fluctuated between stronger and weaker growth. The economy continued to recover from recession and the aftermath of September 11. Real gross domestic product (GDP) accelerated to an annual growth rate of 5.0 percent in the first quarter of 2002. In the spring, the economy began to send mixed signals and the recovery lost momentum. Weakness in manufacturing and capital spending combined with corporate-accounting scandals and geopolitical turmoil to slow GDP to a 1.3 percent annual growth rate in the second quarter. The strongest consumer spending of the year and the restocking of inventories led to 4.0 percent annual GDP growth in the third quarter. The choppiness in the recovery pattern is expected to continue.

As the economy gained strength in the first few months of 2002, a general consensus developed that the Federal Reserve Board would begin to tighten monetary policy and raise short-term interest rates. The bond market reacted to these concerns in March and yields rose. By late spring, however, the consensus shifted to favoring bonds as labor market and capital-spending indicators remained soft and new disclosures on corporate ethics spurred a flight to quality. Most importantly, the Federal Reserve changed its monetary policy bias from neutral toward one of easing. The market's expectations of eventual rate hikes were scaled back and bonds rallied. A mid-October surge in the equity markets created a downdraft in bonds, but renewed concerns about the economy helped bond prices improve by month-end. On November 6, 2002, the Federal Reserve lowered the federal funds rate from 1.75 to 1.25 percent. This marked the first change by the central bank in nearly one year.

#### Municipal Market Conditions

The economic environment and unsettled equity markets lowered municipal yields to levels last seen in the 1960s. During the first 11 months of 2002, the yield on the 30-year insured municipal bond index ranged from a high of 5.43 percent in March to a low of 4.74 percent in September. The index yield stood at 5.10 percent at the end of November 2002. Throughout this period, the yield spread between BBB-rated general obligation bonds and AAA-rated bonds provided an average of 80 basis points of additional yield. At the end of November, more than 60 percent of Morgan Stanley Municipal Income Opportunities Trust's holdings were below low investment grade or nonrated.

The ratio of municipal yields as a percentage of U.S. Treasury yields is used as a gauge of the relative value of municipals. A rising yield ratio indicates weaker relative performance by

Morgan Stanley Municipal Income Opportunities Trust  
LETTER TO THE SHAREHOLDERS - NOVEMBER 30, 2002 continued

municipals. The ratio of 30-year insured municipal bond yields to 30-year Treasuries fell from 98 percent in December 2001 to 94 percent in March. As municipals lagged the summer rally in Treasuries, the ratio jumped to 102 percent in September. The ratio remained above 100 percent during October and November. These levels imply that municipals are cheap relative to Treasuries.

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|      | Insured<br>Municipal<br>Yields | U.S.<br>Treasury<br>Yields | Insured Municipal<br>Yields/U.S. Treasury<br>Yields (Ratio) |       |
|------|--------------------------------|----------------------------|---|-------|
| 1997 | 5.60%                          | 6.63%                      | 84.46%  |       |
|      | 5.70                           | 6.79                       | 83.95   |       |
|      | 5.65                           | 6.80                       | 83.09   |       |
|      | 5.90                           | 7.10                       | 83.10   |       |
|      | 5.75                           | 6.94                       | 82.85   |       |
|      | 5.65                           | 6.91                       | 81.77   |       |
|      | 5.60                           | 6.78                       | 82.60   |       |
|      | 5.25                           | 6.29                       | 83.47   |       |
|      | 5.48                           | 6.61                       | 82.90   |       |
|      | 5.40                           | 6.40                       | 84.38   |       |
|      | 5.35                           | 6.15                       | 86.99   |       |
|      | 5.30                           | 6.05                       | 87.60   |       |
|      | 5.15                           | 5.92                       | 86.99   |       |
|      | 1998                           | 5.15                       | 5.80  | 88.79 |
| 5.20 |                                | 5.92                       | 87.84   |       |
| 5.25 |                                | 5.93                       | 88.53   |       |
| 5.35 |                                | 5.95                       | 89.92   |       |
| 5.20 |                                | 5.80                       | 89.66   |       |
| 5.20 |                                | 5.65                       | 92.04   |       |
| 5.18 |                                | 5.71                       | 90.72   |       |
| 5.03 |                                | 5.27                       | 95.45   |       |
| 4.95 |                                | 5.00                       | 99.00   |       |
| 5.05 |                                | 5.16                       | 97.87   |       |
| 5.00 |                                | 5.06                       | 98.81   |       |
| 5.05 |                                | 5.10                       | 99.02   |       |
| 1999 |                                | 5.00                       | 5.09  | 98.23 |
|      |                                | 5.10                       | 5.58  | 91.40 |
|      | 5.15                           | 5.63                       | 91.47   |       |
|      | 5.20                           | 5.66                       | 91.87   |       |
|      | 5.30                           | 5.83                       | 90.91   |       |
|      | 5.47                           | 5.96                       | 91.78   |       |
|      | 5.55                           | 6.10                       | 90.98   |       |
|      | 5.75                           | 6.06                       | 94.88   |       |
|      | 5.85                           | 6.05                       | 96.69   |       |
|      | 6.03                           | 6.16                       | 97.89   |       |
|      | 6.00                           | 6.29                       | 95.39   |       |
|      | 5.97                           | 6.48                       | 92.13   |       |
|      | 2000                           | 6.18                       | 6.49  | 95.22 |
|      |                                | 6.04                       | 6.14  | 98.37 |
| 5.82 |                                | 5.83                       | 99.83   |       |
| 5.91 |                                | 5.96                       | 99.16   |       |
| 5.91 |                                | 6.01                       | 98.34   |       |
| 5.84 |                                | 5.90                       | 98.98   |       |
| 5.73 |                                | 5.78                       | 99.13   |       |
| 5.62 |                                | 5.67                       | 99.12   |       |
| 5.74 |                                | 5.89                       | 97.45   |       |
| 5.65 |                                | 5.79                       | 97.58   |       |
| 5.55 |                                | 5.61                       | 98.93   |       |
| 5.27 |                                | 5.46                       | 96.52   |       |
| 2001 |                                | 5.30                       | 5.50  | 96.36 |
|      |                                | 5.27                       | 5.31  | 99.25 |
|      | 5.26                           | 5.44                       | 96.69   |       |
|      | 5.45                           | 5.79                       | 94.13   |       |
|      | 5.40                           | 5.75                       | 93.91   |       |
|      | 5.35                           | 5.76                       | 92.88   |       |
|      | 5.16                           | 5.52                       | 93.48   |       |
|      | 5.07                           | 5.37                       | 94.41   |       |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|      |      |      |        |
|------|------|------|--------|
|      | 5.20 | 5.42 | 95.94  |
|      | 5.04 | 4.87 | 103.49 |
|      | 5.17 | 5.29 | 97.73  |
|      | 5.36 | 5.47 | 97.99  |
| 2002 | 5.22 | 5.43 | 96.13  |
|      | 5.14 | 5.42 | 94.83  |
|      | 5.43 | 5.80 | 93.62  |
|      | 5.30 | 5.59 | 94.81  |
|      | 5.29 | 5.62 | 94.13  |
|      | 5.27 | 5.51 | 95.64  |
|      | 5.12 | 5.30 | 96.60  |
|      | 5.00 | 4.93 | 101.42 |
|      | 4.74 | 4.67 | 101.50 |
|      | 5.01 | 4.99 | 100.40 |
|      | 5.10 | 5.04 | 101.19 |

Source: Municipal Market Data - A Division of Thomson Financial Municipal Group and Bloomberg L.P.

State and local governments took advantage of lower interest rates to refinance outstanding debt in a manner similar to homeowners refinancing their mortgages. Refinancing activity contributed to a surge in municipal bond underwriting, and long-term volume increased 27 percent to a record \$328 billion in the first eleven months of 2002. Refunding issues represented almost one-quarter of the total. Issuance is on track to raise calendar year 2002's volume to \$350 billion. In California, volume surged after the California Department of Water Resources sold \$6.3 billion of bonds to reimburse the state for electric purchases made during the 2001 power crisis. This was the largest issue in municipal market history and increased California's share of national volume

2

Morgan Stanley Municipal Income Opportunities Trust  
LETTER TO THE SHAREHOLDERS - NOVEMBER 30, 2002 continued

to 14 percent. Florida, New York and Texas, the next largest states in terms of issuance, represented an additional 27 percent of the national total.

#### Performance

During the six-month period ended November 30, 2002, the net asset value (NAV) of Morgan Stanley Municipal Income Opportunities Trust (OIA) decreased from \$7.88 to \$7.82 per share. Based on this change, plus a reinvestment of tax-free dividends totaling \$0.28 per share, the Fund's total NAV return was 2.76 percent. OIA's value on the New York Stock Exchange (NYSE) decreased from \$8.08 to \$7.38 per share during this period. Based on this change plus reinvestment of tax-free dividends, OIA's total market return was -5.42 percent. As of November 30, 2002, OIA's share price was at a 5.63 percent discount to its NAV.

Monthly dividends for the fourth quarter of 2002 were declared in September. Beginning with the October payment, the monthly dividend was decreased from \$0.0475 to \$0.045 per share. The new dividend reflects the level of the Fund's undistributed net investment income and projected earnings power. The Fund's level of undistributed net investment income was \$0.077 per share on November 30, 2002, versus \$0.085 per share six months earlier.

#### Portfolio Structure

The Fund's net assets of \$163.3 million were diversified among 11 long-term sectors and 70 credits. At the end of November, the portfolio's average maturity was 18 years. Average duration, a measure of sensitivity to interest-rate changes, was 7.4 years. Three credits, representing 3 percent of net assets,

were accruing income but may have difficulty with near term debt service payments. The accompanying charts provide current information on the portfolio's credit ratings, maturity distribution and sector concentrations. Optional call provisions by year and their respective cost (book) yields are also shown.

Looking Ahead

The Federal Reserve Board's cautious approach toward assuring economic recovery helped stabilize the fixed-income markets earlier this year. In fact, the Fed's current willingness to be accommodative resulted in a major bond rally during the second and third calendar quarters. We believe that the yields on tax-exempt securities continue to favor municipal bonds as an attractive choice for tax-conscious investors. For many investors, the taxable equivalent yields available on municipal bonds may offer a significant advantage.

3

Morgan Stanley Municipal Income Opportunities Trust  
LETTER TO THE SHAREHOLDERS - NOVEMBER 30, 2002 continued

The Fund's procedure for reinvestment of all dividends and distributions on common shares is through purchases in the open market. This method helps support the market value of the Fund's shares. In addition, we would like to remind you that the Trustees have approved a procedure whereby the Fund may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of purchase.

We appreciate your ongoing support of Morgan Stanley Municipal Income Opportunities Trust and look forward to continuing to serve your investment needs.

Very truly yours,

/s/ CHARLES A. FIUMEFREDDO  
Charles A. Fiumefreddo  
Chairman of the Board

/s/ MITCHELL M. MERIN  
Mitchell M. Merin  
President and CEO

4

Morgan Stanley Municipal Income Opportunities Trust  
LETTER TO THE SHAREHOLDERS - NOVEMBER 30, 2002 continued

[LARGEST SECTORS BAR GRAPH]

LARGEST SECTORS AS OF NOVEMBER 30, 2002  
(% OF NET ASSETS)

|                                     |     |
|-------------------------------------|-----|
| IDR/PCR*                            | 16% |
| MORTGAGE                            | 16% |
| HOSPITAL                            | 15% |
| NURSING & HEALTH RELATED FACILITIES | 13% |
| RETIREMENT & LIFE CARE FACILITIES   | 10% |
| TAX ALLOCATION                      | 9%  |
| RECREATIONAL FACILITIES             | 8%  |
| TRANSPORTATION                      | 5%  |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

\* INDUSTRIAL DEVELOPMENT/POLLUTION CONTROL REVENUE

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

[CREDIT RATINGS PIE CHART]

CREDIT RATINGS AS OF NOVEMBER 30, 2002  
 (% OF LONG-TERM PORTFOLIO)

|            |     |
|------------|-----|
| Aaa or AAA | 4%  |
| Aa or AA   | 10% |
| A or A     | 5%  |
| Baa or BBB | 20% |
| Ba or BB   | 7%  |
| NR         | 54% |

AS MEASURED BY MOODY'S INVESTORS SERVICE, INC. OR STANDARD & POOR'S CORP.

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

[DISTRIBUTION BY MATURITY BAR GRAPH]

DISTRIBUTION BY MATURITY  
 (% OF LONG-TERM PORTFOLIO)

WEIGHTED AVERAGE  
 MATURITY: 18 YEARS

|             |       |
|-------------|-------|
| 1-5 Years   | 0.4%  |
| 5-10 Years  | 20.8% |
| 10-15 Years | 16.2% |
| 15-20 Years | 20.5% |
| 20-30 Years | 38.5% |
| 30+ Years   | 3.6%  |

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

5

Morgan Stanley Municipal Income Opportunities Trust  
 LETTER TO THE SHAREHOLDERS - NOVEMBER 30, 2002 continued

CALL AND COST (BOOK) YIELD STRUCTURE  
 (BASED ON LONG-TERM PORTFOLIO)  
 NOVEMBER 30, 2002

WEIGHTED AVERAGE  
 CALL PROTECTION: 7 YEARS

PERCENT CALLABLE

|      |       |
|------|-------|
| 2003 | 10.0% |
| 2004 | 6.0%  |
| 2005 | 10.0% |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|       |       |
|-------|-------|
| 2006  | 6.0%  |
| 2007  | 3.0%  |
| 2008  | 14.0% |
| 2009  | 11.0% |
| 2010  | 9.0%  |
| 2011  | 9.0%  |
| 2012+ | 22.0% |

WEIGHTED AVERAGE  
BOOK YIELD: 7.5%

COST (BOOK) YIELD\*

|       |      |
|-------|------|
| 2003  | 9.4% |
| 2004  | 9.7% |
| 2005  | 6.7% |
| 2006  | 7.2% |
| 2007  | 5.9% |
| 2008  | 6.5% |
| 2009  | 6.5% |
| 2010  | 7.1% |
| 2011  | 6.9% |
| 2012+ | 8.0% |

COST OR "BOOK" YIELD IS THE ANNUAL INCOME EARNED ON A PORTFOLIO INVESTMENT BASED ON ITS ORIGINAL PURCHASE PRICE BEFORE FUND OPERATING EXPENSES. FOR EXAMPLE, THE FUND IS EARNING A BOOK YIELD OF 9.4% ON 10% OF THE LONG-TERM PORTFOLIO THAT IS CALLABLE IN 2003.

PORTFOLIO STRUCTURE IS SUBJECT TO CHANGE.

6

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - NOVEMBER 30, 2002 (UNAUDITED)

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE |                     |
|-------------------------------------|--|----------------|------------------|---------------------|
|                                     | Tax-Exempt Municipal Bonds (94.4%)   |                |                  |                     |
|                                     | Educational Facilities Revenue (1.3%)  |                |                  |                     |
| \$ 1,500                            | ABAG Finance Authority for Nonprofit Corporations,<br>California, National Center for International Schools<br>COPs..... | 7.50%          | 05/01/11         | \$ 1                |
| 500                                 | San Diego County, California, The Burnham Institute<br>COPs.....   | 6.25           | 09/01/29         |                     |
| -----<br>2,000<br>-----             |  |                |                  | -----<br>2<br>----- |
|                                     | Hospital Revenue (14.8%)   |                |                  |                     |
| 2,000                               | Baxter County, Arkansas, Baxter County Regional Hospital<br>Impr & Refg Ser 1999 B.....                                  | 5.625          | 09/01/28         | 1                   |
| 2,000                               | Hawaii Department of Budget & Finance, Kuakini Health 2002<br>Ser A.....   | 6.375          | 07/01/32         | 1                   |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|        |  |        |          |       |
|--------|--|--------|----------|-------|
| 1,000  | Illinois Health Facilities Authority, Riverside Health Ser 2000.....   | 6.85   | 11/15/29 | 1     |
| 2,000  | Indiana Health Facility Financing Authority, Riverview Hospital Ser 2002.....  | 6.125  | 08/01/31 | 1     |
| 2,000  | Kentucky Economic Development Finance Authority, Appalachian Regional Healthcare Inc Refg & Impr Ser 1997.....                 | 5.875  | 10/01/22 | 1     |
| 2,000  | Maryland Health & Higher Educational Facilities Authority, University of Maryland Medical Ser 2000.....                        | 6.75   | 07/01/30 | 2     |
| 2,000  | Massachusetts Health & Educational Facilities Authority, Dana Farber Cancer Institute Ser G-1.....                             | 6.25   | 12/01/14 | 2     |
| 3,000  | Dana Farber Cancer Institute Ser G-1.....  | 6.25   | 12/01/22 | 3     |
| 3,000  | Henderson, Nevada, Catholic Health West 1998 Ser A.....  | 5.375  | 07/01/26 | 2     |
| 1,500  | New Hampshire Higher Educational & Health Facilities Authority, Littleton Hospital Association Ser 1998 A....                  | 6.00   | 05/01/28 | 1     |
| 2,000  | New Jersey Health Care Facilities Financing Authority, Raritan Bay Medical Center Ser 1994.....                                | 7.25   | 07/01/27 | 2     |
| 1,330  | Nassau County Industrial Development Agency, New York, North Shore Health Ser B.....   | 5.875  | 11/01/11 | 1     |
| 1,000  | Knox County Health, Educational & Housing Facility Board, Tennessee, Baptist Health of East Tennessee Ser 2002....             | 6.50   | 04/15/31 | 1     |
| -----  |  |        |          | ----- |
| 24,830 |  |        |          | 24    |
| -----  |  |        |          | ----- |
|        | Industrial Development/Pollution Control Revenue (15.9%)   |        |          |       |
| 2,000  | Los Angeles, California, American Airlines Inc Terminal 4 Ser 2002 C (AMT).....  | 7.50   | 12/01/24 | 1     |
| 360    | Metropolitan Washington Airports Authority, District of Columbia & Virginia, CaterAir International Corp Ser 1991 (AMT)++..... | 10.125 | 09/01/11 |       |
| 2,000  | Chicago, Illinois, Chicago O'Hare Int'l Airport/United Airlines Inc Refg Ser 2001 C (c).....                                   | 6.30   | 05/01/16 |       |
| 1,500  | Iowa Finance Authority, IPSCO Inc Ser 1997 (AMT).....  | 6.00   | 06/01/27 | 1     |
| 561    | Michigan Strategic Fund, Kasle Steel Corp Ser 1989 (AMT).....  | 9.375  | 10/01/06 |       |
| 1,500  | Dayton, Ohio, Emery Air Freight Corp Refg Ser 1998 A.....  | 5.625  | 02/01/18 | 1     |

See Notes to Financial Statements

7

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

| PRINCIPAL AMOUNT IN THOUSANDS |   | COUPON RATE | MATURITY DATE |    |
|-------------------------------|---|-------------|---------------|----|
| \$ 650                        | Zanesville-Muskingum County Port Authority, Ohio, Anchor Glass Container Corp Ser 1989 B (AMT).....           | 10.25%      | 12/01/08      | \$ |
| 2,000                         | Beaver County Industrial Development Authority, Pennsylvania, Toledo Edison Co Collateralized Ser 1995 B..... | 7.75        | 05/01/20      | 2  |
| 4,000                         | Carbon County Industrial Development Authority, Pennsylvania, Panther Creek Partners Refg 2000 Ser (AMT)..... | 6.65        | 05/01/10      | 4  |
| 3,825                         | Lexington County, South Carolina, Ellett Brothers Inc Refg Ser 1988.....                                      | 7.50        | 09/01/08      | 3  |
| 1,000                         | Brazos River Authority, Texas, TXU Electric Co Refg Ser   |             |               |    |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|        |   |       |          |       |
|--------|---|-------|----------|-------|
|        | 2001 C (AMT).....   | 5.75  | 05/01/36 |       |
| 1,000  | Chesterfield County Industrial Development Authority,<br>Virginia, Virginia Electric & Power Co Ser 1985..... | 5.50  | 10/01/09 | 1     |
|        | Pittsylvania County Industrial Development Authority,<br>Virginia,  |       |          |       |
| 4,500  | Multi-Trade of Pittsylvania County Ser 1994 A (AMT).....  | 7.45  | 01/01/09 | 4     |
| 1,500  | Multi-Trade of Pittsylvania County Ser 1994 A (AMT).....  | 7.50  | 01/01/14 | 1     |
| 2,000  | Upshur County, West Virginia, TJ International Inc Ser<br>1995 (AMT).....                                     | 7.00  | 07/15/25 | 2     |
| -----  |   |       |          | ----- |
| 28,396 |   |       |          | 25    |
| -----  |   |       |          | ----- |
|        | Mortgage Revenue -- Multi-Family (6.8%)   |       |          |       |
|        | Washington County Housing & Redevelopment Authority,<br>Minnesota,  |       |          |       |
| 3,885  | Courtly Park Ser 1989 A.....  | 9.75  | 06/15/19 | 3     |
| 1,165  | Courtly Park Ser 1989 A (AMT).....  | 10.25 | 06/15/19 |       |
| 24,080 | Courtly Park Ser 1989 B.....  | 0.00  | 06/15/19 |       |
| 8,678  | Courtly Park Ser 1989 B (AMT).....  | 0.00  | 06/15/19 |       |
|        | White Bear Lake, Minnesota,   |       |          |       |
| 3,715  | White Bear Woods Apts Phase II Refg 1989 Ser A.....   | 9.75  | 06/15/19 | 3     |
| 19,812 | White Bear Woods Apts Phase II Refg 1989 Ser B.....   | 0.00  | 06/15/19 |       |
| 3,000  | Brookhaven Industrial Development Agency, New York,<br>Woodcrest Estates Ser 1998 A (AMT).....                | 6.375 | 12/01/37 | 2     |
| -----  |   |       |          | ----- |
| 64,335 |   |       |          | 11    |
| -----  |   |       |          | ----- |
|        | Mortgage Revenue -- Single Family (9.6%)  |       |          |       |
|        | Colorado Housing & Finance Authority,   |       |          |       |
| 645    | 1996 Ser B (AMT).....   | 7.65  | 11/01/26 |       |
| 2,265  | Ser 1998 D-2 (AMT).....   | 6.35  | 11/01/29 | 2     |
| 41,925 | New Hampshire Housing Finance Authority, Residential 1983<br>Ser B.....                                       | 0.00  | 01/01/15 | 12    |
| -----  |   |       |          | ----- |
| 44,835 |   |       |          | 15    |
| -----  |   |       |          | ----- |
|        | Nursing & Health Related Facilities Revenue (12.7%)   |       |          |       |
|        | Escambia County, Florida,   |       |          |       |
| 6,475  | Pensacola Care Development Centers Ser 1989.....  | 10.25 | 07/01/11 | 6     |
| 1,485  | Pensacola Care Development Centers Ser 1989 A.....  | 10.25 | 07/01/11 | 1     |
| 1,000  | Orange County Health Facilities Authority, Florida,<br>Westminister Community Care Services Inc Ser 1999..... | 6.75  | 04/01/34 |       |

See Notes to Financial Statements

8

Morgan Stanley Municipal Income Opportunities Trust  
PORTFOLIO OF INVESTMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |   | COUPON<br>RATE | MATURITY<br>DATE |      |
|-------------------------------------|---|----------------|------------------|------|
| \$ 2,000                            | Iowa Health Facilities Development Financing Authority,<br>Care Initiatives Ser 1996..... | 9.25%          | 07/01/25         | \$ 2 |
| 2,330                               | Jefferson County, Kentucky, AHF/Kentucky-Iowa Inc Ser<br>1990**.....                      | 10.25          | 01/01/20         | 1    |
| 1,400                               | Westside Habilitation Center, Louisiana, Intermediate Care                                |                |                  |      |



Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|        |  |       |          |       |
|--------|--|-------|----------|-------|
| 1,900  | Facility for the Mentally Retarded Refg Ser 1993.....      | 8.375 | 10/01/13 | 1     |
|        | Massachusetts Development Finance Agency, New England      |       |          |       |
| 1,000  | Center for Children Ser 1998.....                          | 5.875 | 11/01/18 | 1     |
|        | Massachusetts Health & Educational Facilities Authority,   |       |          |       |
| 1,040  | The Learning Center for Deaf Children Ser C.....           | 6.125 | 07/01/29 |       |
|        | Mount Vernon Industrial Development Agency, New York,      |       |          |       |
|        | Meadowview at the Wartburg Ser 1999.....                   | 6.00  | 06/01/09 | 1     |
| 3,686  | Kirbyville Health Facilities Development Authority, Texas, |       |          |       |
| 642    | Heartway III Corp Ser 1998 A.....                          | 10.00 | 03/20/18 | 3     |
|        | Heartway III Corp Ser 1998 B (a).....                      | 6.00  | 03/20/04 |       |
| -----  |  |       |          | ----- |
| 22,958 |  |       |          | 20    |
| -----  |  |       |          | ----- |
|        | Recreational Facilities Revenue (7.9%)                     |       |          |       |
| 2,000  | Sacramento Financing Authority, California, Convention     |       |          |       |
|        | Center Hotel 1999 Ser A.....                               | 6.25  | 01/01/30 | 1     |
| 1,000  | San Diego County, California, San Diego Natural History    |       |          |       |
|        | Museum COPs.....   | 5.70  | 02/01/28 | 1     |
| 2,000  | Elk Valley Public Improvement Corporation, Colorado, Ser   |       |          |       |
|        | 2001 A.....  | 7.35  | 09/01/31 | 2     |
|        | Mashantucket (Western) Pequot Tribe, Connecticut,          |       |          |       |
| 1,010  | Special 1996 Ser A (b).....                                | 6.40  | 09/01/11 | 1     |
| 1,000  | Special 1997 Ser B (b).....                                | 5.75  | 09/01/27 |       |
| 2,000  | American National Fish & Wildlife Museum District,         |       |          |       |
|        | Missouri, Ser 1999.....                                    | 7.00  | 09/01/19 | 1     |
| 2,000  | St Louis Industrial Development Authority, Missouri, St    |       |          |       |
|        | Louis Convention Center Headquarters Hotel Ser 2000        |       |          |       |
|        | (AMT).....   | 6.875 | 12/15/20 | 1     |
| 2,000  | Austin Convention Enterprises, Texas, Convention Center    |       |          |       |
|        | Hotel Senior Ser 2000 A.....                               | 6.70  | 01/01/32 | 2     |
| -----  |  |       |          | ----- |
| 13,010 |  |       |          | 12    |
| -----  |  |       |          | ----- |
|        | Retirement & Life Care Facilities Revenue (10.4%)          |       |          |       |
| 1,000  | St Johns County Industrial Development Authority, Florida, |       |          |       |
|        | Glenmoor Ser 1999 A.....                                   | 8.00  | 01/01/30 |       |
| 1,500  | Lenexa, Kansas, Lakeview Village -- Southridge Ser 2002    |       |          |       |
|        | C.....   | 6.875 | 05/15/32 | 1     |
| 1,500  | Massachusetts Development Finance Agency, Loomis           |       |          |       |
|        | Communities Ser 1999 A.....                                | 5.75  | 07/01/23 | 1     |
|        | New Jersey Economic Development Authority,                 |       |          |       |
| 1,000  | Cedar Crest Village Inc Ser 2001 A.....                    | 7.25  | 11/15/31 |       |
| 1,000  | Franciscan Oaks Ser 1997.....                              | 5.70  | 10/01/17 |       |
| 1,000  | The Presbyterian Home at Montgomery Ser 2001 A.....        | 6.375 | 11/01/31 | 1     |
| 2,000  | United Methodist Homes of New Jersey Ser 1998.....         | 5.125 | 07/01/25 | 1     |

See Notes to Financial Statements

9

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

| PRINCIPAL<br>AMOUNT IN<br>THOUSANDS |  | COUPON<br>RATE | MATURITY<br>DATE |      |
|-------------------------------------|--|----------------|------------------|------|
| \$ 1,980                            | Glen Cove Housing Authority, New York, Mayfair at Glen<br>Cove Ser 1996 (AMT)..... | 8.25%          | 10/01/26         | \$ 2 |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|         |   |       |          |       |
|---------|---|-------|----------|-------|
| 3,250   | Suffolk County Industrial Development Agency, New York, Jefferson's Ferry Ser 1999.....                   | 7.25  | 11/01/28 | 3     |
| 1,000   | Chester County Health & Education Facilities Authority, Pennsylvania, Jenner's Pond Inc Ser 2002.....     | 7.625 | 07/01/34 |       |
| 2,100   | Vermont Economic Development Authority, Wake Robin Corp Ser 1999 A.....                                   | 6.75  | 03/01/29 | 2     |
| -----   |   |       |          | ----- |
| 17,330  |   |       |          | 16    |
| -----   |   |       |          | ----- |
|         | Tax Allocation Revenue (8.5%)   |       |          |       |
| 3,350   | Crestwood, Illinois, Refg Ser 1994.....   | 7.25  | 12/01/08 | 3     |
| 2,000   | Anne Arundel County, Maryland, National Business Park Ser 2000.....                                       | 7.375 | 07/01/28 | 2     |
| 2,000   | Des Peres, Missouri, West County Center Ser 2002.....   | 5.75  | 04/15/20 | 1     |
| 4,000   | Fenton, Missouri, Gravois Bluffs Redevelopment Ser 2001 A Refg.....                                       | 7.00  | 10/01/21 | 4     |
| 2,000   | Las Vegas, Nevada, District No. 808 Summerlin Area Ser 2001.....  | 6.75  | 06/01/21 | 2     |
| -----   |   |       |          | ----- |
| 13,350  |   |       |          | 13    |
| -----   |   |       |          | ----- |
|         | Transportation Facilities Revenue (5.2%)  |       |          |       |
| 7,500   | E-470 Public Highway Authority, Colorado, Ser 1997 B (MBIA).....  | 0.00  | 09/01/15 | 4     |
| 1,935   | Mid-Bay Bridge Authority, Florida, Sr Lien Crossover Refg Ser 1993 A (Ambac).....                         | 5.85  | 10/01/13 | 2     |
| 1,000   | Nevada Department of Business & Industry, Las Vegas Monorail 2nd Tier Ser 2000.....                       | 7.375 | 01/01/40 |       |
| 2,000   | Pocahontas Parkway Association, Virginia, Route 895 Connector Ser 1998 A.....                             | 5.50  | 08/15/28 | 1     |
| -----   |   |       |          | ----- |
| 12,435  |   |       |          | 8     |
| -----   |   |       |          | ----- |
|         | Water & Sewer Revenue (1.3%)  |       |          |       |
| 2,000   | Northern Palm Beach County Improvement District, Florida, Water Control & Improvement #9A Ser 1996 A..... | 7.30  | 08/01/27 | 2     |
| -----   |   |       |          | ----- |
| 245,479 | Total Tax-Exempt Municipal Bonds (Cost \$168,042,790).....  |       |          | 154   |
| -----   |   |       |          | ----- |

See Notes to Financial Statements

10

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

| PRINCIPAL AMOUNT IN THOUSANDS |   | COUPON RATE | MATURITY DATE |       |
|-------------------------------|---|-------------|---------------|-------|
|                               | Short Term Tax-Exempt Municipal Obligations (3.7%)  |             |               |       |
| \$ 3,100                      | Idaho Health Facilities Authority, St Lukes Regional Medical Center Ser 2000 (FSA) (Demand 12/02/02)..... | 1.13*%      | 07/01/30      | \$ 3  |
| 3,000                         | University of North Carolina, Hospitals at Chapel Hill Ser 2001 A (Demand 12/02/02).....                  | 1.13*       | 02/15/31      | 3     |
| -----                         |   |             |               | ----- |
| 6,100                         | Total Short-Term Tax-Exempt Municipal Obligations (Cost \$6,100,000).....                                 |             |               | 6     |
| -----                         |   |             |               | ----- |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|           |   |        |       |
|-----------|---|--------|-------|
| \$251,579 | Total Investments (Cost \$174,142,790) (d)..... | 98.1%  | 160   |
| =====     |   |        |       |
|           | Other Assets in Excess of Liabilities.....      | 1.9    | 3     |
|           |   | -----  | ----- |
|           | Net Assets.....                                 | 100.0% | \$163 |
|           |   | =====  | ===== |

-----

- AMT        Alternative Minimum Tax.
- COPs      Certificates of Participation.
- \*        Current coupon of variable rate demand obligation.
- \*\*       Issuer has entered into a forbearance agreement for partial payment of debt service.
- ++       Joint exemption in locations shown.
- (a)       Bond in default; non-income producing security.
- (b)       Resale is restricted to qualified institutional investors.
- (c)       Issuer in bankruptcy.
- (d)       The aggregate cost for federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is \$3,946,263 and the aggregate gross unrealized depreciation is \$17,807,426, resulting in net unrealized depreciation of \$13,861,163.

Bond Insurance:

-----

- Ambac      Ambac Assurance Corporation.
- FSA        Financial Security Assurance Inc.
- MBIA       Municipal Bond Investors Assurance Corporation.

See Notes to Financial Statements

11

Morgan Stanley Municipal Income Opportunities Trust  
 PORTFOLIO OF INVESTMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

Geographic Summary of Investments  
 Based on Market Value as a Percent of Net Assets

|                          |      |
|--------------------------|------|
| Arkansas.....            | 1.2% |
| California.....          | 4.1  |
| Colorado.....            | 5.6  |
| Connecticut.....         | 1.3  |
| District of Columbia.... | 0.2  |
| Florida.....             | 8.6  |
| Hawaii.....              | 1.2  |
| Idaho.....               | 1.9  |
| Illinois.....            | 3.1  |
| Indiana.....             | 1.2  |
| Iowa.....                | 2.3  |
| Kansas.....              | 0.9  |
| Kentucky.....            | 1.9  |
| Louisiana.....           | 0.9  |
| Maryland.....            | 2.6  |
| Massachusetts.....       | 5.6  |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|                       |       |
|-----------------------|-------|
| Michigan.....         | 0.3   |
| Minnesota.....        | 5.0   |
| Missouri.....         | 6.1   |
| Nevada.....           | 3.4   |
| New Hampshire.....    | 8.5   |
| New Jersey.....       | 4.0   |
| New York.....         | 6.5   |
| North Carolina.....   | 1.8   |
| Ohio.....             | 1.1   |
| Pennsylvania.....     | 4.5   |
| South Carolina.....   | 2.3   |
| Tennessee.....        | 0.6   |
| Texas.....            | 3.8   |
| Vermont.....          | 1.2   |
| Virginia.....         | 5.3   |
| West Virginia.....    | 1.3   |
| Joint Exemption*..... | (0.2) |
|                       | ----  |
| Total.....            | 98.1% |
|                       | ===== |

-----  
 \* Joint exemptions have been included in each geographic location.

See Notes to Financial Statements  
 12

Morgan Stanley Municipal Income Opportunities Trust

FINANCIAL STATEMENTS

Statement of Assets and Liabilities  
 November 30, 2002 (unaudited)

Assets:

|  |               |
|--|---------------|
| Investments in securities, at value<br>(cost \$174,142,790)..... | \$160,281,627 |
| Cash.....  | 56,586        |
| Receivable for:  |               |
| Interest.....  | 3,166,725     |
| Investments sold.....  | 57,715        |
| Prepaid expenses and other assets...                             | 6,031         |
|  | -----         |
| Total Assets.....  | 163,568,684   |
|  | -----         |

Liabilities:

|   |               |
|---|---------------|
| Payable for:                                      |               |
| Investments advisory fee.....                     | 81,011        |
| Administration fee.....                           | 48,607        |
| Shares of beneficial interest<br>repurchased..... | 4,421         |
| Accrued expenses.....                             | 115,365       |
|   | -----         |
| Total Liabilities.....                            | 249,404       |
|   | -----         |
| Net Assets.....                                   | \$163,319,280 |
|   | =====         |

Composition of Net Assets:

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

|  |               |
|--|---------------|
| Paid-in-capital.....   | \$198,248,583 |
| Net unrealized depreciation.....   | (13,861,163)  |
| Accumulated undistributed net investment income.....   | 1,612,316     |
| Accumulated net realized loss.....   | (22,680,456)  |
|  | -----         |
| Net Assets.....  | \$163,319,280 |
|  | =====         |
| Net Assets Value Per Share,<br>20,888,972 shares outstanding<br>(unlimited shares authorized of<br>\$.01 par value)..... | \$7.82        |
|  | =====         |

Statement of Operations  
For the six months ended November 30, 2002  
(unaudited)

Net Investment Income:

|  |              |
|--|--------------|
| Interest Income.....                       | \$ 6,458,369 |
|  | -----        |
| Expenses                                   |              |
| Investment advisory fee.....               | 415,020      |
| Administration fee.....                    | 249,012      |
| Transfer agent fees and expenses.....      | 39,397       |
| Professional fees.....                     | 16,622       |
| Shareholder reports and notices.....       | 14,517       |
| Trustees' fees and expenses.....           | 9,249        |
| Registration fees.....                     | 6,355        |
| Custodian fees.....                        | 3,838        |
| Other.....                                 | 6,697        |
|  | -----        |
| Total Expenses.....                        | 760,707      |
| Less: expense offset.....                  | (3,818)      |
|  | -----        |
| Net Expenses.....                          | 756,889      |
|  | -----        |
| Net Investment Income.....                 | 5,701,480    |
|  | -----        |
| Net Realized and Unrealized Loss:          |              |
| Net realized loss.....                     | (767,183)    |
| Net change in unrealized depreciation..... | (452,002)    |
|  | -----        |
| Net Loss.....                              | (1,219,185)  |
|  | -----        |
| Net Increase.....                          | \$ 4,482,295 |
|  | =====        |

See Notes to Financial Statements

13

Morgan Stanley Municipal Income Opportunities Trust

FINANCIAL STATEMENTS continued

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

Statement of Changes in Net Assets

|  | FOR THE SIX<br>MONTHS ENDED<br>NOVEMBER 30, 2002 | FOR THE YEAR<br>ENDED<br>MAY 31, 2002 |
|--|--|---------------------------------------|
|  | -----<br>(unaudited)                             | -----                                 |
| Increase (Decrease) in Net Assets:                         |  |                                       |
| Operations:  |  |                                       |
| Net investment income.....                                 | \$ 5,701,480                                     | \$ 11,589,419                         |
| Net realized loss.....                                     | (767,183)  | (734,744)                             |
| Net change in unrealized depreciation.....                 | (452,002)  | (1,966,899)                           |
|  | -----  | -----                                 |
| Net Increase.....  | 4,482,295  | 8,887,776                             |
| Dividends to shareholders from net investment income.....  |  |                                       |
|  | (5,860,912)                                      | (11,931,193)                          |
| Decrease from transactions in shares of beneficial         |  |                                       |
| interest.....  | (320,710)  | --                                    |
|  | -----  | -----                                 |
| Net Decrease.....  | (1,699,327)                                      | (3,043,417)                           |
| Net Assets:  |  |                                       |
| Beginning of period.....                                   | 165,018,607                                      | 168,062,024                           |
|  | -----  | -----                                 |
| End of Period  |  |                                       |
| (Including accumulated undistributed net investment income |  |                                       |
| of \$1,612,316 and \$1,771,748, respectively).....         | \$163,319,280                                    | \$165,018,607                         |
|  | =====  | =====                                 |

See Notes to Financial Statements

14

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - NOVEMBER 30, 2002 (UNAUDITED)

1. ORGANIZATION AND ACCOUNTING POLICIES

Morgan Stanley Municipal Income Opportunities Trust (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Fund's investment objective is to provide a high level of current income which is exempt from federal income tax. The Fund was organized as a Massachusetts business trust on June 22, 1988 and commenced operations on September 19, 1988.

The following is a summary of significant accounting policies:

A. Valuation of Investments -- Portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the bid side of the market each day. The portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call provisions, trading characteristics and other features deemed to be relevant. Short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and

thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

B. Accounting for Investments -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on security transactions are determined by the identified cost method. Discounts are accreted and premiums are amortized over the life of the respective securities. Interest income is accrued daily except where collection is not expected.

C. Federal Income Tax Policy -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and nontaxable income to its shareholders. Accordingly, no federal income tax provision is required.

D. Dividends and Distributions to Shareholders -- Dividends and distributions to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent

15

Morgan Stanley Municipal Income Opportunities Trust  
NOTES TO FINANCIAL STATEMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Dividends and distributions which exceed net investment income and net realized capital gains for financial reporting purposes but not for tax purposes are reported as dividends in excess of net investment income or distributions in excess of net realized capital gains. To the extent they exceed net investment income and net realized capital gains for tax purposes, they are reported as distributions of paid-in-capital.

E. Use of Estimates -- The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

## 2. INVESTMENT ADVISORY/ADMINISTRATION AGREEMENTS

Pursuant to an Investment Advisory Agreement with Morgan Stanley Investment Advisors Inc. (the "Investment Advisor"), the Fund pays an advisory fee, calculated weekly and payable monthly, by applying the annual rate of 0.50% to the Fund's weekly net assets.

Pursuant to an Administration Agreement with Morgan Stanley Services Company Inc. (the "Administrator"), an affiliate of the Investment Advisor, the Fund pays an administration fee, calculated weekly and payable monthly, by applying the annual rate of 0.30% to the Fund's weekly net assets.

## 3. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the six months ended November 30, 2002 aggregated \$7,921,260 and \$12,823,348, respectively.

Morgan Stanley Trust, an affiliate of the Investment Advisor and Administrator,

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

is the Fund's transfer agent. At November 30, 2002, the Fund had transfer agent fees and expenses payable of approximately \$1,100.

The Fund has an unfunded noncontributory defined benefit pension plan covering all independent Trustees of the Fund who will have served as independent Trustees for at least five years at the time of retirement. Benefits under this plan are based on years of service and compensation during the last five years of service. Aggregate pension costs for the six months ended November 30, 2002 included in Trustees' fees and expenses in the Statement of Operations

16

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

amounted to \$3,687. At November 30, 2002, the Fund had an accrued pension liability of \$58,579 which is included in accrued expenses in the Statement of Assets and Liabilities.

4. SHARES OF BENEFICIAL INTEREST

Transactions in shares of beneficial interest were as follows:

|   | SHARES     | PAR VALUE OF SHARES | CAPITAL PAID IN EXCESS OF PAR VALUE |
|---|------------|---------------------|-------------------------------------|
|   | -----      | -----               | -----                               |
| Balance, May 31, 2001.....  | 20,932,272 | \$209,322           | \$198,360,1                         |
| Reclassification due to permanent book/tax differences.....                   | --         | --                  | (1)                                 |
|   | -----      | -----               | -----                               |
| Balance, May 31, 2002.....  | 20,932,272 | 209,322             | 198,359,9                           |
| Treasury shares purchased and retired (weighted average discount 5.72%)*..... | (43,300)   | (433)               | (320,2                              |
|   | -----      | -----               | -----                               |
| Balance, November 30, 2002.....   | 20,888,972 | \$208,889           | \$198,039,6                         |
|   | =====      | =====               | =====                               |

\* The Trustees have voted to retire the shares purchased.

5. FEDERAL INCOME TAX STATUS

At May 31, 2002, the Fund had a net capital loss carryover of approximately \$20,796,000, which may be used to offset future capital gains to the extent provided by regulations, which is available through May 31 of the following years:

| AMOUNT IN THOUSANDS |         |       |       |         |
|---------------------|---------|-------|-------|---------|
| 2003                | 2004    | 2006  | 2008  | 2009    |
| -----               | -----   | ----- | ----- | -----   |
| \$10,137            | \$5,243 | \$700 | \$87  | \$4,629 |
| =====               | =====   | ===== | ===== | =====   |



Capital losses incurred after October 31 ("post-October losses") within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. The Fund incurred and will elect to defer net capital losses of approximately \$1,117,000 during fiscal 2002.

As of May 31, 2002, the Fund had temporary book/tax differences primarily attributable to post-October losses and book amortization of discounts on debt securities.

17

Morgan Stanley Municipal Income Opportunities Trust  
 NOTES TO FINANCIAL STATEMENTS - NOVEMBER 30, 2002 (UNAUDITED) continued

6. DIVIDENDS

The Fund declared the following dividends from net investment income:

| DECLARATION DATE   | AMOUNT PER SHARE | RECORD DATE      | PAYABLE DATE      |
|--------------------|------------------|------------------|-------------------|
| September 24, 2002 | \$0.045          | December 6, 2002 | December 20, 2002 |
| December 31, 2002  | \$0.045          | January 10, 2003 | January 24, 2003  |
| December 31, 2002  | \$0.045          | February 7, 2003 | February 21, 2003 |
| December 31, 2002  | \$0.045          | March 7, 2003    | March 21, 2003    |

7. EXPENSE OFFSET

The expense offset represents a reduction of the custodian fees for earnings on cash balances maintained by the Fund.

8. RISKS RELATING TO CERTAIN FINANCIAL INSTRUMENTS

The Fund may invest a portion of its assets in residual interest bonds, which are inverse floating rate municipal obligations. The prices of these securities are subject to greater market fluctuations during periods of changing prevailing interest rates than are comparable fixed rate obligations.

At November 30, 2002, the Fund did not hold positions in residual interest bonds.

18

Morgan Stanley Municipal Income Opportunities Trust

FINANCIAL HIGHLIGHTS

Selected ratios and per share data for a share of beneficial interest outstanding throughout each period:

| FOR THE SIX MONTHS ENDED NOVEMBER 30, 2002 | FOR THE YEAR ENDED |       |       |
|--|--------------------|-------|-------|
|  | 2002               | 2001  | 2000  |
| -----                                      | -----              | ----- | ----- |

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

(unaudited)

Selected Per Share Data:

|   |            |           |           |           |
|---|------------|-----------|-----------|-----------|
| Net asset value, beginning of the period... | \$7.88     | \$8.03    | \$7.79    | \$8.69    |
|   | -----      | -----     | -----     | -----     |
| Income (loss) from investment operations:   |            |           |           |           |
| Net investment income*.....                 | 0.27       | 0.55      | 0.55      | 0.57      |
| Net realized and unrealized gain            |            |           |           |           |
| (loss).....                                 | (0.05)     | (0.13)    | 0.28      | (0.85)    |
|   | -----      | -----     | -----     | -----     |
| Total income (loss) from investment         |            |           |           |           |
| operations.....                             | 0.22       | 0.42      | 0.83      | (0.28)    |
|   | -----      | -----     | -----     | -----     |
| Less dividends from net investment          |            |           |           |           |
| income.....                                 | (0.28)     | (0.57)    | (0.59)    | (0.62)    |
|   | -----      | -----     | -----     | -----     |
| Net asset value, end of period.....         | \$7.82     | \$7.88    | \$8.03    | \$7.79    |
|   | =====      | =====     | =====     | =====     |
| Market value, end of period.....            | \$7.38     | \$8.08    | \$8.53    | \$8.25    |
|   | =====      | =====     | =====     | =====     |
| Total Return+.....                          | (5.42)%(1) | 1.42%     | 10.78%    | (5.94)%   |
| Ratios to Average Net Assets:               |            |           |           |           |
| Expenses (before expense offset).....       | 0.92 %(2)  | 0.92%     | 0.93%     | 0.93%     |
| Net investment income.....                  | 6.87 %(2)  | 6.92%     | 6.95%     | 6.95%     |
| Supplemental Data:                          |            |           |           |           |
| Net assets, end of period, in thousands.... | \$163,319  | \$165,019 | \$168,062 | \$163,910 |
| Portfolio turnover rate.....                | 5 %(1)     | 7%        | 16%       | 13%       |

-----

\* The per share amounts were computed using an average number of shares outstanding during the period.

+ Total return is based upon the current market value on the last day of each period reported. Dividends are assumed to be reinvested at the prices obtained under the Fund's dividend reinvestment plan.

(1) Not annualized.

(2) Annualized.

(3) Does not reflect the effect of expense offset of 0.01%.

See Notes to Financial Statements

19

TRUSTEES

Michael Bozic

Edgar Filing: MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST - Form N-30D

Charles A. Fiumefreddo  
Edwin J. Garn  
Wayne E. Hedien  
James F. Higgins  
Dr. Manuel H. Johnson  
Michael E. Nugent  
Philip J. Purcell

OFFICERS

Charles A. Fiumefreddo  
Chairman of the Board

Mitchell M. Merin  
President and Chief Execution Officer

Barry Fink  
Vice President, Secretary and General Counsel

Joseph J. McAlinden  
Vice President

Ronald E. Robison  
Vice President

Thomas F. Caloia  
Treasurer

Francis Smith  
Vice President and Chief Financial Officer

TRANSFER AGENT

Morgan Stanley Trust  
Harborside Financial Center -- Plaza Two  
Jersey City, New Jersey 07311

INDEPENDENT AUDITORS

Deloitte & Touche LLP  
Two World Financial Center  
New York, New York 10281

INVESTMENT ADVISOR

Morgan Stanley Investment Advisors Inc.  
1221 Avenue of the Americas  
New York, New York 10020

The financial statements included herein have been taken from the records of the Fund without examination by the independent auditors and accordingly they do not express an opinion thereon.

Investments and services offered through Morgan Stanley DW Inc., member SIPC.

38538RPT - 9372L02 - AS - 12/02

MORGAN STANLEY  
MUNICIPAL INCOME  
OPPORTUNITIES TRUST

Semiannual Report  
November 30, 2002