

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST
Form N-CSRS
February 09, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number: 811-05597
Morgan Stanley Municipal Income Opportunities Trust
(Exact name of registrant as specified in charter)**

522 Fifth Avenue, New York, New York 10036
(Address of principal executive offices)

(Zip code)

Randy Takian
522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-296-6990

Date of fiscal year end: May 31, 2009

Date of reporting period: November 30, 2008

Item 1 Report to Shareholders

INVESTMENT MANAGEMENT

Welcome, Shareholder:

In this report, you will learn about how your investment in Morgan Stanley Municipal Income Opportunities Trust 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 Fund's financial statements and a list of Fund investments.

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

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 November 30, 2008

Market Conditions

The broad financial markets were highly volatile throughout the reporting period as the credit crisis intensified, the housing market continued to decline, and the economy slid into recession. In early September 2008, investor confidence plummeted and the markets began a downward spiral following the government's takeover of Fannie Mae and Freddie Mac and the bankruptcy of Lehman Brothers. In the weeks that followed, several other financial institutions were forced into mergers, rescued by government loans, or failed altogether as the value of their assets severely eroded. The credit markets became paralyzed as banks refused to lend while investors fled risk assets in favor of Treasury securities. In an effort to unlock the credit markets the federal government interceded with various supportive measures including a \$700 billion bailout plan. As of the end of the reporting period, however, these measures had seemingly done little to improve investor confidence.

The municipal bond market had already been under pressure for several months prior to September, due in part to the credit rating downgrades of various monoline bond insurers and the deterioration of the auction rate and variable rate markets. The failure of Lehman Brothers, however, prompted a wave of forced selling in the municipal market as leveraged buyers, mutual funds and brokerage firms began deleveraging, putting significant pressure on prices, severely eroding liquidity, and creating a technical demand/supply imbalance in the market. As a result, municipal yields rose, particularly on the long end of the yield curve, far exceeding those of comparable Treasuries by the end of the period. For the six-month reporting period, yields on 30-year AAA rated municipal bonds rose from 4.53 percent to 5.38 percent and the 30-year municipal-to-Treasury ratio, which measures the relative attractiveness of the two sectors, increased from 96 percent to 155 percent, indicating that municipals underperformed Treasuries while becoming relatively cheaper. As would be expected in the risk-averse and volatile environment, higher-quality municipal bonds outperformed lower-quality issues. Over the course of the period, high-yield municipal credit spreads widened from 276 basis points to 497 basis points.

Performance Analysis

For the six-month period ended November 30, 2008, the net asset value (NAV) of Morgan Stanley Municipal Income Opportunities Trust (OIA) decreased from \$7.38 to \$5.80 per share. Based on the NAV change (as of the last business day of the Period) plus reinvestment of tax-free dividends totaling \$0.2325 per share, the Fund's total NAV return was -18.70 percent. OIA's value on the New York Stock Exchange (NYSE) moved from \$7.87 to \$5.46 per share during the same period. Based on this change plus reinvestment of dividends, the Fund's total market return was -28.10 percent. OIA's NYSE market price was at a 5.86 percent discount to its NAV. During the fiscal period, the Fund purchased and retired 29,201 shares of common stock at a weighted average market discount of 19.98 percent. *Past performance is no guarantee of future results.*

The November dividend was \$0.03875 per share. The dividend reflects the current level of the Fund's net investment income. OIA's level of undistributed net investment income was \$0.034 per share on

November 30, 2008 versus \$0.047 per share six months earlier.¹

The Fund's emphasis on high-yield municipals bonds, which represented more than two-thirds of portfolio assets, held back performance during the period as the increasingly risk-averse environment led this sector of the market to lag the high-quality sector. Other detractors from performance included continued weakness in the tobacco bond sector and underweighted exposures to the utility and transportation sectors, both of which performed relatively well during the period.

Other investments, however, helped enhance the Fund's performance during the period. Strong security selection within the life care (CCRC) sector, of which the Fund had an overweight allocation, was additive to returns. The Fund's lack of airline bond investments within the industrial development revenue/pollution control revenue (IDR/PCR) sector was particularly advantageous as rising fuel costs have put considerable pressure on the airline industry. Lastly, the Fund's pre-refunded holdings helped boost returns. These highly-rated, short-term securities benefited from the outperformance of the short end of the municipal yield curve and the high-quality sector of the market.

The Fund's duration* was relatively unchanged during the review period, remaining neutral to slightly longer, and therefore had little impact on performance. Sector exposure was relatively unchanged as well. The Fund's investments remained well-diversified across a broad range of sectors, the largest weightings of which were in the life care, hospital, and special tax districts sectors as of the end of the period.

The Fund'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 Fund's shares. In addition, we would like to remind you that the Trustees have approved a share repurchase program 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.

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 Fund 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 Fund in the future.

¹ *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, funds with shorter durations perform better in rising-interest-rate environments, while funds with longer durations perform better when rates decline.*

TOP FIVE SECTORS as of 11/30/08

| | |
|------------------------|-------|
| Life Care | 24.3% |
| Special Tax Districts | 15.7 |
| Hospital | 14.3 |
| IDR/PCR** | 8.9 |
| Mortgage-Single Family | 7.4 |

LONG-TERM CREDIT ANALYSIS as of 11/30/08

| | |
|---------------|------|
| Aaa/AAA | 6.6% |
| Aa/AA | 7.3 |
| A/A | 3.1 |
| Baa/BBB | 10.4 |
| Ba/BB or Less | 9.3 |
| NR | 63.3 |

** *Industrial Development Revenue/Pollution Control Revenue.*

SUMMARY OF INVESTMENTS BY STATE CLASSIFICATION as of 11/30/08

| | |
|----------------|--------|
| Florida | 17.6 % |
| Missouri | 7.7 |
| Pennsylvania | 7.4 |
| Illinois | 6.8 |
| Texas | 6.4 |
| California | 5.9 |
| New Jersey | 4.8 |
| New York | 4.3 |
| New Hampshire | 4.2 |
| Colorado | 4.0 |
| Hawaii | 3.4 |
| Massachusetts | 2.9 |
| Michigan | 2.5 |
| Ohio | 2.4 |
| Arizona | 2.0 |
| South Carolina | 2.0 |
| Connecticut | 1.7 |
| Maryland | 1.6 |
| Virginia | 1.6 |
| Tennessee | 1.6 % |
| Nevada | 1.6 |
| Iowa | 1.5 |
| Georgia | 1.2 |
| North Dakota | 1.1 |
| Louisiana | 1.0 |
| Alabama | 1.0 |
| Minnesota | 1.0 |
| Utah | 0.7 |

| | |
|--|---------|
| Idaho | 0.6 |
| Washington | 0.6 |
| Kansas | 0.6 |
| North Carolina | 0.5 |
| West Virginia | 0.5 |
| Oklahoma | 0.4 |
| Mississippi | 0.3 |
| District of Columbia | 0.2 |
| | |
| Total Long-Term Investments | 103.6 |
| Liability for Floating Rate Note Obligations | (5.3) |
| Other Assets in Excess of Liabilities | 1.7 |
| | |
| Net Assets | 100.0 % |

Subject to change daily. Provided for informational purposes only and should not be deemed a recommendation to buy or sell the securities mentioned or securities in the sectors shown above. Top five sectors are as a percentage of total investments and long-term credit analysis are as a percentage of total long-term investments. Summary of investments by state classification are as a percentage of net assets. Securities are classified by sectors that represent broad groupings of related industries. 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. Rating allocation based upon ratings as issued by Standard and Poor's and Moody's, respectively

For More Information About Portfolio Holdings

Each Morgan Stanley fund provides a complete schedule of portfolio holdings in its semiannual and annual reports within 60 days of the end of the fund'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 fund shareholders and makes these reports available on its public web site, www.morganstanley.com. Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to 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) or by writing the public reference section of the SEC, Washington, DC 20549-0102.

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 (as defined herein) 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 Fund's Administrator (as defined herein) 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 investment advisory services to the Fund. 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 Fund. 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 Fund, compared to their peers, paying specific attention to the underperforming funds. In addition, the Board specifically reviewed the Fund's performance for the one-, three- and five-year periods ended December 31, 2007, 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 Fund. The Board concluded that the Fund'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 Fund 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 Fund.

Fees and Expenses Relative to Comparable Funds Managed by Other Advisers

The Board reviewed the management fee rate and total expense ratio of the Fund as compared to the average management fee rate and average total expense ratio for funds, selected by Lipper (the expense peer group), managed by other advisers with investment strategies comparable to those of the Fund, as shown in the Lipper Report. The Board concluded that the Fund'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 Fund's management fee schedule under the Management Agreement and noted that it does not include any breakpoints. The Board considered that the Fund is a closed-end fund and, therefore, that the Fund'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 Fund were not a factor that needed to be considered at the present time.

Profitability of 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 Fund 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 Fund.

Fall-Out Benefits

The Board considered so-called fall-out benefits derived by the Adviser and affiliates from their relationship with the Fund and the Morgan Stanley Fund Complex, such as float benefits derived from handling of checks for purchases and sales of Fund shares, through a broker-dealer affiliate of the Adviser. The Board also considered that, from time to time, the Adviser may, directly or indirectly, effect trades on behalf of certain Morgan Stanley Funds through various electronic communications networks or other alternative trading systems in which the Adviser's affiliates have ownership interests and/or board seats. The Board concluded that the fall-out benefits were relatively small.

Soft Dollar Benefits

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

Adviser Financially Sound and Financially Capable of Meeting the Fund 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 Fund and the Adviser

The Board also reviewed and considered the historical relationship between the Fund and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Fund 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 Fund 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 Fund 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 Fund 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 Fund and its shareholders to approve renewal of the Management Agreement for another year.

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Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited)

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|-------------------------------------|--|----------------|------------------|------------|
| | <i>Tax-Exempt Municipal Bonds (103.6%)</i> | | | |
| | <i>Alabama (1.0%)</i> | | | |
| \$ 1,000 | Colbert County Northwest Health Care Authority, Alabama, Helen Keller Hospital Ser 2003 | 5.75 % | 06/01/27 | \$ 784,190 |
| 400 | Cullman Medical Park South, Medical Clinic Board of the City Ser 1993 A | 6.50 | 02/15/23 | 349,072 |
| | | | | 1,133,262 |
| | <i>Arizona (2.0%)</i> | | | |
| 800 | Pima County Industrial Development Authority Water & Wastewater Ser 2007 (AMT) | 6.55 | 12/01/37 | 570,456 |
| 1,225 | Pima County Industrial Development Authority, Constellation Schools Ser 2008 | 7.00 | 01/01/38 | 957,828 |
| 400 | Pinal County Electrical District # 4 Ser 2008 | 6.00 | 12/01/38 | 319,864 |
| 600 | Scottsdale Industrial Development Authority, Scottsdale Healthcare Ser 2008 A | 5.25 | 09/01/30 | 473,682 |
| | | | | 2,321,830 |
| | <i>California (5.9%)</i> | | | |
| 1,875 | California County Tobacco Securitization Agency, Gold County Settlement Funding Corp Ser 2006 | 0.0 | 06/01/33 | 167,588 |
| 335 | California Municipal Finance Authority Educational Facility, Ser 2008 | 5.875 | 07/01/28 | 256,855 |
| 400 | California Statewide Communities Development Authority, Thomas Jefferson School Ser 2008 A | 7.25 | 10/01/38 | 322,452 |
| 1,000 | California Statewide Communities Development Authority California Baptist University Ser 2007 A | 5.50 | 11/01/38 | 615,890 |
| 600 | California Statewide Communities Development Authority, Daughters of Charity Health Ser 2005 A | 5.00 | 07/01/39 | 355,146 |
| 995 | Daly City Housing Development Finance Agency, Franciscan Mobile Home Park Third Tier Refg Ser 2007 C | 6.50 | 12/15/47 | 702,838 |
| 4,000 | Golden State Tobacco Securitization Corporation, Asset Backed Ser 2007 A-1 | 5.125 | 06/01/47 | 2,260,960 |

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|--------|---|------|----------|-----------|
| 800 | Quechan Indian Tribe FT Yuma Indian Reservation Ser 2008 | 7.00 | 12/01/27 | 625,992 |
| 1,000 | San Diego County, San Diego Natural History Museum (COPs) | 5.70 | 02/01/28 | 725,690 |
| 1,000 | Santa Ana, Unified School District Community Facilities, District # 2004-1, California, Central Park Ser 2005 | 5.10 | 09/01/35 | 634,560 |
| 13,000 | Silicon Valley Tobacco Securitization Authority, Santa Clara Tobacco Securitization Corp Ser 2007 C | 0.00 | 06/01/56 | 87,880 |
| | | | | 6,755,851 |
| | <i>Colorado (4.0%)</i> | | | |
| 1,000 | Colorado Health Facilities Authority, Christian Living Communities Ser 2006 A | 5.75 | 01/01/37 | 610,030 |
| 295 | Colorado Housing & Finance Authority, 1998 Ser B-3 | 6.35 | 11/01/29 | 302,425 |
| 1,000 | Copperleaf Metropolitan District # 2, Colorado, Ser 2006 | 5.95 | 12/01/36 | 622,890 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|---|------------------------|--------------------------|--------------|
| \$ 2,000 | Elk Valley Public Improvement Corporation, Ser 2001 A | 7.35 % | 09/01/31 | \$ 1,681,700 |
| 2,000 | Northwest Metropolitan District #3, Colorado, Ser 2005 | 6.25 | 12/01/35 | 1,326,820 |
| | | | | 4,543,865 |
| | <i>Connecticut (1.7%)</i> | | | |
| 2,000 | Georgetown Special Taxing District, Ser 2006 A (b) | 5.125 | 10/01/36 | 1,170,160 |
| 1,000 | Mashantucket (Western) Pequot Tribe, Special 1997 Ser B (b) | 5.75 | 09/01/27 | 709,740 |
| | | | | 1,879,900 |
| | <i>District of Columbia (0.2%)</i> | | | |
| 260 | Metropolitan Washington Airports Authority, District of Columbia & Virginia, CaterAir International Corp Ser 1991 (AMT) (c) | 10.125 | 09/01/11 | 252,715 |
| | <i>Florida (17.6%)</i> | | | |
| 500 | Alachua County Florida Industrial Development Revenue, North Florida Retirement Village Ser 2007 | 5.25 | 11/15/17 | 398,380 |
| 800 | Alachua County Florida Industrial Development Revenue, North Florida Retirement Village Ser 2007 | 5.875 | 11/15/36 | 541,744 |
| 1,880 | Beacon Lakes, Community Development District, Ser 2003 A | 6.90 | 05/01/35 | 1,398,945 |
| 950 | Bellalago Educational Facilities Benefits District, Bellalago Charter School Ser 2004 B | 5.80 | 05/01/34 | 698,012 |
| 645 | Brevard County Fla Health Facilities Authority, Buena Vida Estates, Inc Ser 2007 | 6.75 | 01/01/37 | 492,296 |
| 2,960 | Broward County Professional Sports Facilities, Civic Arena Refg Ser 2006 A (AMBAC Insd) (a) | 5.00 | 09/01/23 | 2,835,826 |
| 2,780 | Escambia County, Pensacola Care Development Centers Ser 1989 | 10.25 | 07/01/11 | 2,783,502 |
| 645 | Escambia County, Pensacola Care Development Centers Ser 1989 A | 10.25 | 07/01/11 | 645,813 |
| 1,000 | Fiddlers Creek Community Development District #1 Ser 2005 | 6.00 | 05/01/38 | 650,360 |

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|-------|--|-------|----------|-----------|
| 500 | Fountainbleau Lakes Community Development District Ser 2007 B (b) | 6.00 | 05/01/15 | 410,405 |
| 750 | Grand Bay At Doral Community Development District Ser 2007 A | 6.00 | 05/01/39 | 446,040 |
| 1,000 | Lee County Florida Industrial Development Authority Ser 2007 A | 5.375 | 06/15/37 | 607,760 |
| 500 | Miami Beach Health Facilities | 6.75 | 11/15/21 | 420,110 |
| 1,000 | Midtown Miami Community Development District, Parking Garage Ser 2004 A | 6.25 | 05/01/37 | 653,220 |
| 2,000 | Orange County Florida Health Facilities Authority, Orlando Lutheran Towers Inc, Ser 2007 | 5.50 | 07/01/32 | 1,311,800 |
| 500 | Orange County Health Facilities Authority, Orlando Lutheran Towers Inc Ser 2005 | 5.70 | 07/01/26 | 354,045 |
| 1,000 | Orange County Health Facilities Authority, Westminister Community Care Services Inc Ser 1999 | 6.75 | 04/01/34 | 801,180 |
| 1,000 | Pinellas County Health Facilities Authority, Florida, Oaks of Clearwater Ser 2004 | 6.25 | 06/01/34 | 848,360 |
| 965 | Renaissance Commons Community Development District, 2005 Ser A | 5.60 | 05/01/36 | 617,687 |
| 2,860 | South Miami Health Facilities Authority, Baptist Health South Florida Obligated Group Ser 2007 (a) | 5.00 | 08/15/32 | 2,364,133 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|-------------------------------------|---|----------------|------------------|------------|
| \$ 500 | Split Pine Community Development District, Ser 2007 A | 5.25 % | 05/01/39 | \$ 305,080 |
| 600 | Tolomato Community Development District, Special Assessment Ser 2007 | 6.55 | 05/01/27 | 472,236 |
| | | | | 20,056,934 |
| | <i>Georgia (1.2%)</i> | | | |
| 2,000 | Atlanta Eastside Ser 2005 B | 5.60 | 01/01/30 | 1,409,120 |
| | <i>Hawaii (3.4%)</i> | | | |
| 1,000 | Hawaii Department of Budget & Finance, Kahala Nui Ser 2003 A | 8.00 | 11/15/33 | 926,700 |
| 2,000 | Hawaii Department of Budget & Finance, Kuakini Health 2002 Ser A | 6.375 | 07/01/32 | 1,687,940 |
| 1,220 | Hawaii Ser 2008 DK (a) | 5.00 | 09/01/23 | 1,231,501 |
| | | | | 3,846,141 |
| | <i>Idaho (0.6%)</i> | | | |
| 975 | Idaho Health Facilities Authority Revenue -Valley Vista Care Corp Refg Ser 2007 | 6.125 | 11/15/27 | 714,119 |
| | <i>Illinois (6.8%)</i> | | | |
| 1,000 | Bolingbrook Sales Tax Ser 2005 | 6.25 | 01/01/24 | 812,380 |
| 2,000 | Chicago Lake Shore East Ser 2002 | 6.75 | 12/01/32 | 1,613,939 |
| 1,000 | Illinois Finance Authority, Elmhurst Memorial Healthcare Ser 2008 A | 5.625 | 01/01/37 | 788,770 |
| 1,000 | Illinois Finance Authority, Landing at Plymouth Ser 2005 A | 6.00 | 05/15/37 | 681,570 |
| 1,000 | Illinois Finance Authority, Luther Oaks Ser 2006 A | 6.00 | 08/15/39 | 683,180 |
| 1,650 | Illinois Finance Authority, Montgomery Place Ser 2006 A | 5.75 | 05/15/38 | 1,071,988 |
| 725 | Lincolnshire, Service Area #1-Sedgebrook Ser 2004 | 6.25 | 03/01/34 | 531,527 |
| 500 | Village of Hampshire, Kane County Special Service Area # 18 Crown Development Tamms Farm Ser 2007 A | 6.00 | 03/01/44 | 307,100 |
| 650 | Will-Kankakee Regional Development Authority, Senior Estates Supportive Living Ser 2007 (AMT) | 7.00 | 12/01/42 | 522,704 |

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| | | | | |
|-------|---|------|----------|-----------|
| 1,000 | Yorkville Special Service Area #2006-113, Cannonball/Beecher Road Ser 2007 | 5.75 | 03/01/28 | 692,880 |
| | | | | 7,706,038 |
| | <i>Iowa (1.5%)</i> | | | |
| 785 | Jefferson County Iowa Hospital Revenue, Jefferson County Hospital Project Ser C | 5.95 | 08/01/37 | 544,617 |
| 1,000 | Iowa Finance Authority, Bethany Life Communities Refg Ser 2006 A | 5.55 | 11/01/41 | 625,430 |
| 750 | Iowa Finance Authority Health Care Facilities, Madrid Homes Ser 2007 | 5.90 | 11/15/37 | 501,630 |
| | | | | 1,671,677 |
| | <i>Kansas (0.6%)</i> | | | |
| 900 | Olathe, Catholic Care Ser 2006 A | 6.00 | 11/15/38 | 626,553 |
| | <i>Louisiana (1.0%)</i> | | | |
| 797 | Lakeshore Villages Master Community Development District, Special Assessment Ser 2007 | 5.25 | 07/01/17 | 650,751 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|-------------------------------------|--|----------------|------------------|------------|
| \$ 600 | Louisiana Public Facilities Authority, Lake Charles Memorial Hospital Refg Ser 2007 | 6.375 % | 12/01/34 | \$ 443,424 |
| | | | | 1,094,175 |
| | <i>Maryland (1.6%)</i> | | | |
| 1,000 | Maryland Economic Development Corporation, Chesapeake Bay Conference Center Ser 2006 A | 5.00 | 12/01/31 | 570,560 |
| 800 | Maryland Health & Higher Educational Facilities Authority, Washington Christian Academy Ser 2006 | 5.50 | 07/01/38 | 493,360 |
| 500 | Maryland Industrial Development Financing Authority, Our Lady of Good Counsel High School Ser 2005 A | 6.00 | 05/01/35 | 352,400 |
| 750 | Maryland State Health & Higher Educational Facilities Authority, King Farm Presbyterian Community 2007 Ser A | 5.30 | 01/01/37 | 457,058 |
| | | | | 1,873,378 |
| | <i>Massachusetts (2.9%)</i> | | | |
| 1,500 | Massachusetts Development Finance Agency, Loomis Communities Ser 1999 A | 5.75 | 07/01/23 | 1,246,725 |
| 1,570 | Massachusetts Development Finance Agency, New England Center for Children Ser 1998 | 5.875 | 11/01/18 | 1,277,022 |
| 1,000 | Massachusetts Health & Educational Facilities Authority, The Learning Center for Deaf Children Ser 1999 C | 6.125 | 07/01/29 | 748,670 |
| | | | | 3,272,417 |
| | <i>Michigan (2.5%)</i> | | | |
| 500 | Dearborn Mich Economic Dev Corp Rev | 7.00 | 11/15/28 | 412,200 |
| 1,230 | Detroit Sewerage Disposal, Senior Lien Refg Ser 2001 C-2 (FGIC Insd) (a) | 5.25 | 07/01/29 | 1,185,007 |
| 2,000 | Michigan Tobacco Settlement Finance Authority, Asset Backed Ser 2007 A | 6.00 | 06/01/48 | 1,268,440 |
| | | | | 2,865,647 |
| | <i>Minnesota (1.0%)</i> | | | |

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| | | | | |
|-------|--|-------|----------|-----------------|
| 600 | Minneapolis Health Care Systems | 6.75 | 11/15/32 | 580,980 |
| 750 | North Oaks Senior Housing Revenue Presbyterian Homes Ser | 6.125 | 10/01/39 | 527,033 2007 |
| | | | | 1,108,013 |
| | <i>Mississippi (0.3%)</i> | | | |
| 400 | Mississippi Business Finance Corp., Pollution Control Revenue Refg Ser 1998 | 5.875 | 04/01/22 | 318,188 |
| | <i>Missouri (7.7%)</i> | | | |
| 750 | Branson Hills Community Improvement District Ser 2007 A | 5.50 | 04/01/27 | 538,613 |
| 500 | Branson Regional Airport Transportation Development District Ser 2007 B (AMT) | 6.00 | 07/01/37 | 326,480 |
| 2,000 | Des Peres, West County Center Ser 2002 | 5.75 | 04/15/20 | 1,693,520 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | Maturity DATE | | VALUE |
|-------------------------------------|--|----------------|------------------|-----|--------------|
| \$ 3,850 | Fenton, Gravois Bluffs Redevelopment Ser 2001 A | 7.00 % | 10/01/11 | (d) | \$ 4,386,073 |
| 1,500 | Kansas City Industrial Development Agency, Bishop Spencer 2004 Ser A | 6.50 | 01/01/35 | | 1,110,390 |
| 750 | St Louis County Industrial Development Authority, St Andrews Resources for Seniors Ser 2007 A | 6.375 | 12/01/41 | | 549,525 |
| 250 | St Louis County, Montana, Development Authority Health Facilities Ranken Jordan Project | 5.00 | 11/15/22 | | 157,383 |
| | | | | | 8,761,984 |
| | <i>Nevada (1.6%)</i> | | | | |
| 450 | Henderson, Local Improvement District #T-18, Ser 2006 | 5.30 | 09/01/35 | | 235,058 |
| 1,050 | Mesquite Nevada Special Improvement District #07-01 Local Improvement- Anthem at Mesquite Ser 2007 | 6.00 | 08/01/23 | | 790,094 |
| 1,000 | Nevada Department of Business & Industry, Las Vegas Monorail 2nd Tier Ser 2000 | 7.375 | 01/01/40 | | 231,490 |
| 600 | Sparks, Local Improvement District # 3 Legends at Sparks Marina Ser 2008 | 6.50 | 09/01/20 | | 518,778 |
| | | | | | 1,775,420 |
| | <i>New Hampshire (4.2%)</i> | | | | |
| 8,895 | New Hampshire Housing Finance Authority, Single Family Residential 1983 Ser B | 0.00 | 01/01/15 | | 4,749,484 |
| | <i>New Jersey (4.8%)</i> | | | | |
| 1,000 | New Jersey Economic Development Authority, Franciscan Oaks Ser 1997 | 5.70 | 10/01/17 | | 841,850 |
| 730 | New Jersey Economic Development Authority, Lions Gate Ser 2005 A | 5.875 | 01/01/37 | | 498,378 |
| 700 | New Jersey Economic Development Authority, Seashore Gardens Living Center Ser 2006 | 5.375 | 11/01/36 | | 436,184 |
| 1,000 | New Jersey Economic Development Authority, The Presbyterian Home at Montgomery Ser 2001 A | 6.375 | 11/01/31 | | 749,700 |
| 2,000 | | 5.125 | 07/01/25 | | 1,279,260 |

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| | | | | |
|-------|--|-------|----------|-----------|
| | New Jersey Economic Development Authority, United Methodist Homes of New Jersey Ser 1998 | | | |
| 2,000 | New Jersey Health Care Facilities Financing Authority, Raritan Bay Medical Center Ser 1994 | 7.25 | 07/01/27 | 1,662,379 |
| | | | | 5,467,751 |
| | <i>New York (4.3%)</i> | | | |
| 3,000 | Brookhaven Industrial Development Agency, Woodcrest Estates Ser 1998 A (AMT) | 6.375 | 12/01/37 | 2,288,730 |
| 235 | Mount Vernon Industrial Development Agency, Meadowview at the Wartburg Ser 1999 | 6.00 | 06/01/09 | 233,816 |
| 1,800 | New York City Industrial Development Agency, 7 World Trade Center LLC Ser 2005 A | 6.50 | 03/01/35 | 1,197,504 |
| 1,000 | New York Liberty Development Corp, National Sports Museum, Ser 2006 A | 6.125 | 02/15/19 | 119,400 |

See Notes to Financial Statements

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Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|---|------------------------|--------------------------|--------------|
| \$ 1,500 | Suffolk County Industrial Development Agency, Medford Hamlet Ser 2006 | 6.375 % | 01/01/39 | \$ 1,051,410 |
| | | | | 4,890,860 |
| | <i>North Carolina (0.5%)</i> | | | |
| 400 | North Carolina Medical Care Commission Healthcare Facilities, Pennybyrn Ser 2005 A | 6.125 | 10/01/35 | 271,708 |
| 500 | North Carolina Medical Care Commission Healthcare Facilities, Southminster Ser 2007 A | 5.75 | 10/01/37 | 343,965 |
| | | | | 615,673 |
| | <i>North Dakota (1.1%)</i> | | | |
| 1,500 | Grand Forks 4000 Valley Square Ser 2006 | 5.30 | 12/01/34 | 941,970 |
| 500 | Ward County, Trinity Ser 2006 | 5.125 | 07/01/29 | 333,070 |
| | | | | 1,275,040 |
| | <i>Ohio (2.4%)</i> | | | |
| 1,900 | Buckeye Tobacco Settlement Financing Authority, Asset Backed Ser 2007 A-2 | 5.875 | 06/01/30 | 1,267,129 |
| 600 | Centerville Health Care, Bethany Lutheran Village Continuing Care Facility, Ser 2007 A | 6.00 | 11/01/38 | 404,304 |
| 850 | Cuyahoga County Ohio Health Care and Independent Living Facilities, Eliza Jennings Senior Care Ser 2007 A | 5.75 | 05/15/27 | 599,905 |
| 450 | Tuscarawas County Ohio Hospitals Facilities, Twin City Hospital Ser 2007 | 6.35 | 11/01/37 | 322,299 |
| 75 | Zanesville-Muskingum County Port Authority, Ohio, Anchor Glass Container Corp Ser 1989 B (AMT) | 10.25 | 12/01/08 | 75,001 |
| | | | | 2,668,638 |
| | <i>Oklahoma (0.4%)</i> | | | |
| 650 | Chickasaw Nation Health Systems Ser 2007 | 6.25 | 12/01/32 | 499,369 |
| | <i>Pennsylvania (7.4%)</i> | | | |
| 2,300 | | 5.375 | 11/15/40 | 1,285,148 |

| | | | | |
|-------|--|-------|--------------|-----------|
| | Allegheny County Hospital Development Authority, West Penn Allegheny Health Ser 2007 A | | | |
| 1,500 | Bucks County Industrial Development Authority, Ann's Choice Ser 2005 A | 6.125 | 01/01/25 | 1,132,230 |
| 1,000 | Chester County Health & Education Facilities Authority, Jenner's Pond Inc Ser 2002 | 7.625 | 07/01/12 (d) | 1,183,740 |
| 500 | Fulton County Industrial Development Authority, Fulton County Medical Center Ser 2006 | 5.875 | 07/01/31 | 353,775 |
| 1,000 | Harrisburg Authority, Pennsylvania, Harrisburg University of Science & Technology Ser 2007 B | 6.00 | 09/01/36 | 693,570 |
| 1,000 | Montgomery County Industrial Development Authority, Whitmarsh Community Ser 2005 | 6.25 | 02/01/35 | 658,230 |
| 1,000 | Pennsylvania Economic Development Financing Authority, Reliant Energy Inc Ser 2001 A (AMT) | 6.75 | 12/01/36 | 624,210 |
| 2,000 | Pennsylvania Housing Financial Agency Ser 2007-100A (AMT) | 5.10 | 10/01/22 | 1,783,719 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|--|--|------------------------|--------------------------|--------------|
| \$ 1,000 | Washington County, Victory Centre/Tanger Outlet Redevelopment Authority Ser 2006 A | 5.45 % | 07/01/35 | \$ 674,560 |
| | | | | 8,389,182 |
| | <i>South Carolina (2.0%)</i> | | | |
| 1,250 | Myrtle Beach, Air Force Base Redevelopment Ser 2006 A | 5.30 | 11/01/35 | 790,863 |
| 1,000 | South Carolina Jobs Economic Development Authority, Lutheran Homes Ser 2007 | 5.625 | 05/01/42 | 633,340 |
| 625 | South Carolina Jobs Economic Development Woodlands At Furman Project Ser 2007 A | 6.00 | 11/15/37 | 427,538 |
| 750 | South Carolina Jobs-Economic Development Authority, Wesley Commons Ser 2006 | 5.30 | 10/01/36 | 469,350 |
| | | | | 2,321,091 |
| | <i>Tennessee (1.6)</i> | | | |
| 800 | Johnson City Health & Educational Facilities | 5.50 | 07/01/31 | 558,512 |
| 500 | Shelby County Health, Educational & Housing Facilities Board, Trezevant Manor Ser 2006 A | 5.75 | 09/01/37 | 327,770 |
| 750 | Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2003 A | 7.25 | 12/01/34 | 615,998 |
| 500 | Shelby County Health, Educational & Housing Facilities Board, Village at Germantown Ser 2006 | 6.25 | 12/01/34 | 360,930 |
| | | | | 1,863,210 |
| | <i>Texas (6.4%)</i> | | | |
| 2,000 | Austin Convention Enterprises Inc, Convention Center Hotel Ser 2006 B | 5.75 | 01/01/34 | 1,349,800 |
| 1,000 | Brazos River Authority, Texas Utilities Electric Co Refg Ser 1999 A (AMT) | 7.70 | 04/01/33 | 689,520 |
| 1,000 | Decatur Hospital Authority, Texas, Wise Regional Health Ser 2004 A | 7.125 | 09/01/34 | 833,410 |
| 1,250 | HFDC Central Texas Inc, Legacy at Willow Bend, Ser 2006 A | 5.75 | 11/01/36 | 809,138 |
| 1,000 | Lubbock, Health Facilities Development Corporation, Texas, Carillon Senior Lifecare Ser 2005 A | 6.50 | 07/01/26 | 773,530 |

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| | | | | |
|-------|---|-------|----------|-----------|
| 3,375 | Texas Department of Housing and Community Affairs 2007 Ser B (AMT) (a) | 5.15 | 09/01/27 | 2,822,762 |
| | | | | 7,278,160 |
| | <i>Utah (0.7%)</i> | | | |
| 1,000 | Emery County Utah Enviromental Impt | 6.15 | 09/01/30 | 758,020 |
| | <i>Virginia (1.6%)</i> | | | |
| 2,000 | Peninsula Ports Authority of Virginia, Baptist Homes Ser 2006 C | 5.40 | 12/01/33 | 1,309,000 |
| 700 | Peninsula Town Center Community Development Authority Ser 2007 | 6.45 | 09/01/37 | 506,331 |
| | | | | 1,815,331 |
| | <i>Washington (0.6%)</i> | | | |
| 1,000 | Washington Housing Finance Commission, Skyline at First Hill Ser 2007 A | 5.625 | 01/01/38 | 632,810 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Portfolio of Investments - November 30, 2008 (unaudited) continued

| PRINCIPAL AMOUNT IN THOUSANDS | | COUPON RATE | MATURITY DATE | VALUE |
|-------------------------------------|--|----------------|------------------|----------------|
| \$ 825 | <i>West Virginia (0.5%)</i> West Virginia Hospital Finance Authority, Thomas Health System, Inc. Ser 2008 | 6.50 % | 10/01/38 | \$ 609,304 |
| | Total Tax-Exempt Municipal Bonds (<i>Cost \$154,211,325</i>) | | | 117,821,150 |
| (6,030) | Floating Rate Note and Dealer Trusts Obligations Related to Securities Held (- 5.3%) Notes with interest rates ranging from 0.93% to 1.53% at November 30, 2008 and contractual maturities of collateral ranging from 09/01/23 to 08/15/32 (See Note 1D) (e) (<i>Cost \$(6,030,000)</i>) | | | (6,030,000) |
| | Total Net Investments (<i>Cost \$148,181,325</i>) | | 98.3% | 111,791,150 |
| | Other Assets in Excess of Liabilities | | 1.7 | 1,939,889 |
| | Net Assets | | 100.0% | \$ 113,731,039 |

AMT Alternative Minimum Tax.

COPs Certificates of Participation.

(a) Underlying security related to inverse floater entered into by the Fund.

(b) Resale is restricted to qualified institutional investors.

(c) Joint exemption.

(d) Prerefunded to call date shown.

(e) Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at November 30, 2008.

(f) The aggregate cost for federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is \$894,207 and the aggregate gross unrealized depreciation is \$37,313,526 resulting in net unrealized depreciation of \$36,419,319.

Bond Insurance:

AMBAC AMBAC Assurance Corporation.

FGIC Financial Guaranty Insurance Company.

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Financial Statements

Statement of Assets and Liabilities
 November 30, 2008 (unaudited)

Assets:

| | |
|---|--------------------|
| Investments in securities, at value (cost \$148,181,325) | \$117,821,150 |
| Receivable for: | |
| Interest | 2,734,766 |
| Investments sold | 24,678 |
| Dividends from affiliate | 121 |
| Prepaid expenses and other assets | 7,289 |
| Total Assets | 120,588,004 |

Liabilities:

| | |
|---|------------------|
| Floating rate note and dealer trust obligations | 6,030,000 |
| Payable for: | |
| Investment advisory fee | 48,034 |
| Administration fee | 7,695 |
| Transfer agent fee | 5,532 |
| Payable to bank | 652,184 |
| Accrued expenses and other payables | 113,520 |
| Total Liabilities | 6,856,965 |

Net Assets \$113,731,039

Composition of Net Assets:

| | |
|---|---------------|
| Paid-in-capital | \$173,587,326 |
| Net unrealized depreciation | (36,390,175) |
| Accumulated undistributed net investment income | 676,451 |
| Accumulated net realized loss | (24,142,563) |

Net Assets \$113,731,039

Net Asset Value Per Share

19,620,474 shares outstanding (unlimited shares authorized of \$.01 par value) \$5.80

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Financial Statements *continued*

Statement of Operations

For the six months ended November 30, 2008 (unaudited)

| | |
|---|---------------------|
| Net Investment Income: | |
| Income | |
| Interest | \$ 5,004,491 |
| Dividends from affiliate | 25,207 |
| Total Income | 5,029,698 |
| Expenses | |
| Investment advisory fee | 338,425 |
| Interest and residual trust expenses | 226,935 |
| Administration fee | 54,148 |
| Professional fees | 29,852 |
| Shareholder reports and notices | 25,080 |
| Registration fees | 11,283 |
| Transfer agent fees and expenses | 8,252 |
| Trustees fees and expenses | 4,356 |
| Custodian fees | 3,026 |
| Other | 13,450 |
| Total Expenses | 714,807 |
| Less: expense offset | (861) |
| Less: rebate from Morgan Stanley affiliated cash sweep (Note 3) | (401) |
| Net Expenses | 713,545 |
| Net Investment Income | 4,316,153 |
| Realized and Unrealized Loss: | |
| Net realized loss | (1,437,038) |
| Net change in unrealized appreciation/depreciation | (29,376,356) |
| Net Loss | (30,813,394) |
| Net Decrease | \$ (26,497,241) |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Financial Statements *continued*

Statements of Changes in Net Assets

| | FOR THE SIX MONTHS ENDED NOVEMBER 30, 2008 <i>(unaudited)</i> | FOR THE YEAR ENDED MAY 31, 2008 |
|---|---|--|
| Increase (Decrease) in Net Assets: | | |
| Operations: | | |
| Net investment income | \$ 4,316,153 | \$ 8,960,686 |
| Net realized loss | (1,437,038) | (2,376,388) |
| Net change in unrealized appreciation/depreciation | (29,376,356) | (14,729,742) |
| Net Decrease | (26,497,241) | (8,145,444) |
| Dividends to shareholders from net investment income | (4,566,287) | (9,638,541) |
| Decrease from transactions in shares of beneficial interest | (165,626) | (257,624) |
| Net Decrease | (31,229,154) | (18,041,609) |
| Net Assets: | | |
| Beginning of period | 144,960,193 | 163,001,802 |
| End of Period | | |
| <i>(Including accumulated undistributed net investment income of \$676,451 and \$926,585, respectively)</i> | \$ 113,731,039 | \$ 144,960,193 |

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Financial Statements *continued*

Statement of Cash Flows

For the six months ended November 30, 2008

Increase (Decrease) in cash:

Cash Flows Provided by Operating Activities:

Net decrease in net assets from operations \$ (26,497,241)

Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:

Net realized loss on investments 1,437,038

Net change in unrealized depreciation on investments 29,376,356

Amortization of premium 29,090

Accretion of discount (190,853)

Cost of purchases of investments (10,178,466)

Proceeds from sales of investments 18,558,114

Net sale of short-term investments 575,169

Decrease in interest receivables and other assets 227,072

Decrease in accrued expenses and other payables (47,350)

Total Adjustments 39,786,170

Net Cash Provided by Operating Activities 13,288,929

Cash Flows Used for Financing Activities

Repurchased shares (165,626)

Dividends paid (4,566,287)

Net repayments of and proceeds from floating rate note obligations (8,670,000)

Net Cash Used for Financing Activities (13,401,913)

Net Increase in Cash (112,984)

Cash at the Beginning of the Period 112,984

Cash at the End of the Period \$

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest \$ 226,935

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Notes to Financial Statements - November 30, 2008 (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 (1) portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized grid 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 mean between the last reported bid and asked price. 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. The Trustees believe that timely and reliable market quotations are generally not readily available for purposes of valuing tax-exempt securities and that the valuations supplied by the pricing service are more likely to approximate the fair value of such securities; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Fund's Trustees; (3) interest rate swaps are marked-to-market daily based upon quotations from market makers; (4) investments in open-end mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (5) 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 and are included in interest income. Interest income is accrued daily except where collection is not expected.

C. Futures Contracts A futures contract is an agreement between two parties to buy and sell financial instruments or contracts based on financial indices at a set price on a future date. Upon entering into such a

Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) continued

contract, the Fund is required to pledge to the broker cash, U.S. Government securities or other liquid portfolio securities equal to the minimum initial margin requirements of the applicable futures exchange. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments known as variation margin are recorded by the Fund as unrealized gains and losses. Upon closing of the contract, the Fund realizes a 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.

D. Floating Rate Note and Dealer Trusts Obligations Related to Securities Held The Fund enters into transactions in which it transfers to Dealer Trusts (Dealer Trusts), fixed rate bonds in exchange for cash and residual interests in the Dealer Trusts assets and cash flows, which are in the form of inverse floating rate investments. The Dealer Trusts fund the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Fund to retain residual interest in the bonds. The Fund enters into shortfall agreements with the Dealer Trusts which commit the Fund to pay the Dealer Trusts, in certain circumstances, the difference between the liquidation value of the fixed rate bonds held by the Dealer Trusts and the liquidation value of the floating rate notes held by third parties, as well as any shortfalls in interest cash flows. The residual interests held by the Fund (inverse floating rate investments) include the right of the Trust (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Fund, thereby collapsing the Dealer Trusts. The Fund accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Fund s investment assets, and the related floating rate notes reflected as Trust liabilities under the caption floating rate note and dealer trusts obligations on the Statement of Assets and Liabilities. The Fund records the interest income from the fixed rate bonds under the caption interest and records the expenses related to floating rate note obligations and any administrative expenses of the Dealer Trusts under the caption interest and residual trust expenses on the Statement of Operations. The floating rate notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. At November 30, 2008, Fund investments with a value of \$10,439,229 are held by the Dealer Trusts and serve as collateral for the \$6,030,000, in floating rate note obligations outstanding at that date. The range of contractual maturities of the floating rate note obligations and interest rates in effect at November 30, 2008 are presented in the Portfolio of Investments.

E. Interest Rate Swaps Interest rate swaps involve the exchange of commitments to pay and receive interest based on a notional principal amount. Net periodic interest payments to be received or paid are accrued daily and are recorded as realized gains or losses in the Statement of Operations. The Fund may pay or receive cash to collateralize interest rate swap contracts. This cash collateral is recorded as asset/

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Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) continued

liabilities on the Fund's books. Any cash received may be invested in Morgan Stanley Institutional Liquidity Funds.

F. Federal Income Tax Policy It is the Fund's policy to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and non-taxable income to its shareholders. Therefore, no federal income tax provision is required. The Fund files tax returns with the U.S. Internal Revenue Service, New York State and New York City. The Fund adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48) *Accounting for Uncertainty in Income Taxes* on November 29, 2007. FIN 48 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The implementation of FIN 48 did not result in any unrecognized tax benefits in the accompanying financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in other expenses in the Statement of Operations. Each of the tax years in the four year period ended May 31, 2008, remains subject to examination by taxing authorities.

The Fund purchases municipal securities whose interest, in the opinion of the issuer, is free from federal income tax. There is no assurance that the Internal Revenue Service (IRS) will agree with this opinion. In the event the IRS determines that the issuer does not comply with relevant tax requirements, interest payments from a security could become federally taxable.

G. Dividends and Distributions to Shareholders Dividends and distributions to shareholders are recorded on the ex-dividend date.

H. 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 0.08% to the Fund's weekly net assets.

Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) continued

Under an agreement between the Administrator and State Street Bank and Trust Company (State Street), State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

3. Security Transactions and Transactions with Affiliates

The Fund invests in Morgan Stanley Institutional Liquidity Funds-Tax-Exempt Portfolio Institutional Class, an open-end management investment company managed by an affiliate of the Investment Adviser. Investment advisory fees paid by the Fund are reduced by an amount equal to the advisory and administrative service fees paid by Morgan Stanley Institutional Liquidity Funds-Tax-Exempt Portfolio Institutional Class with respect to assets invested by the Fund in Morgan Stanley Institutional Liquidity Funds-Tax-Exempt Portfolio Institutional Class. For the six months ended November 30, 2008, advisory fees paid were reduced by \$401 relating to the Fund's investment in Morgan Stanley Institutional Liquidity Funds-Tax-Exempt Portfolio Institutional Class. Income distributions earned by the Fund are recorded as dividends from affiliate in the Statement of Operations and totaled \$25,207 for the six months ended November 30, 2008. During the six months ended November 30, 2008, cost of purchases and sales of investments in Morgan Stanley Institutional Liquidity Funds-Tax-Exempt Portfolio Institutional Class aggregated \$16,335,035 and \$16,335,035, respectively.

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the six months ended November 30, 2008 aggregated \$9,599,130 and \$18,271,033, respectively. Included in the aforementioned transactions are purchases and sales of \$1,287,564 and \$1,008,120, respectively with other Morgan Stanley funds, including a realized gain of \$8,120.

The Fund has an unfunded noncontributory defined benefit pension plan covering certain 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 factors which include years of service and compensation. The Trustees voted to close the plan to new participants and eliminate the future benefits growth due to increases to compensation after July 31, 2003.

Aggregate pension costs for the six months ended November 30, 2008, included in Trustees' fees and expenses in the Statement of Operations amounted to \$3,001. At November 30, 2008, the Fund had an accrued pension liability of \$60,592 which is included in accrued expenses in the Statement of Assets and Liabilities.

The Fund has an unfunded Deferred Compensation Plan (the Compensation Plan) which allows each independent Trustee to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Trustees. Each eligible Trustee generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Morgan Stanley funds that are offered as investment options under the Compensation Plan.

Appreciation/depreciation and distributions received from these

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Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) continued

investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Fund.

4. Dividends

On October 14, 2008, the Fund declared the following dividends from net investment income:

| AMOUNT PER SHARE | RECORD DATE | PAYABLE DATE |
|-----------------------------|------------------------|-------------------------|
| \$0.03875 | RECORD DATE | PAYABLE DATE |
| | December 19, 2008 | December 26, 2008 |

5. 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, 2007 | 19,685,043 | \$ 196,850 | \$ 173,817,507 |
| Shares repurchased (weighted average discount 4.70%)+ | (35,368) | (354) | (252,270) |
| Reclassification due to permanent book/tax differences | | | (3,781) |
| Balance, May 31, 2008 | 19,649,675 | 196,496 | 173,556,456 |
| Shares repurchased (weighted average discount 19.98%)+ | (29,201) | (292) | (165,334) |
| Balance, November 30, 2008 | 19,620,474 | \$ 196,204 | \$ 173,391,122 |

The Trustees have approved a share repurchase program 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.

+++ The Trustees have voted to retire the shares purchased.

6. Expense Offset

The expense offset represents a reduction of the fees and expenses for interest earned on cash balances maintained by the Fund with the transfer agent and custodian.

7. Purposes of and Risks Relating to Certain Financial Instruments

The Fund may invest a portion of its assets in inverse floating rate instruments, either through outright purchases of inverse floating rate securities or through the transfer of bonds to a Dealer Trusts in exchange for cash and residual interests in the Dealer Trusts (See Note 1D). These investments are typically used by the Fund in seeking to enhance the yield of the portfolio. These instruments typically involve greater risks than a fixed rate municipal bond. In particular, these instruments are acquired through leverage or may have leverage embedded in them and therefore involve many of the risks associated with leverage. Leverage is a speculative technique that may expose the Fund to greater risk and increased costs. Leverage may cause

Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) continued

the Fund's net asset value to be more volatile than if it had not been leveraged because leverage tends to magnify the effect of any increases or decreases in the value of the Fund's portfolio securities. The use of leverage may also cause the Fund to liquidate portfolio positions when it may not be advantageous to do so in order to satisfy its obligations with respect to inverse floating rate instruments.

To hedge against adverse interest rate changes, the Fund may invest in financial futures contracts or municipal bond index futures contracts (futures contracts). These futures contracts involve elements of market risk in excess of the amount reflected in the Statement of Assets and Liabilities. The Fund bears the risk of an unfavorable change in the value of the underlying securities. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

The Fund may enter into interest rate swaps and may purchase or sell interest rate caps, floors and collars. The Fund expects to enter into these transactions primarily to manage interest rate risk, hedge portfolio positions and preserve a return or spread on a particular investment or portion of its portfolio. The Fund may also enter into these transactions to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. Interest rate swap transactions are subject to market risk, risk of default by the other party to the transaction, risk of imperfect correlation and manager risk. Such risks may exceed the related amounts shown in the Statement of Assets and Liabilities.

The Fund may enter into credit default swaps for hedging purposes to add leverage to its portfolio or to gain exposure to a credit in which the Fund may otherwise invest. Credit default swaps may involve greater risks than if a Fund had invested in the issuer directly. Credit default swaps are subject to general market risk, counterparty risk and credit risk. If the Fund is a buyer and no credit event occurs, it will lose the sum of the periodic payments. In addition, if the Fund is a seller and a credit event occurs, the value of the referenced obligation received by the Fund coupled with the periodic payments previously received may be less than the maximum payout amount it pays to the buyer, resulting in a loss to the Fund.

8. Federal Income Tax Status

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 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 tax purposes are reported as distributions of paid-in-capital.

Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) *continued*

As of May 31, 2008, the Fund had temporary book/tax differences primarily attributable to post-October losses (capital losses incurred after October 31 within the taxable year which are deemed to arise on the first business day of the Fund's next taxable year) and book amortization of discounts on debt securities.

9. Fair Valuation Measurements

The Fund adopted FASB Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157), effective December 1, 2007. In accordance with FAS 157, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. FAS 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical investments

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

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

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

The following is a summary of the inputs used as of November 30, 2008 in valuing the Fund's investments carried at value:

| FAIR VALUE MEASUREMENTS AT NOVEMBER 30, 2008 USING | | | |
|---|----------------|--|--|
| | | QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1) | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) |
| | TOTAL | | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) |
| Investments in Securities | \$ 111,791,150 | | \$111,791,150 |

Morgan Stanley Municipal Income Opportunities Trust

Notes to Financial Statements - November 30, 2008 (unaudited) *continued*

10. Accounting Pronouncement

On March 19, 2008, FASB released Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The application of SFAS 161 is required for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. At this time, management is evaluating the implications of SFAS 161 and its impact on the Fund's financial statements has not yet been determined.

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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, 2008 | | FOR THE YEAR ENDED MAY 31, | | | |
|--|---|-------------------------|-----------------------------------|-------------|-------------|-------------|
| | 2008 | 2008 | 2007 | 2006 | 2005 | 2004 |
| | <i>(unaudited)</i> | | | | | |
| Selected Per Share Data: | | | | | | |
| Net asset value, beginning of the period | \$7.38 | \$8.28 | \$8.02 | \$8.00 | \$7.67 | \$7.91 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income ⁽¹⁾ | 0.22 | 0.46 | 0.48 | 0.54 | 0.53 | 0.52 |
| Net realized and unrealized gain (loss) | (1.57) | (0.87) | 0.32 | 0.01 | 0.29 | (0.26) |
| Total income (loss) from investment operations | (1.35) | (0.41) | 0.80 | 0.55 | 0.82 | 0.26 |
| Less dividends from net investment income | (0.23) | (0.49) | (0.54) | (0.53) | (0.50) | (0.50) |
| Anti-dilutive effect of acquiring treasury shares ⁽¹⁾ | 0.00 ⁽⁵⁾ | 0.00 ⁽⁵⁾ | | | 0.01 | |
| Net asset value, end of period | \$5.80 | \$7.38 | \$8.28 | \$8.02 | \$8.00 | \$7.67 |
| Market value, end of period | \$5.46 | \$7.87 | \$9.68 | \$8.76 | \$7.97 | \$7.09 |
| Total Return ⁽²⁾ | (28.10) % ⁽⁶⁾ | (13.64) % | 16.99 % | 17.04 % | 20.12 % | (2.34) % |
| Ratios to Average Net Assets: | | | | | | |
| Total expenses (before expense | 1.05% ⁽³⁾⁽⁷⁾ | 0.95% ⁽³⁾⁽⁴⁾ | 0.80% ⁽⁴⁾ | 0.71 % | 0.83 % | 0.94 % |

| | | | | | | |
|---|-------------------------|-------------------------|----------------------|-----------|-----------|-----------|
| offset) | | | | | | |
| Total expenses (before expense offset, exclusive of interest and residual trust expenses) | 0.72% ⁽³⁾⁽⁷⁾ | 0.72% ⁽³⁾⁽⁴⁾ | 0.72% ⁽⁴⁾ | 0.71 % | 0.83 % | 0.94 % |
| Net investment income | 6.36% ⁽⁷⁾ | 5.89 % | 5.88 % | 6.78 % | 6.76 % | 6.63 % |
| Supplemental Data: | | | | | | |
| Net assets, end of period, in thousands | \$113,731 | \$144,960 | \$163,002 | \$157,928 | \$157,594 | \$156,265 |
| Portfolio turnover rate | 7% ⁽⁶⁾ | 35 % | 26 % | 19 % | 12 % | 10 % |

- (1) *The per share amounts were computed using an average number of shares outstanding during the period.*
- (2) *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. Total return does not reflect brokerage commissions.*
- (3) *Reflects rebate of certain Fund expenses in connection with the investments in Morgan Stanley Institutional Liquidity Funds-Tax-Exempt Portfolio Institutional Class during the period. The rebate had an effect of less than 0.005%.*
- (4) *Does not reflect the effect of expense offset of 0.01%.*
- (5) *Includes anti-dilutive effect of acquiring treasury shares of less than \$0.01.*
- (6) *Not annualized.*
- (7) *Annualized.*

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust
Morgan Stanley Advisor Closed-End Funds
An Important Notice Concerning Our U.S. Privacy Policy (unaudited)

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

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

We Respect Your Privacy

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

1. What Personal Information Do We Collect About You?

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

For example:

We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.

We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.

We may obtain information about your creditworthiness and credit history from consumer reporting agencies.

We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.

If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer's operating system and Web browser, your use of our Web sites and your product and service preferences, through the use

See Notes to Financial Statements

Morgan Stanley Municipal Income Opportunities Trust

Morgan Stanley Advisor Closed-End Funds

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

of cookies. Cookies recognize your computer each time you return to one of our sites, and help to improve our sites content and personalize your experience on our sites by, for example, suggesting offerings that may interest you. Please consult the Terms of Use of these sites for more details on our use of cookies.

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

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

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

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

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

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

See Notes to Financial Statements

Trustees

Frank L. Bowman
Michael Bozic
Kathleen A. Dennis
James F. Higgins
Dr. Manuel H. Johnson
Joseph J. Kearns
Michael F. Klein
Michael E. Nugent
W. Allen Reed
Fergus Reid

Officers

Michael E. Nugent
Chairperson of the Board

Randy Takian
President and Principal Executive Officer

Kevin Klingert
Vice President

Amy R. Doberman
Vice President

Carsten Otto
Chief Compliance Officer

Stefanie V. Chang Yu
Vice President

Francis J. Smith
Treasurer and Chief Financial Officer

Mary E. Mullin
Secretary

Transfer Agent

Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Two World Financial Center

New York, New York 10281

Legal Counsel

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

Counsel to the Independent Trustees

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036

Investment Adviser

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

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INVESTMENT MANAGEMENT
Morgan Stanley
Municipal Income Opportunities Trust
NYSE: OIA

Semiannual

Report

November 30, 2008

OIASAN
IU09-00075P-Y11/08

Item 2. Code of Ethics.

Not applicable for semiannual reports.

Item 3. Audit Committee Financial Expert.

Not applicable for semiannual reports.

Item 4. Principal Accountant Fees and Services

Not applicable for semiannual reports.

Item 5. Audit Committee of Listed Registrants.

Not applicable for semiannual reports.

Item 6.

(a) Refer to Item 1.

(b) Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable for semiannual reports.

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable only to reports covering periods ending on or after December 31, 2005.

Item 9. Closed-End Fund Repurchases

REGISTRANT PURCHASE OF EQUITY SECURITIES

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--|---|--|---|--|
| September 1, 2008 – September 30, 2008 | 5,000 | 6.3437 | N/A | N/A |
| October 1, 2008 – October 31, 2008 | 24,201 | 5.5808 | N/A | N/A |
| mo-da-year – mo-da-year | | | N/A | N/A |
| mo-da-year – mo-da-year | | | N/A | N/A |
| mo-da-year – mo-da-year | | | N/A | N/A |
| mo-da-year – mo-da-year | | | N/A | N/A |
| Total | 29,201 | 5.9623 | N/A | N/A |

Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

(a) The Trust s/Fund s principal executive officer and principal financial officer have concluded that the Trust s/Fund s disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust/Fund in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, based upon such officers evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

(a) Code of Ethics Not applicable for semiannual reports.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto as part of EX-99.CERT.

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.

Morgan Stanley Municipal Income Opportunities Trust

/s/ Randy Takian

Randy Takian
Principal Executive Officer
January 20, 2009

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

/s/ Randy Takian

Ronald E. Robison
Principal Executive Officer
January 20, 2009

/s/ Francis Smith

Francis Smith
Principal Financial Officer
January 20, 2009