

MORGAN STANLEY QUALITY MUNICIPAL SECURITIES

Form N-CSRS

June 29, 2007

Welcome, Shareholder:

In this report, you'll learn about how your investment in Morgan Stanley Quality Municipal Securities performed during the semiannual period. We will provide an overview of the market conditions, and discuss some of the factors that affected performance during the reporting period. In addition, this report includes the Trust's financial statements and a list of Trust investments.

Market forecasts provided in this report may not necessarily come to pass. There is no assurance that the Trust will achieve its investment objective. The Trust is subject to market risk, which is the possibility that market values of securities owned by the Trust will decline and, therefore, the value of the Trust's shares may be less than what you paid for them.

Accordingly, you can lose money investing in this Trust.

Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).

Fund Report

For the six months ended April 30, 2007

Market Conditions

The economy continued to send mixed signals about its overall strength during the six-month reporting period. Rising energy prices and ongoing geopolitical uncertainty had a negative impact on investor sentiment, as did the contraction in the residential real estate sector. Turmoil in the sub-prime mortgage market intensified concerns about housing, and dominated investment headlines during the period. In fact, these concerns were the primary contributor to the sharp decline in the equity market in late February, which led to a "flight to quality" that forced yields on U.S. Treasury bonds lower and prices higher. The changing economic and financial picture led to changes in the Federal Open Market

Committee's (the "Fed") monetary policy bias as well. Although the Fed held the target federal funds rate steady, statements released following its March meeting signaled a more neutral bias. This apparent shift in policy led to a stronger equity market and began to move bond yields higher.

Long-term municipal bond yields (as represented by the 30-year AAA rated municipal bond), which stood at 4.06 percent at the end of October, ended the period slightly higher at 4.10 percent. The slope of the municipal yield curve remained relatively flat, with only a 50 basis point yield differential, or "pick-up," between 30-year maturities and one-year maturities. In comparison, the yield pick-up from one to 30 years in April 2006 was 95 basis points, and has averaged 165 basis points over the past three years.

Declining interest rates in the fourth quarter of 2006 spurred a rebound in municipal bond issuance that led new issue volume for the calendar year to reach \$383 billion, the second highest on record and only 6 percent below 2005's record pace. In the first four months of 2007, new issue municipal volume increased by 37 percent versus the same period one year earlier, reaching a total of \$135 billion. Insured municipal bonds continued to represent roughly half of all new issue supply. Municipalities continued to take advantage of lower interest rates to refinance their debt and refundings increased dramatically. California was the country's largest issuer of municipal bonds during the period, and new issue supply for the state rose by 84 percent.


Strong demand by institutional investors and non-traditional buyers, including hedge funds and arbitrage accounts, helped long-term municipal bonds perform relatively in line with Treasuries for the period. The 30-year municipal-to-Treasury yield ratio, which measures the relative attractiveness of these two sectors, declined slightly from 86 percent at the beginning of the period to 85 percent by period end. A declining ratio indicates that municipals outperformed Treasuries while at the same time becoming more expensive (and thus less attractive) on a relative basis.

#### Performance Analysis

For the six-month period ended April 30, 2007, the net asset value (NAV) of Morgan Stanley Quality Municipal Securities (IQM) decreased from \$16.04 to \$15.86 per share. Based on this change plus reinvestment of tax-free dividends totaling \$0.36 per share and a

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long-term capital gain distribution of \$0.075411 per share, the Trust's total NAV return was 1.84 percent. IQM's value on the New York Stock Exchange (NYSE) moved from \$14.70 to \$14.95 per share during the same period. Based on this change plus reinvestment of dividends and distributions, the Trust's total market return was 4.75 percent. IQM's NYSE market price was at a 5.74 percent discount to its NAV. During the fiscal period, the Trust purchased and retired 154,500 shares of common stock at a weighted average market discount of 7.67 percent. *Past performance is*

*no guarantee of future results.*

Monthly dividends for the second quarter of 2007, declared in March, were unchanged at \$0.06 per share. The dividend reflects the current level of the Trust's net investment income. IQM's level of undistributed net investment income was \$0.057 per share on April 30, 2007, versus \$0.067 per share six months earlier.<sup>1</sup>

During the reporting period, the Trust's interest-rate positioning continued to reflect our anticipation of higher rates. This strategy helped the Trust's total returns at the beginning of the period when interest rates rose, but tempered returns later in the period when rates declined. At the end of April the Trust's option-adjusted duration\* including leverage was positioned at 11.2 years.

The Trust's exposure to BBB rated investment grade bonds increased during the period. New purchases here continued to include additional bonds in the tobacco sector, which had a positive impact on performance as tighter quality spreads helped these lower-rated issues outperform. The Trust's performance was also enhanced by several holdings that appreciated when they were pre-refunded.\*\* Overall, the Trust continued to maintain its high quality bias with over 85 percent of the portfolio rated A or better.


The primary detractor from performance was the Trust's overall maturity distribution, which was underweighted in longer-term issues relative to issues with shorter maturities. This stance limited the Trust's participation in the outperformance of longer-maturity bonds during the period.

Reflecting a commitment to diversification, the Trust's net assets, including preferred shares, of approximately \$315 million were invested among 14 long-term sectors and 79 credits. As of the close of the period the Trust's largest allocations were to the water and sewer, transportation and general obligation sectors.

As discussed in previous reports, the total income available for distribution to holders of common shares includes incremental income provided by the Trust's outstanding Auction Rate Preferred Shares (ARPS). ARPS dividends reflect prevailing short-term interest rates on maturities ranging from one week to two years. Incremental income to holders of common shares depends on two factors: the amount of ARPS outstanding and the spread between the portfolio's cost yield and its ARPS auction rate and expenses. The greater the spread and the higher the amount of ARPS outstanding, the greater the amount of incremental income available for distribution to holders of common

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shares. The level of net investment income available for distribution to holders of common shares varies with the level of short-term interest rates. ARPS leverage also increases the price volatility of common shares and has the effect of extending portfolio duration.

During this six-month period, ARPS leverage contributed approximately \$0.02 per share to common-share earnings. The Trust has five ARPS series totaling \$97 million, representing 31 percent of net assets, including preferred shares. Weekly ARPS rates ranged from 3.09 to 4.00 percent during the fiscal period.

The Trust's procedure for reinvesting all dividends and distributions in common shares is through purchases in the open market. This method helps support the market value of the Trust's shares. In addition, we would like to remind you that the Trustees have approved a procedure whereby the Trust 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. The Trust may also utilize procedures to reduce or eliminate the amount of ARPS outstanding, including their purchase in the open market or in privately negotiated transactions.

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**Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. Investment return, net asset value and common share market price will fluctuate and Trust shares, when sold, may be worth more or less than their original cost.**

*There is no guarantee that any sectors mentioned will continue to perform as discussed herein or that securities in such sectors will be held by the Trust in the future.*

<sup>1</sup> Income earned by certain securities in the portfolio may be subject to the federal alternative minimum tax (AMT).

\* A measure of the sensitivity of a bond's price to changes in interest rates, expressed in years. Each year of duration represents an expected 1 percent change in the price of a bond for every 1 percent change in interest rates. The longer a bond's duration, the greater the effect of interest-rate movements on its price. Typically, trusts with shorter durations perform better in rising-interest-rate environments, while trusts with longer durations perform better when rates decline. Duration calculations are adjusted for leverage.

\*\* Prerefunding, or advance refunding, is a financing structure under which new bonds are issued to repay an outstanding bond issue on its first call date.

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**TOP FIVE SECTORS**

Water & Sewer	25.3%
Transportation	24.3
General Obligation	21.5
Hospital	18.1

Public Power	13.1
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LONG-TERM CREDIT ANALYSIS	
Aaa/AAA	57.1%
Aa/AA	19.8
A/A	10.5
Baa/BBB	9.5
Ba/BB or Less	3.1

Data as of April 30, 2007. Subject to change daily. All percentages for top five sectors are as a percentage of net assets applicable to common shareholders. All percentages for long-term credit analysis are as a percentage of total long-term investments. These data are provided for informational purposes only and should not be deemed a recommendation to buy or sell the securities mentioned. Morgan Stanley is a full-service securities firm engaged in securities trading and brokerage activities, investment banking, research and analysis, financing and financial advisory services.

For More Information  
About Portfolio Holdings

**Each Morgan Stanley trust provides a complete schedule of portfolio holdings in its semiannual and annual reports within 60 days of the end of the trust's second and fourth fiscal quarters. The semiannual 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 semiannual and annual reports to trust shareholders and makes these reports available on its public web site, [www.morganstanley.com](http://www.morganstanley.com). Each Morgan Stanley trust also files a complete schedule of portfolio holdings with the SEC for the trust'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 shareholders, nor are the reports posted to the Morgan Stanley public web site. 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 web site, <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 (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.**

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Distribution by Maturity  
(% of Long-Term Portfolio) As of April 30, 2007

Weighted Average Maturity: 19 Years<sup>(a)</sup>

- (a) Where applicable maturities reflect mandatory tenders, puts and call dates.  
 Portfolio structure is subject to change.

Geographic Summary of Investments

Based on Market Value as a Percent of Total Net Investments

Alabama	0.7%
Alaska	1.7
Arizona	1.6
Arkansas	0.7
California	17.3
Colorado	3.3
Connecticut	0.5
District of Columbia	0.7
Florida	5.3
Georgia	5.6%
Hawaii	5.8
Illinois	6.2
Indiana	1.0
Kansas	0.9
Louisiana	0.3
Maine	0.0
Maryland	2.7
Michigan	1.0
Missouri	1.4%
Nebraska	2.7
Nevada	1.4
New Hampshire	1.0
New Jersey	3.8
New York	6.9
North Carolina	0.7
Ohio	1.8
Pennsylvania	0.4
Rhode Island	0.5%
South Carolina	3.6
Tennessee	2.1

Texas	8.7
Utah	0.9
Virginia	7.0
Washington	0.9
Wisconsin	0.9
Total†	100.0%

Does not include open futures contracts with an underlying face amount of \$19,499,063 with unrealized appreciation of \$23,411.

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Call and Cost (Book) Yield Structure  
(Based on Long-Term Portfolio) As of April 30, 2007

Years Bonds Callable—Weighted Average Call Protection: 7 Years

Cost (Book) Yield<sup>(b)</sup>—Weighted Average Book Yield: 5.1%

(a) May include issues initially callable in previous years.

(b) Cost or “book” yield is the annual income earned on a portfolio investment based on its original purchase price before the Trust’s operating expenses. For example, the Trust is earning a book yield of 5.6% on 7% of the long-term portfolio that is callable in 2007.

Portfolio structure is subject to change.

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#### Investment Advisory Agreement Approval Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Investment Adviser under the Advisory Agreement, including portfolio management, investment research and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Trust's Administrator under the Administration Agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities at the Investment Adviser's expense. (The Investment Adviser and the Administrator together are referred to as the "Adviser" and the Advisory and Administration Agreements together are referred to as the "Management Agreement.") The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Lipper Inc. ("Lipper").

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the administrative and advisory services to the Trust. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Trust. The Board also concluded that the overall quality of the advisory and administrative services was satisfactory.

#### Performance Relative to Comparable Funds Managed by Other Advisers

On a regular basis, the Board reviews the performance of all funds in the Morgan Stanley Fund Complex, including the Trust, compared to their peers, paying specific attention to the underperforming funds. In addition, the Board specifically reviewed the Trust's performance for the one-, three- and five-year periods ended November 30, 2006, as shown in a report provided by Lipper (the "Lipper Report"), compared to the performance of comparable funds selected by Lipper (the "performance peer group"). The Board also discussed with the Adviser the performance goals and the actual results achieved in managing the Trust. The Board concluded that the Trust's performance was competitive with that of its performance peer group.

#### Fees Relative to Other Proprietary Funds Managed by the Adviser with Comparable Investment Strategies

The Board reviewed the advisory and administrative fee (together, the "management fee") rate paid by the Trust under the Management Agreement. The Board noted that the management fee rate was comparable to the management fee rates charged by the Adviser to other proprietary funds it manages with investment strategies comparable to those of the Trust.

#### Fees and Expenses Relative to Comparable Funds Managed by Other Advisers

The Board reviewed the management fee rate and total expense ratio of the Trust as compared to the average management fee rate and average total expense ratio for funds, selected by Lipper (the "expense peer group"),

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managed by other advisers with investment strategies comparable to those of the Trust, as shown in the Lipper Report. The Board concluded that the Trust's management fee rate and total expense ratio were competitive with those of its expense peer group.

#### Breakpoints and Economies of Scale

The Board reviewed the structure of the Trust's management fee schedule under the Management Agreement and noted that it does not include any breakpoints. The Board considered that the Trust is a closed-end fund and, therefore, that the Trust's assets are not likely to grow with new sales or grow significantly as a result of capital appreciation. The Board concluded that economies of scale for the Trust were not a factor that needed to be considered at the present time.

#### Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and affiliates during the last year from their relationship with the Trust and during the last two years from their relationship with the Morgan Stanley Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. Based on its review of the information it received, the Board concluded that the profits earned by the Adviser and affiliates were not excessive in light of the advisory, administrative and other services provided to the Trust.

#### Fall-Out Benefits

The Board considered so-called "fall-out benefits" derived by the Adviser and affiliates from their relationship with the Trust and the Morgan Stanley Fund Complex, such as commissions on the purchase and sale of Trust shares and "float" benefits derived from handling of checks for purchases and sales of Trust shares, through a broker-dealer affiliate of the Adviser. The Board concluded that the float benefits were relatively small and that the commissions were competitive with those of other broker-dealers.

#### Soft Dollar Benefits

The Board considered whether the Adviser realizes any benefits from commissions paid to brokers who execute securities transactions for the Trust ("soft dollars"). The Board noted that the Trust invests only in fixed income securities, which do not generate soft dollars.

#### Adviser Financially Sound and Financially Capable of Meeting the Trust's Needs

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement.

#### Historical Relationship Between the Trust and the Adviser

The Board also reviewed and considered the historical relationship between the Trust and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for

managing the Trust's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that it is beneficial for the Trust to continue its relationship with the Adviser.

#### Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Trust's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith effort on its part to adhere to high ethical standards in the conduct of the Trust's business.

#### General Conclusion

After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Trust and its shareholders to approve renewal of the Management Agreement for another year.

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#### Morgan Stanley Quality Municipal Securities

Portfolio of Investments April 30, 2007 (unaudited)

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	Tax-Exempt Municipal Bonds (151.7%)			
	General Obligation (21.5%)			
	California,			
\$ 5,000	Economic Recovery, Ser 2004 A	5.00%	07/01/16	\$ 5,263,600
2,000	Various Purpose dtd 12/01/05	5.00	03/01/27	2,108,680
3,000	Various Purpose dtd 05/01/03	5.00	02/01/32	3,116,220
12,000	Various Purpose dtd 11/01/06**	4.50	10/01/36	11,816,760
4,000	Ser 2007 (MBIA)	4.25	08/01/33	3,831,760
4,000	Los Angeles, Community College District, California, 2003 Ser B (FSA)	5.00	08/01/27	4,187,560
4,000	San Francisco City & County, California, Laguna Honda Hospital Ser 2005 I (FSA)**	5.00	06/15/30	4,198,880
8,000	Honolulu City & County, Hawaii, Ser 2003A (MBIA)**	5.25	03/01/24	8,532,640
3,600	Chicago Park District, Illinois, Harbor Ser A (Ambac)	5.00	01/01/27	3,786,732
45,600				46,842,832

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<b>Appropriation (9.7%)</b>				
5,000	California Public Works Board, Mental Health 2004 Ser A Golden State Tobacco Securitization Corporation, California,	5.00	06/01/24	5,231,850
2,000	Enhanced Asset Backed Ser 2005 A (Ambac)	5.00	06/01/29	2,072,060
2,000	District of Columbia, Ballpark Ser 2006 B-1 (FGIC)	5.00	02/01/31	2,113,800
3,000	Miami-Dade County School Board, Florida, 2003 Ser A (FGIC)	5.00	08/01/29	3,119,700
6,000	Tobacco Settlement Financing Corporation, New York, State Contingency Ser 2003 B-1C	5.50	06/01/21	6,496,860
2,000	Charleston Educational Excellence Financing Corporation, South Carolina, Charleston County School District Ser 2005	5.25	12/01/29	2,141,800
20,000				21,176,070
<b>Dedicated Tax (4.7%)</b>				
2,000	Jefferson County, Alabama, School Ser 2004 A	5.50	01/01/22	2,170,940
3,040	Milpitas Redevelopment Agency, California, Area #1 Ser 2003 (MBIA)	5.00	09/01/22	3,199,813
1,500	Baltimore, Maryland, Convention Center Hotel Ser 2006 A (XLCA)	5.25	09/01/39	1,623,525
3,000	New Jersey Economic Development Authority, Cigarette Tax Ser 2004 #	5.75	06/15/29	3,248,670
9,540				10,242,948

See Notes to Financial Statements

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Morgan Stanley Quality Municipal Securities

Portfolio of Investments April 30, 2007 (unaudited) continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
\$ 1,000	<b>Education (0.5%)</b> San Diego County, Burnham Institute for Medical Research Ser 2006 COPs	5.00%	09/01/34	\$ 1,040,910
	<b>Hospital (18.1%)</b> Baxter County Regional Hospital Inc, Arkansas, Ser 2007	5.00	09/01/22	1,034,240
1,000	Ser 2007	5.00	09/01/26	1,031,170

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3,000	California Health Facilities Financing Authority, Cedars-Sinai Medical Center Ser 2005	5.00	11/15/34	3,081,780
2,000	Colorado Health Facilities Authority, Adventist/Sunbelt Ser 2006 D	5.25	11/15/35	2,109,720
1,000	Highlands County Health Facilities Authority, Florida, Adventist Health/Sunbelt Ser 2006 C	5.25	11/15/36	1,048,150
3,000	Indiana Health & Educational Facility Financing Authority, Clarian Health Ser 2006 A	5.25	02/15/40	3,145,020
1,000	Louisiana Public Facilities Authority, Pennington Medical Foundation Ser 2006	5.00	07/01/31	1,022,820
60	Maine Health & Higher Educational Facilities Authority, Ser 1993 D (FSA)	5.50	07/01/18	60,076
2,000	Maryland Health & Higher Educational Facilities Authority, University of Maryland Medical Ser 2001	5.25	07/01/34	2,053,260
3,000	Michigan Hospital Finance Authority, Henry Ford Health Refg Ser 2006 A	5.25	11/15/46	3,151,770
4,000	Missouri Health & Educational Facilities Authority, Barnes-Jewish/ Christian Health Ser 1993 A	5.25	05/15/14	4,291,200
1,000	Reno, Nevada, Renown Regional Medical Center Ser 2007 A	5.25	06/01/37	1,046,110
5,000	Cuyahoga County, Ohio, Cleveland Clinic Ser 2003 A	6.00	01/01/32	5,498,600
10,000	Fairfax County Industrial Development Authority, Virginia, Inova Health Refg Ser 1993 A	5.25	08/15/19	10,984,300
37,060				39,558,216
	<b>Housing (1.0%)</b>			
2,120	Alaska Housing Finance Corporation, 1997 Ser A (MBIA)	6.00	06/01/27	2,142,154
	<b>Industrial Development/Pollution Control (9.1%)</b>			
10,000	Hawaii Department of Budget & Finance, Hawaiian Electric Co Inc Ser 1993 (AMT) (MBIA)	5.45	11/01/23	10,057,100
4,000	Tennessee Energy Acquisition Corporation Ser 2006 A**	5.25	09/01/19	4,402,960
2,000	Alliance Airport Authority, Texas, Federal Express Corp Refg Ser 2006 (AMT)	4.85	04/01/21	2,044,980

See Notes to Financial Statements

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Morgan Stanley Quality Municipal Securities

Portfolio of Investments April 30, 2007 (unaudited) continued

VALUE

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PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	
\$ 2,000	Brazos River Authority, Texas, TXU Electric Co Ser 1999 C (AMT)	7.70%	03/01/32	\$ 2,286,360
1,000	Sabine River Authority, Texas, TXU Electric Co Refg Ser 2001 B (AMT) (Mandatory Tender 11/01/11)	5.75	05/01/30	1,030,720
19,000				19,822,120
	<b>Life Care (4.3%)</b>			
1,000	Lee County Industrial Development Authority, Florida, Shell Point Village/The Alliance Community for Retirement Living Inc Ser 2006	5.125	11/15/36	1,021,170
	St Johns County, Florida, Industrial Development Authority,			
1,000	Glenmoor Refg 2006 Ser A	5.25	01/01/26	1,016,640
3,250	Glenmoor Refg 2006 Ser A	5.375	01/01/40	3,323,645
1,500	Maryland Health & Higher Educational Facilities Authority,			
	King Farm Presbyterian Community 2006 Ser B	5.00	01/01/17	1,507,260
1,500	New Jersey Economic Development Authority, Seabrook Village Inc Ser 2006	5.25	11/15/36	1,511,715
1,000	Tarrant County Cultural Educational Facilities Finance Corp, Texas, Air Force Village II Inc Ser 2007	5.125	05/15/37	1,027,960
9,250				9,408,390
	<b>Public Power (13.1%)</b>			
3,890	Salt River Project Agricultural Improvement & Power District, Arizona, 2002 Ser B	5.00	01/01/22	4,075,320
2,590	Arkansas River Power Authority, Colorado, Power Ser 2006 (XLCA)	5.25	10/01/40	2,788,187
2,500	Wyandotte County/Kansas City, Kansas, Ser 2004 B (FSA)	5.00	09/01/28	2,637,125
	Nebraska Public Power District,			
5,000	2003 Ser A (Ambac)	5.00	01/01/35	5,231,750
3,000	Ser 2005 C (FGIC)	5.00	01/01/41	3,156,000
2,000	North Carolina Municipal Power Agency #1, Catawba Ser 1993 (MBIA)	5.25	01/01/20	2,141,820
4,000	South Carolina Public Service Authority, Santee Cooper Ser 2003 A (Ambac)	5.00	01/01/27	4,185,400
2,500	Intermountain Power Agency, Utah, 2003 Ser A (FSA)	5.00	07/01/21	2,657,125
1,705	Grant County Public Utility District #2, Washington, Wanapum Hydroelectric 2005 Ser A (FGIC)	5.00	01/01/34	1,787,283
27,185				28,660,010

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Morgan Stanley Quality Municipal Securities

Portfolio of Investments April 30, 2007 (unaudited) continued

PRINCIPAL AMOUNT IN THOUSANDS		COUPON RATE	MATURITY DATE	VALUE
	<b>Tobacco Settlement (9.0%)</b>			
\$ 3,000	Northern Tobacco Securitization Corporation, Alaska, Asset Backed Ser 2006 A	5.00%	06/01/46	\$ 2,951,760
	Golden State Tobacco Securitization Corporation, California,			
4,000	Asset Backed Ser 2007 A**	5.125	06/01/47	4,012,340
4,000	Asset Backed Ser 2007 A**	5.75	06/01/47	4,282,660
2,000	Tobacco Securitization Authority of Northern California, Sacramento County Tobacco Securitization Corporation Ser 2005 A-1	5.00	06/01/37	1,986,060
	Tobacco Settlement Financing Corporation, New Jersey, Ser 1A	4.625	06/01/26	2,929,230
3,000	Ser 2007-1B	0.00	06/01/41	459,420
3,000	Nassau County Tobacco Settlement Corporation, New York, Ser 2006 A-3	5.125	06/01/46	3,069,870
22,000				19,691,340
	<b>Transportation (24.3%)</b>			
3,150	Orange County Transportation Authority, California, Toll Road Refg Ser 2003 A (Ambac)	5.00	08/15/18	3,365,964
5,000	Miami-Dade County, Florida, Miami Int'l Airport Ser 2000 A (AMT) (FGIC)	6.00	10/01/24	5,367,600
5,000	Atlanta, Georgia, Airport Ser 2004 C (FSA) Georgia Road & Tollway Authority,	5.00	01/01/33	5,227,800
2,000	Ser 2001	5.375	03/01/17	2,143,160
2,000	Ser 2004	5.00	10/01/22	2,113,340
3,000	Ser 2004	5.00	10/01/23	3,170,010
3,000	Hawaii, Airports Refg Ser 2000 B (AMT) (FGIC) Chicago, Illinois, O'Hare Int'l Airport,	6.625	07/01/18	3,262,710
3,000	3rd Lien Ser 2005 A (MBIA)	5.25	01/01/26	3,246,000
3,000	Passenger Fee Ser 2001 A (AMT) (Ambac)	5.375	01/01/32	3,138,960
3,000	Illinois Toll Highway Authority, Priority Refg 1998 Ser A (FSA)	5.50	01/01/15	3,329,010
3,000	Clark County, Nevada, Airport SubLien Ser 2004 (AMT) (FGIC)	5.50	07/01/20	3,239,100
5,000	Metropolitan Transportation Authority, New York, Transportation Ser 2003 B (MBIA)	5.25	11/15/22	5,380,350
3,000	Triborough Bridge & Tunnel Authority, New York, Refg Ser 2002 B	5.25	11/15/19	3,227,130
1,500	Rhode Island Economic Development Corporation, Airport Refg Ser 2004 A (AMT) (FSA)	5.00	07/01/21	1,560,345

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1,000	Harris County, Texas, Toll Road Sr Lien Ser 2005 A (FSA)	5.25	08/15/35	1,039,070
4,010	Port of Seattle, Washington, Passenger Facility Ser 1998 A (MBIA)**	5.00	12/01/23	4,098,080
49,660				52,908,629

See Notes to Financial Statements

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Morgan Stanley Quality Municipal Securities

Portfolio of Investments April 30, 2007 (unaudited) continued

PRINCIPAL AMOUNT IN THOUSANDS		COUP RAT
	<i>Water &amp; Sewer (25.3%)</i>	
1,000	Surprise Municipal Property Corporation, Arizona, Ser 2007 (WI)	4.90
5,000	Los Angeles Department of Water & Power, California, Water 2004 Ser C (MBIA)	5.00
4,240	San Diego County Water Authority, California, Ser 2004 A COPs (FSA)	5.00
1,200	De Kalb County, Georgia, Water & Sewer Ser 2003 A	5.00
3,000	Fulton County, Georgia, Water & Sewerage Ser 2004 (FGIC)	5.25
3,000	Manchester, New Hampshire, Water Works Ser 2003 (FGIC)	5.00
3,000	New York City Municipal Water Finance Authority, New York, 2005 Ser B (Ambac)	5.00
4,565	Grand Strand Water & Sewer Authority, South Carolina, Refg Ser 2002 (FSA)	5.375
1,000	Austin, Texas, Water & Sewer, ROLS RRII R-574	8.205
	Houston, Texas,	
5,000	Combined Utility First Lien Refg 2004 Ser A (MBIA)	5.25
5,000	Water & Sewer Jr Lien Refg Ser 2001 A (FSA)	5.50
4,000	Tarrant County Regional Water District, Texas, Refg & Impr Ser 2002 (FSA)	5.25

reference entity within the DJ IG CDX Series 4  
 proportional notional amount times the difference  
 of the reference entity within the DJ IG CDX

	2,253,000	2,928
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Inc. on September 7, 2005, maturing on June  
 times the notional amount. Upon a credit default  
 Series 4 Index 10-15% tranche, the fund makes  
 times the difference between the par value and the  
 the DJ IG CDX Series 4 Index 10-15% tranche.

	2,253,000	7,387
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Inc. on October 13, 2005, maturing on  
 based on the difference between the original  
 execution and pay quarterly 395 basis points  
 event of a reference entity within the DJ CDX  
 of the proportional notional amount times the  
 market value of the reference entity within the DJ

	2,148,000	(32,328)
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Inc. on October 14, 2005, maturing on  
 based on the difference between the original  
 execution and pays quarterly 395 basis points  
 event of a reference entity within the CDX HY  
 the proportional notional amount times the  
 market value of the reference entity within the

	1,296,000	(13,109)
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\$(807,830)

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NOTES

- (a) Percentages indicated are based on net assets of \$1,371,660,440.
- (b) The aggregate identified cost on a tax basis is \$1,467,372,663, resulting in gross unrealized appreciation and depreciation of \$33,537,901 and \$45,885,974, respectively, or net unrealized depreciation of \$12,348,073.
- (c) Senior loans are exempt from registration under the Security Act of 1933, as amended, but contain certain restrictions on resale and cannot be sold publicly. These loans pay interest at rates which adjust periodically. The interest rate shown for senior loans are the current interest rates at October 31, 2005. Senior loans are also subject to mandatory and/or optional prepayment which cannot be predicted. As a result, the remaining



maturity may be substantially less than the stated maturity shown. Senior loans are purchased or sold on a when-issued or delayed delivery basis and may be settled a month

or more after the trade date, which from time to time can delay the actual investment of available cash balances; interest income is accrued based on the terms of the securities. Senior loans can be acquired through an agent, by assignment from another holder of the

loan, or as a participation interest in another holder's portion of the loan. When the fund invests in a loan or participation, the fund is subject to the risk that an intermediate participant between the fund and the borrower will fail to meet its obligations to the fund,

in addition to the risk that the borrower under the loan may default on its obligations.

(DEF) Security is in default of principal and interest.

(NON) Non-income-producing security.

(S) Securities on loan, in part or in entirety, at October 31, 2005.

(STP) The interest or dividend rate and date shown parenthetically represent the new interest or dividend rate to be paid and the date the fund will begin accruing interest or dividend income at this rate.

(RES) Restricted, excluding 144A securities, as to public resale. The total market value of restricted securities held at October 31, 2005 was \$2,091,168 or 0.2% of net assets.

(PIK) Income may be received in cash or additional securities at the discretion of the issuer.

(SEG) A portion of this security was pledged and segregated with the custodian to cover margin requirements for futures contracts at October 31, 2005.

(R) Real Estate Investment Trust.

(d) The fund may lend securities, through its agents, to qualified borrowers in order to earn additional income. The loans are collateralized by cash and/or securities in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agents; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the statement of operations. At October 31, 2005, the value of securities loaned amounted to \$632,012. Certain of these securities were sold prior to year/period-end. The fund received cash collateral of \$617,994 which is pooled with collateral of other Putnam funds into 16 issues of high-grade, short-term investments.

(e) Pursuant to an exemptive order from the Securities and Exchange Commission, the fund invests in Putnam Prime Money Market Fund, an open-end management investment company managed by Putnam Investment Management, LLC ("Putnam Management"), the fund's manager, an indirect wholly-owned subsidiary of Putnam, LLC. Management fees paid by the fund are reduced by an amount equal to the management and administrative fees paid by Putnam Prime Money Market Fund with respect to assets invested by the fund in Putnam Prime Money Market Fund. Income distributions earned by the fund totaled \$1,518,401 for the period ended October 31, 2005. During the period ended October 31, 2005, cost of purchases and cost of sales of investments in Putnam Prime Money Market Fund aggregated \$239,778,192 and \$334,417,088, respectively.

(F) Security is valued at fair value following procedures approved by the Trustees.

(U) A portion of the position represents unfunded loan commitments, which could be extended at the option of the borrower, pursuant to the loan agreements. The total market value of the unfunded loan commitments at October 31, 2005 was less than 0.2% of net assets.

At October 31, 2005, liquid assets totaling \$173,322,083 have been designated as collateral for open forward commitments, swap contracts and forward contracts.

144A after the name of a security represents those exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

TBA after the name of a security represents to be announced securities.

The rates shown on Floating Rate Bonds (FRB) and Floating Rate Notes (FRN) are the current interest rates at October 31, 2005.

Inverse Floating Rate Bonds (IFB), are securities that pay interest rates that vary inversely to changes in the market interest rates. As interest rates rise, inverse floaters produce less current income. The interest rates shown are the current interest rates at October 31, 2005.

#### DIVERSIFICATION BY COUNTRY

Distribution of investments by country of issue at October 31, 2005: (as a percentage of Portfolio Value)

Austria	0.7%
Brazil	1.5
Canada	1.3
Cayman Islands	1.5

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France	2.8
Germany	1.8
Ireland	1.9
Japan	1.7
Luxembourg	1.0
Mexico	0.6
Phillipines	0.6
Russia	0.8
Sweden	0.7
United Kingdom	2.1
United States	79.0
Other	2.0
Total	100.0%

**Security valuation** Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets. If no sales are reported -- as in the case of some securities traded over-the-counter -- a security is valued at its last reported bid price. Market quotations are not considered to be readily available for certain debt obligations; such investments are valued at fair value on the basis of valuations furnished by an independent pricing service or dealers, approved by the Trustees. Such services or dealers determine valuations for normal institutional-size trading units of such securities using methods based on market transactions for comparable securities and various relationships, generally recognized by institutional traders, between securities. Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign securities taking into account multiple factors, including movements in the U.S. securities markets. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent.

Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

Short-term investments having remaining maturities of 60 days or less are valued at amortized cost, which approximates fair value.

Other investments, including certain restricted securities, are valued at fair value following procedures approved by the Trustees. Such valuations and procedures are reviewed periodically by the Trustees.

**Stripped mortgage-backed securities** The fund may invest in stripped mortgage-backed securities which represent a participation in mortgage loans and may be structured in classes with rights to receive different portions of the interest and principal. Interest-only securities receive all of the interest and principal-only securities receive all of the principal. If the interest-only securities experience greater than anticipated prepayments of principal, the fund may fail to recoup fully its initial investment in these securities. Conversely, principal-only securities increase in value if prepayments are greater than anticipated and decline if prepayments are slower than anticipated. The market value of these securities is highly sensitive to changes in interest rates.

**Forward currency contracts** The fund may buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to protect against a decline in value relative to the U.S. dollar of the currencies in which its portfolio securities are denominated or quoted (or an increase in the value of a currency in which securities a fund intends to buy are denominated, when a fund holds cash reserves and short term investments). The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. 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 as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss 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. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

**Futures and options contracts** The fund may use futures and options contracts to hedge against changes in the values of securities the fund owns or expects to purchase. The fund may also write options on swaps or securities it owns or in which it may invest to increase its current returns.

The potential risk to the fund is that the change in value of futures and options contracts may not correspond to the change in value of the hedged instruments. In addition, losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparty to the contract is unable to perform. Risks may exceed amounts recognized on the statement of assets and liabilities. When the contract is closed, the fund records a realized gain or loss 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. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. If a written call option is exercised, the premium originally received is recorded as an addition to sales proceeds. If a written put option is exercised, the premium originally received is recorded as a reduction to cost of investments.

Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. The fund and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin." Exchange traded options are valued at the last sale price, or if no sales are reported, the last bid price for purchased options and the last ask price for written options. Options traded over-the-counter are valued using prices supplied by dealers. Futures and written option contracts outstanding at period end, if any, are listed after the fund's portfolio.

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**Interest rate swap contracts** The fund may enter into interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to manage the fund's exposure to interest rates. Interest rate swap contracts are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made are recorded as realized gains or loss. The fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. Risk of loss may exceed amounts recognized on the statement of assets and liabilities. Interest rate swap contracts outstanding at period end, if any, are listed after the fund's portfolio.

**Credit default contracts** The fund may enter into credit default contracts where one party, the protection buyer, makes an upfront or periodic payment to a counterparty, the protection seller, in exchange for the right to receive a contingent payment. The maximum amount of the payment may equal the notional amount, at par, of the underlying index or security as a result of a related credit event. An upfront payment received by the fund, as the protection seller, is recorded as a liability on the fund's books. An upfront payment made by the fund, as the protection buyer, is recorded as an asset on the fund's books. Periodic payments received or paid by the fund are recorded as realized gains or losses. The credit default contracts are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as unrealized gain or loss. Payments received or made as a result of a credit event or termination of the contract are recognized, net of a proportional amount of the upfront payment, as realized gains or losses. In addition to bearing the risk that the credit event will occur, the fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index, the possibility that the fund may be unable to close out its position at the same time or at the same price as if it had purchased comparable publicly traded securities or that the counterparty may default on its obligation to perform. Risks of loss may exceed amounts recognized on the statement of assets and liabilities.

Credit default contracts outstanding at period end, if any, are listed after the fund's portfolio.

**TBA purchase commitments** The fund may enter into "TBA" (to be announced) commitments to purchase securities for a fixed unit price at a future date beyond customary settlement time. Although the unit price has been established, the principal value has not been finalized. However, the amount of the commitments will not significantly differ from the principal amount. The fund holds, and maintains until settlement date, cash or high-grade debt obligations in an amount sufficient to meet the purchase price, or the fund may enter into offsetting contracts for the forward sale of other securities it owns. Income on the securities will not be earned until settlement date. TBA purchase commitments may be considered securities themselves, and involve a risk of loss if the value of the security to be purchased declines prior to the settlement date, which risk is in addition to the risk of decline in the value of the fund's other assets. Unsettled TBA purchase commitments are valued at fair value of the underlying securities, according to the procedures described under "Security valuation" above. The contract is marked-to-market daily and the change in market value is recorded by the fund as an unrealized gain or loss.

Although the fund will generally enter into TBA purchase commitments with the intention of acquiring securities for its portfolio or for delivery pursuant to options contracts it has entered into, the fund may dispose of a commitment prior to settlement if Putnam Management deems it appropriate to do so.

**TBA sale commitments** The fund may enter into TBA sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of TBA sale commitments are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities or an offsetting TBA purchase commitment deliverable on or before the sale commitment date, are held as "cover" for the transaction.

Unsettled TBA sale commitments are valued at fair value of the underlying securities, generally according to the procedures described under "Security valuation" above. The contract is marked-to-market daily and the change in market value is recorded by the fund as an unrealized gain or loss. If the TBA sale commitment is closed through the acquisition of an offsetting purchase commitment, the fund realizes a gain or loss. If the fund delivers securities under the commitment, the fund realizes a gain or a loss from the sale of the securities based upon the unit price established at the date the commitment was entered into. TBA sale commitments outstanding at period end, if any, are listed after the fund's portfolio.

**Dollar rolls** To enhance returns, the fund may enter into dollar rolls (principally using TBAs) in which the fund sells securities for delivery in the current month and simultaneously contracts to purchase similar securities on a specified future date. During the period between the sale and subsequent purchase, the fund will not be entitled to receive income and principal payments on the securities sold. The fund will, however, retain the difference between the initial sales price and the forward price for the future purchase. The fund will also be able to earn interest on the cash proceeds that are received from the initial sale. The fund may be exposed to market or credit risk if the price of the security changes unfavorably or the counterparty fails to perform under the terms of the agreement.

For additional information regarding the fund please see the fund's most recent annual or semiannual shareholder report filed on the Securities and Exchange Commission's Web site, [www.sec.gov](http://www.sec.gov), or visit Putnam's Individual Investor Web site at [www.putnaminvestments.com](http://www.putnaminvestments.com)

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Item 2. Controls and Procedures:

(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the effectiveness of the design and operation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the design and operation of such procedures are generally effective to provide reasonable assurance that information required to be disclosed by the registrant in this report is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

(b) Changes in internal control over financial reporting: Not applicable

Item 3. Exhibits:

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A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Investment Company Act of 1940, as amended, are filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAME OF REGISTRANT

By (Signature and Title):

/s/ Michael T. Healy

Michael T. Healy  
Principal Accounting Officer

Date: December 29, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title):

/s/ Charles E. Porter

Charles E. Porter  
Principal Executive Officer

Date: December 29, 2005

By (Signature and Title):

/s/ Steven D. Krichmar

Steven D. Krichmar  
Principal Financial Officer

Date: December 29, 2005

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