Morgan Stanley

Morgan Stanley Variable Insurance Fund, Inc.

Annual Report – December 31, 2018

Emerging Markets Equity Portfolio

The Fund is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies offered by the separate accounts of certain life insurance companies.

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Expense Example (unaudited)

Emerging Markets Equity Portfolio

As a shareholder of the Emerging Markets Equity Portfolio (the "Fund"), you incur two types of costs: (1) insurance company charges; and (2) ongoing costs, which may include advisory fees, administration fees, distribution (12b-1) fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

This example is based on an investment of $1,000 invested at the beginning of the six-month period ended December 31, 2018 and held for the entire six-month period.

Actual Expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any insurance company charges. Therefore, the table below is useful in comparing ongoing costs, but will not help you determine the relative total cost of owning different funds. In addition, if these insurance company charges were included, your costs would have been higher.

	Beginning Account Value 7/1/18	Actual Ending Account Value 12/31/18	Hypothetical Ending Account Value	Actual Expenses Paid During Period*	Hypothetical Expenses Paid During Period*	Net Expense Ratio During Period**
Emerging Markets Equity Portfolio Class I	$1,000.00	$911.70	$1,019.06	$5.88	$6.21	1.22%
Emerging Markets Equity Portfolio Class II	1,000.00	911.40	1,018.80	6.12	6.46	1.27

* Expenses are calculated using each Fund Class' annualized net expense ratio (as disclosed), multiplied by the average account value over the period and multiplied by 184/365 (to reflect the most recent one-half year period).

** Annualized.

Investment Overview (unaudited)

Emerging Markets Equity Portfolio

The Fund seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of issuers in emerging market countries.

Performance

For the fiscal year ended December 31, 2018, the Fund's Class I shares had a total return based on net asset value and reinvestment of distributions per share of –17.47%, net of fees, and –17.51%, net of fees, for Class II shares. The Fund's Class I and Class II shares underperformed against the Fund's benchmark, the MSCI Emerging Markets Index (the "Index"), which returned –14.57%.

Factors Affecting Performance

- Developed market equities outperformed emerging market (EM) equities in 2018 with the Index returning –14.57% versus the MSCI World Index return of –8.71%. We think the U.S. economy is late cycle compared to the other large economies in the advanced world (euro area, Japan) and emerging markets are early in their economic revival cycle. Valuations in the MSCI All Country World Index ex U.S. are much more attractive than they are in the U.S., where they are nearing all-time highs only surpassed by the 2001 tech bubble. Just as the 1980s belonged to Japan and the 2000s to emerging nations, the last decade belonged to America. But economies that are hot in one decade rarely stay hot in the next. Most booms eventually create excesses that sow the seeds of their own destruction, and the excesses that could end the American decade may be coming into view. The stock market is now 50% larger than the American economy, a scale it has reached only twice in the past century, during the manias of the 1920s and late 1990s.[i]

- Over the past few years, investors became so focused on the tech-heavy Asian markets, they appeared to ignore the fundamentals of economic growth. Beginning with the launch of the Index in 1988, the best returns had come in the fastest growing economies, but after 2016 economies with the highest growth rates underperformed the Index, and those with the lowest growth rates outperformed. Many of the outperformers were tech-heavy. As investors sell out of tech, they are rediscovering some overlooked markets of Eastern Europe and Latin America. Those markets had been battered in part by the strong dollar, which historically sucks money out of EM, but may not last this time. Since the early 1980s, the dollar has rarely traded more than 15% above or below its long-term range, and it is now at the high end of that range.[i] Dollar bear markets have tended to last around seven years. Our view is that the dollar's rise in 2018 is a temporary rally within the downtrend that began in early 2016 and could prove long-lasting.

- The upshot is that many emerging markets look like compelling long-term buys. Many of the beaten down countries are well-insulated from crisis and are caught in an anti-bubble — gasping in a vacuum of attention because even now investors are focused on tech and tech-heavy markets like China. As a sense of normalcy returns to markets, other sectors and countries are likely to pick up momentum. While trying to time markets is a fool's game, the time to make long-term investments is in periods like the current one, when stock prices in many high-growth emerging markets appear to be cheap for no good reason.

- Positive contributors to the Fund's relative performance included our stock selection in and overweight allocations to Brazil and Peru, zero weight to Turkey and stock selection in Mexico.

- The primary detractors from relative results were our stock selection in Korea, Poland, Malaysia, Argentina and India. Our stock selection and underweight in Taiwan also underperformed.

- The Fund sometimes uses derivative instruments to manage certain market or currency exposures. This contributed positively to performance in the period.

Management Strategies

- We continue to overweight the Central and Eastern European region. We think that growth in Central and Eastern Europe should remain healthy, driven by strong consumption, which has been supported by increases in both employment and real wages. We also now expect fixed investment growth to accelerate, which could bolster overall growth and improve its quality. Inflation has remained surprisingly low despite continuing wage pressures and will likely pick up as the year progresses. In sum, we see the region as offering attractive investment opportunities through a combination of this solid economic growth, a potential pickup in inflation and overlooked equity markets. We continue to like stocks that are exposed to secular growth opportunities in consumer markets in the region. We have built a substantial position in financials in the region, which we believe could particularly benefit from an increase in inflation expectations after having suffered from tighter regulation and low rates.

[i] Source: Morgan Stanley Investment Management, Bloomberg, FactSet, Haver Analytics

Investment Overview (unaudited) (cont'd)

Emerging Markets Equity Portfolio

- We remain overweight Mexico. Investors worried about the policy intentions of President-elect Andres Manuel Lopez Obrador (AMLO), when he announced in October 2018 that the new Mexico City Airport construction project was voted down in a narrow referendum. After AMLO was sworn in as president on December 1, 2018, however, his administration sent more encouraging signals on a fairly responsible fiscal budget. We remain broadly constructive on the steadily improving Mexican consumer story, which has been bolstered by a combination of AMLO's victory, strong remittance flows, the potential for minimum wage hikes and continuing improved access to credit from a low base. All of this should support private consumption at the lower income levels. North American trade fears largely subsided as the U.S., Mexico and Canada agreed to replace the North American Free Trade Agreement with a new agreement the U.S. refers to as the USMCA (U.S.-Mexico-Canada Agreement). We remain focused on stocks that can benefit from stable growth, a healthy consumer and structural improvements stemming from direct investment.

- We remain overweight Brazil. The election of Jair Bolsonaro as president in October reflected voter discontent with the political establishment as well as corruption and insecurity. Congressional and state elections signaled the same. Bolsonaro took office January 1, 2019, and his new government inherits a pressing fiscal situation but also an economy that has stabilized and is beginning to grow after a severe multi-year downturn. We are encouraged by the market-friendly policy reform goals articulated by Economy Minister Paul Guedes while also acknowledging that social security reform is still a daunting task requiring congressional support. That said, supportive factors for Brazil include subdued inflation with expectations well-anchored, the current account near zero, continued foreign direct investment, limited external debt, high foreign exchange reserves, cautiously optimistic corporates, and the president's election with a solid majority on a reform agenda. We remain focused in a large energy company and domestic Brazil and underweight the exporters.

- China continues to rebalance from an investment-led economy to a consumption-based economy. We continue to expect growth to moderate as a result of its credit expansion over the past 10 years, weakening trade and policy tightening. While the rest of EM has seen its non-financial debt climb by 20 percentage points as a share of GDP since the global financial crisis of 2008, China's debt has grown by more than 100 percentage points.[i] As our "Kiss of Debt" rule of the road indicates, excess debt mostly contributes to economic slowdown, which has been the case for China for several years. On the policy front, China is calling on local governments to complete debt disposals of so-called "zombie" companies and those with excessive production capacity by 2020. As we have noted previously, the world began to enter a deglobalization phase with the Global Financial Crisis in 2008. And as trade flows have fallen from their 2008 peak, they have also begun to shift. China's share of global manufacturing exports peaked at more than 17% in 2014 and began to fall, particularly in cheap, labor-intensive sectors like apparel.[i]

- China's tech firms are also facing new scrutiny from a bureaucracy that used to focus less on regulating their business behavior than on protecting them from U.S. competitors. In an environment where regulators left tech firms free to lay their golden eggs, they came to dominate global markets. Of the world's 10 largest companies by market cap, seven are in tech.[ii] And of the 20 largest internet companies, public and private, 11 are American and the other nine are Chinese.[ii] In an age of tightening rules, this kind of dominance will be much harder to sustain.

- Despite these challenges, we think the wage growth of highly skilled, well-educated Chinese workers can continue to gradually improve, considering their large differential with developed country peers. The consumption power within this segment can continue to expand, providing ample room for companies to conceive of new products and services to satisfy the demand of this expanding middle class. In our portfolio positions in China, we are actively focused on good quality structural growth stories involving upgrades to consumption and greater demand for services broadly.

- We remain underweight Taiwan as we view it as a mature economy lacking the dynamic growth characteristics of other EM countries and vulnerable to further disruptions in global trade. The administration of President Tsai Ing-wen has been slow to implement major changes, despite being in office since 2016. Local elections held in November 2018 saw a significant setback for the president as voters unexpectedly largely supported the opposition Kuomintang party, resulting in President Ing-wen stepping down as chairman of the Democratic Progressive Party (though remaining as president). However, we do see some investment

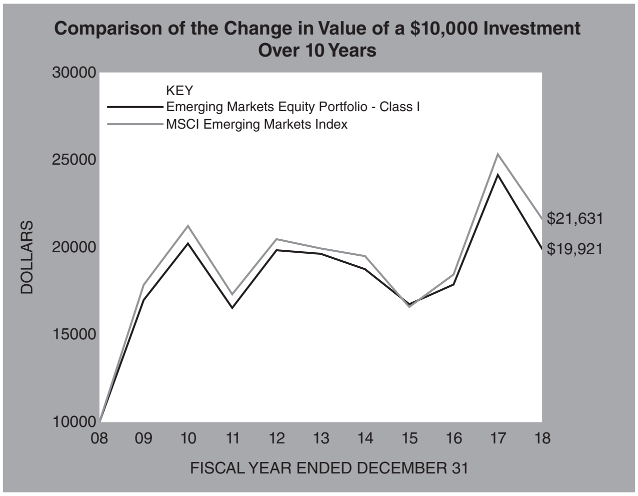
[i] Source: Morgan Stanley Investment Management, Bloomberg, FactSet, Haver Analytics
[ii] Source: Bloomberg L.P.

Investment Overview (unaudited) (cont'd)

Emerging Markets Equity Portfolio

opportunities among Taiwanese financials — in particular, the good quality banks — for their defensiveness and ability to benefit from a rising global rate environment. Taiwan remains a capital surplus economy and has the highest current account surplus per GDP versus its Asian peers. Taiwanese regulators are very conservative and Basel III capital requirements have pushed non-performing loan coverage to high levels in the current low non-performing loan environment. The banks are also benefiting from a steady wealth management business with abundant liquidity and are facing benign cost pressures in the near future.

- Our large underweight to Korea contributed positively to performance for 2018 overall. Korea scores on the low end by our rules of the road, in large part on its mature economy, expensive currency, strong dependence on global trade and heavier state spending under the Moon administration. While we are comfortable with the underweight, we note that at the margin certain stocks are getting cheaper and more neglected. Foreign investors have been selling, while local investors have been hiding in telecom, gaming and a few other names. We believe that the market may increasingly be driven by improving relations with China and the government becoming less socialist as it realizes its policies have not yielded the desired results. To capitalize on this, we have begun to make some changes in the portfolio focusing on select cosmetics — to meet rising China cosmetic demand — and retail, which should benefit from the minimum wage hike. We have also added to the refining sector as sentiment has been beaten down. Lower oil prices in our view will be actually supportive for refining margins.



In accordance with SEC regulations, the Fund's performance shown assumes that all recurring fees (including management fees) were deducted and all dividends and distributions were reinvested. The performance of Class II shares will vary from the performance of Class I shares based upon its different inception date and will be negatively impacted by additional fees assessed to that class.

Performance Compared to the MSCI Emerging Markets Index[(1)]

	Period Ended December 31, 2018			
	Total Returns[(2)]			
		Average Annual		
	One Year	Five Years	Ten Years	Since Inception[(5)]
Fund – Class I[(3)]	–17.47%	0.30%	7.14%	5.22%
MSCI Emerging Markets Index	–14.57	1.65	8.02	5.60
Fund – Class II[(4)]	–17.51	0.25	7.10	8.99
MSCI Emerging Markets Index	–14.57	1.65	8.02	10.17

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. Performance assumes that all dividends and distributions, if any, were reinvested. For the most recent month-end performance figures, please contact the issuing insurance company or speak with your financial advisor. Investment return and principal value will fluctuate so that Fund shares, when redeemed, may be worth more or less than their original cost. Total returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Performance shown does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total returns would be lower.

(1) The MSCI Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The MSCI Emerging Markets Index currently consists of 24 emerging market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The Index is unmanaged and its returns do not include any sales charges or fees. Such costs would lower performance. It is not possible to invest directly in an index.
(2) Total returns for the Fund reflect fees waived and expenses reimbursed, if applicable, by Morgan Stanley Investment Management Inc. (the "Adviser"). Without such waivers and reimbursements, total returns would have been lower.
(3) Commenced operations on October 1, 1996.
(4) Commenced offering on January 10, 2003.
(5) For comparative purposes, average annual since inception returns listed for the Index refers to the inception date or initial offering of the respective share class of the Fund, not the inception of the Index.

Portfolio of Investments

Emerging Markets Equity Portfolio

	Shares	Value (000)
Common Stocks (96.0%)		
Argentina (0.3%)		
Grupo Financiero Galicia SA ADR	29,835	$ 823
Austria (0.7%)		
Erste Group Bank AG (a)	49,591	1,652
Brazil (9.1%)		
Ambev SA	856,989	3,397
B3 SA — Brasil Bolsa Balcao	369,327	2,551
Banco Bradesco SA (Preference)	429,315	4,277
Itau Unibanco Holding SA (Preference)	485,427	4,468
Lojas Renner SA	234,218	2,571
Petroleo Brasileiro SA	376,454	2,453
Petroleo Brasileiro SA (Preference)	433,032	2,514
		22,231
Chile (2.0%)		
Banco Santander Chile	21,411,659	1,594
Banco Santander Chile ADR	8,148	243
SACI Falabella	435,406	3,180
		5,017
China (21.4%)		
Alibaba Group Holding Ltd. ADR (a)	41,014	5,622
Anhui Conch Cement Co., Ltd., Class A	357,484	1,533
Baidu, Inc. ADR (a)	8,200	1,301
Bank of China Ltd. H Shares (b)	11,414,000	4,904
China Construction Bank Corp. H Shares (b)	8,405,230	6,891
China Life Insurance Co., Ltd. H Shares (b)	410,000	867
China Mengniu Dairy Co., Ltd. (a)(b)	705,000	2,179
China Mobile Ltd. (b)	341,000	3,286
China Overseas Land & Investment Ltd. (b)	386,000	1,329
China Pacific Insurance Group Co., Ltd. H Shares (b)	630,400	2,027
China Resources Land Ltd. (b)	212,000	809
China Resources Power Holdings Co., Ltd. (b)	388,000	743
China Unicom Hong Kong Ltd. (b)	1,308,000	1,389
CSPC Pharmaceutical Group Ltd. (b)	724,000	1,035
Kweichow Moutai Co., Ltd., Class A	7,892	678
New Oriental Education & Technology Group, Inc. ADR (a)	23,503	1,288
PetroChina Co., Ltd. H Shares (b)	2,532,000	1,565
Shanghai Pharmaceuticals Holding Co., Ltd. H Shares (b)	304,400	616
Shenzhou International Group Holdings Ltd. (b)	238,000	2,678
Sino Biopharmaceutical Ltd. (b)	634,000	413
Sinopharm Group Co., Ltd. H Shares (b)	156,000	653
TAL Education Group ADR (a)	33,352	890
Tencent Holdings Ltd. (b)	242,300	9,606
		52,302
Egypt (0.7%)		
Commercial International Bank Egypt SAE	396,535	1,660
Germany (0.9%)		
Adidas AG	10,800	2,257
Hong Kong (1.0%)		
Samsonite International SA (a)(c)	874,500	2,469

	Shares	Value (000)
Hungary (1.7%)		
OTP Bank Nyrt	87,436	$ 3,526
Richter Gedeon Nyrt	36,909	715
		4,241
India (10.4%)		
Ashok Leyland Ltd.	1,707,548	2,499
Eicher Motors Ltd.	5,408	1,787
Housing Development Finance Corp., Ltd.	83,293	2,349
ICICI Bank Ltd.	320,577	1,657
ICICI Bank Ltd. ADR	112,105	1,154
IndusInd Bank Ltd.	102,862	2,360
L&T Finance Holdings Ltd.	460,504	1,002
Marico Ltd.	581,368	3,104
Maruti Suzuki India Ltd.	27,078	2,888
Shree Cement Ltd.	11,079	2,735
Tata Consultancy Services Ltd.	71,108	1,929
Zee Entertainment Enterprises Ltd.	288,995	1,967
		25,431
Indonesia (4.7%)		
Astra International Tbk PT	4,606,600	2,652
Bank Central Asia Tbk PT	1,104,600	1,997
Bank Mandiri Persero Tbk PT	3,620,800	1,856
Bank Rakyat Indonesia Persero Tbk PT	2,548,300	650
Telekomunikasi Indonesia Persero Tbk PT	7,908,400	2,064
Unilever Indonesia Tbk PT	677,700	2,144
		11,363
Korea, Republic of (6.7%)		
BGF retail Co., Ltd.	3,002	549
E-MART, Inc.	3,780	616
GS Retail Co., Ltd.	15,041	546
KB Financial Group, Inc. (a)	15,784	659
LG Household & Health Care Ltd.	1,497	1,478
NAVER Corp.	14,975	1,632
S-Oil Corp.	10,857	947
Samsung Electronics Co., Ltd. (d)	216,399	7,488
Samsung Electronics Co., Ltd. (Preference)	22,052	629
Shinhan Financial Group Co., Ltd. (a)	21,629	768
SK Hynix, Inc. (a)	17,269	933
		16,245
Malaysia (2.6%)		
Genting Malaysia Bhd	293,800	215
Malayan Banking Bhd	846,301	1,942
Malaysia Airports Holdings Bhd	819,000	1,662
Public Bank Bhd	154,100	922
Sime Darby Plantation Bhd	1,370,600	1,570
		6,311
Mexico (5.1%)		
Alsea SAB de CV	558,662	1,457
Fomento Economico Mexicano SAB de CV ADR	45,270	3,895
Grupo Financiero Banorte SAB de CV Series O	540,563	2,639
Infraestructura Energetica Nova SAB de CV	261,279	971
Wal-Mart de Mexico SAB de CV	1,343,073	3,416
		12,378

The accompanying notes are an integral part of the financial statements.

Portfolio of Investments (cont'd)

Emerging Markets Equity Portfolio

	Shares	Value (000)
Peru (2.3%)		
Cia de Minas Buenaventura S.A.A. ADR	192,867	$ 3,129
Credicorp Ltd.	10,846	2,404
		5,533
Philippines (1.5%)		
Ayala Corp.	57,410	983
Ayala Land, Inc.	832,400	644
SM Investments Corp.	114,754	2,002
		3,629
Poland (4.1%)		
CCC SA	25,342	1,315
Jeronimo Martins SGPS SA	198,134	2,346
LPP SA	941	1,973
Powszechna Kasa Oszczednosci Bank Polski SA	181,329	1,911
Santander Bank Polska SA	25,468	2,451
		9,996
Russia (4.2%)		
MMC Norilsk Nickel PJSC ADR	133,727	2,509
Sberbank of Russia PJSC ADR	267,447	2,932
X5 Retail Group N.V. GDR	98,956	2,452
Yandex N.V., Class A (a)	83,633	2,287
		10,180
South Africa (5.8%)		
AVI Ltd.	256,771	1,814
Bidvest Group Ltd. (The)	199,798	2,876
Capitec Bank Holdings Ltd. (d)	33,276	2,574
Clicks Group Ltd.	158,686	2,105
Nedbank Group Ltd.	14,019	267
Reunert Ltd.	364,147	1,785
Sanlam Ltd.	482,724	2,677
		14,098
Taiwan (8.7%)		
ASE Technology Holding Co., Ltd. (a)	562,738	1,055
Cathay Financial Holding Co., Ltd.	1,152,000	1,753
CTBC Financial Holding Co., Ltd.	2,119,000	1,384
Hon Hai Precision Industry Co., Ltd.	219,972	508
Largan Precision Co., Ltd.	7,000	734
MediaTek, Inc.	170,000	1,254
Mega Financial Holding Co. Ltd.	1,285,000	1,081
Nanya Technology Corp.	180,000	318
President Chain Store Corp.	110,000	1,111
Taiwan Cement Corp.	327,000	376
Taiwan Semiconductor Manufacturing Co., Ltd.	1,544,000	11,208
Vanguard International Semiconductor Corp.	208,000	396
		21,178
Thailand (2.1%)		
Bangkok Dusit Medical Services PCL (Foreign)	1,701,600	1,301
Central Pattana PCL (Foreign)	431,900	990
CP ALL PCL (Foreign)	387,300	815
PTT PCL (Foreign)	1,415,700	1,996
		5,102
Total Common Stocks (Cost $207,745)		234,096

	Shares	Value (000)
Short-Term Investments (5.0%)		
Securities held as Collateral on Loaned Securities (0.9%)		
Investment Company (0.9%)		
Morgan Stanley Institutional Liquidity Funds — Government Portfolio — Institutional Class (See Note H) **(Cost $2,160)**	2,160,213	$ 2,160
Investment Company (4.1%)		
Morgan Stanley Institutional Liquidity Funds — Government Portfolio — Institutional Class (See Note H) **(Cost $9,997)**	9,997,420	9,997
Total Short-Term Investments (Cost $12,157)		12,157
Total Investments (101.0%) (Cost $219,902) Including $8,900 of Securities Loaned (e)(f)(g)		246,253
Liabilities in Excess of Other Assets (-1.0%)		(2,549)
Net Assets (100.0%)		$243,704

Country assignments and aggregations are based generally on third party vendor classifications and information, and may be different from the assignments and aggregations under the policies set forth in the Fund's prospectus and/or statement of additional information relating to geographic classifications.

(a) Non-income producing security.
(b) Security trades on the Hong Kong exchange.
(c) 144A security — Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.
(d) All or a portion of this security was on loan at December 31, 2018.
(e) The approximate fair value and percentage of net assets, $197,475,000 and 81.0%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A-1 within the Notes to the Financial Statements.
(f) Securities are available for collateral in connection with an open foreign currency forward exchange contracts.
(g) At December 31, 2018, the aggregate cost for federal income tax purposes is approximately $219,936,000. The aggregate gross unrealized appreciation is approximately $40,789,000 and the aggregate gross unrealized depreciation is approximately $14,897,000, resulting in net unrealized appreciation of approximately $25,892,000.
ADR American Depositary Receipt.
GDR Global Depositary Receipt.
PJSC Public Joint Stock Company.

Portfolio of Investments (cont'd)

Emerging Markets Equity Portfolio

Foreign Currency Forward Exchange Contracts:

The Fund had the following foreign currency forward exchange contracts open at December 31, 2018:

Counterparty	Contracts to Deliver (000)	In Exchange For (000)	Delivery Date	Unrealized Appreciation (Depreciation) (000)
UBS AG	ZAR 154,597	$10,212	1/17/19	$(516)
Goldman Sachs International	HKD 297,794	$38,185	3/1/19	90
				$(426)

HKD — Hong Kong Dollar
ZAR — South African Rand

Portfolio Composition*

Classification	Percentage of Total Investments
Other**	54.4%
Banks	25.3
Interactive Media & Services	8.4
Semiconductors & Semiconductor Equipment	6.2
Food & Staples Retailing	5.7
Total Investments	100.0%***

* Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of December 31, 2018.

** Industries and/or investment types representing less than 5% of total investments.

*** Does not include open foreign currency forward exchange contracts with net unrealized depreciation of approximately $426,000.

Emerging Markets Equity Portfolio

Statement of Assets and Liabilities

	December 31, 2018 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value[1] (Cost $207,745)	$234,096
Investment in Security of Affiliated Issuer, at Value (Cost $12,157)	12,157
Total Investments in Securities, at Value (Cost $219,902)	246,253
Foreign Currency, at Value (Cost $24)	24
Due from Broker	490
Receivable for Investments Sold	397
Dividends Receivable	263
Unrealized Appreciation on Foreign Currency Forward Exchange Contract	90
Tax Reclaim Receivable	65
Receivable for Fund Shares Sold	23
Receivable from Affiliate	20
Receivable from Securities Lending Income	1
Other Assets	19
Total Assets	247,645
Liabilities:	
Collateral on Securities Loaned, at Value	2,160
Payable for Advisory Fees	528
Unrealized Depreciation on Foreign Currency Forward Exchange Contract	516
Payable for Fund Shares Redeemed	192
Payable for Investments Purchased	97
Payable for Servicing Fees	97
Payable for Professional Fees	79
Payable for Custodian Fees	59
Deferred Capital Gain Country Tax	146
Payable for Administration Fees	17
Payable for Directors' Fees and Expenses	6
Payable for Transfer Agency Fees	4
Payable for Distribution Fees — Class II Shares	1
Other Liabilities	39
Total Liabilities	3,941
NET ASSETS	$243,704
Net Assets Consist of:	
Paid-in-Capital	$199,743
Total Distributable Earnings	43,961
Net Assets	$243,704
CLASS I:	
Net Assets	$175,300
Net Asset Value, Offering and Redemption Price Per Share Applicable to 12,102,531 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 14.48
CLASS II:	
Net Assets	$ 68,404
Net Asset Value, Offering and Redemption Price Per Share Applicable to 4,738,711 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 14.44
[1] **Including:**	
Securities on Loan, at Value:	$ 8,900

Emerging Markets Equity Portfolio

Statement of Operations

	Year Ended December 31, 2018 (000)
Investment Income:	
Dividends from Securities of Unaffiliated Issuers (Net of $762 of Foreign Taxes Withheld)	$ 5,810
Dividends from Security of Affiliated Issuer (Note H)	207
Income from Securities Loaned — Net	39
Total Investment Income	6,056
Expenses:	
Advisory Fees (Note B)	2,483
Servicing Fees (Note D)	465
Administration Fees (Note C)	234
Distribution Fees — Class II Shares (Note E)	204
Professional Fees	157
Custodian Fees (Note G)	137
Shareholder Reporting Fees	67
Transfer Agency Fees (Note F)	16
Directors' Fees and Expenses	11
Pricing Fees	5
Other Expenses	22
Expense Before Non Operating Expenses	3,801
Bank Overdraft Expense	1
Total Expenses	3,802
Waiver of Distribution Fees — Class II Shares (Note E)	(163)
Rebate from Morgan Stanley Affiliate (Note H)	(19)
Net Expenses	3,620
Net Investment Income	2,436
Realized Gain (Loss):	
Investments Sold (Net of $124 of Capital Gain Country Tax)	22,625
Foreign Currency Forward Exchange Contracts	814
Foreign Currency Translation	(220)
Net Realized Gain	23,219
Change in Unrealized Appreciation (Depreciation):	
Investments (Net Decrease in Deferred Capital Gain Country Tax of $285)	(78,591)
Foreign Currency Forward Exchange Contracts	(426)
Foreign Currency Translation	(5)
Net Change in Unrealized Appreciation (Depreciation)	(79,022)
Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	(55,803)
Net Decrease in Net Assets Resulting from Operations	$(53,367)

The accompanying notes are an integral part of the financial statements.

Emerging Markets Equity Portfolio

Statements of Changes in Net Assets

	Year Ended December 31, 2018 (000)	Year Ended December 31, 2017 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Income	$ 2,436	$ 1,631
Net Realized Gain	23,219	17,193
Net Change in Unrealized Appreciation (Depreciation)	(79,022)	68,183
Net Increase (Decrease) in Net Assets Resulting from Operations	(53,367)	87,007
Dividends and Distributions to Shareholders:		
Class I	(948)	(1,590)*
Class II	(325)	(640)*
Total Dividends and Distributions to Shareholders	(1,273)	(2,230)
Capital Share Transactions:[1]		
Class I:		
Subscribed	37,995	32,549
Distributions Reinvested	948	1,590
Redeemed	(62,505)	(30,630)
Class II:		
Subscribed	17,776	20,588
Distributions Reinvested	325	640
Redeemed	(23,470)	(33,054)
Net Decrease in Net Assets Resulting from Capital Share Transactions	(28,931)	(8,317)
Total Increase (Decrease) in Net Assets	(83,571)	76,460
Net Assets:		
Beginning of Period	327,275	250,815
End of Period	$243,704	$327,275†
[1] **Capital Share Transactions:**		
Class I:		
Shares Subscribed	2,272	2,061
Shares Issued on Distributions Reinvested	60	101
Shares Redeemed	(3,717)	(1,930)
Net Increase (Decrease) in Class I Shares Outstanding	(1,385)	232
Class II:		
Shares Subscribed	1,056	1,364
Shares Issued on Distributions Reinvested	21	41
Shares Redeemed	(1,413)	(2,155)
Net Decrease in Class II Shares Outstanding	(336)	(750)

The following information was previously reported in the December 31, 2017 financial statements. The distribution information for the year ended December 31, 2017 presented on the Statements of Changes in Net Assets is presented for comparative purposes to the December 31, 2018 financial statements, which conform to the SEC Final Rule on Disclosure Update and Simplification which was effective November 5, 2018.

* Dividends and Distributions to Shareholders for the year ended December 31, 2017 were as follows:

Class I:	
Net Investment Income	$ (1,590)
Class II:	
Net Investment Income	$ (640)

† Accumulated Undistributed Net Investment Income for the year ended December 31, 2017 was $1,239.

Financial Highlights

Emerging Markets Equity Portfolio

	Class I				
	Year Ended December 31,				
Selected Per Share Data and Ratios	**2018**	**2017**	**2016[1]**	**2015**	**2014**
Net Asset Value, Beginning of Period	$17.65	$13.16	$12.39	$13.98	$14.69
Income (Loss) from Investment Operations:					
Net Investment Income[2]	0.14	0.09	0.10	0.08	0.08
Net Realized and Unrealized Gain (Loss)	(3.23)	4.52	0.73	(1.56)	(0.73)
Total from Investment Operations	(3.09)	4.61	0.83	(1.48)	(0.65)
Distributions from and/or in Excess of:					
Net Investment Income	(0.08)	(0.12)	(0.06)	(0.11)	(0.06)
Net Asset Value, End of Period	$14.48	$17.65	$13.16	$12.39	$13.98
Total Return[3]	(17.47)%	35.06%	6.74%	(10.69)%	(4.49)%
Ratios and Supplemental Data:					
Net Assets, End of Period (Thousands)	$175,300	$238,026	$174,423	$204,032	$268,121
Ratio of Expenses to Average Net Assets[8]	1.22%[4]	1.25%[4]	1.28%[4][6]	1.40%[4][5]	1.42%[4]
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	1.22%	N/A	N/A	N/A	N/A
Ratio of Net Investment Income to Average Net Assets[8]	0.86%[4]	0.56%[4]	0.74%[4]	0.55%[4]	0.53%[4]
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01%	0.00%[7]	0.00%[7]	0.00%[7]	0.00%[7]
Portfolio Turnover Rate	42%	37%	34%	38%	45%
[8] Supplemental Information on the Ratios to Average Net Assets:					
Ratios Before Expense Limitation:					
Expenses to Average Net Assets	N/A	1.32%	1.39%	1.64%	1.70%
Net Investment Income to Average Net Assets	N/A	0.49%	0.63%	0.31%	0.25%

(1) Reflects prior period Custodian out-of-pocket expenses that were reimbursed in September 2016. The amount of the reimbursement was immaterial on a per share basis and did not impact the total return of Class I shares. The Ratio of Expenses to Average Net Assets and the Ratio of Net Investment Income to Average Net Assets would be unchanged as the reimbursement of Custodian fees was offset against expense waivers/reimbursements with no impact to net expenses or net investment income.

(2) Per share amount is based on average shares outstanding.

(3) Calculated based on the net asset value as of the last business day of the period. Performance does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

(4) The Ratios of Expenses and Net Investment Income reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

(5) Effective September 30, 2015, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.35% for Class I shares. Prior to September 30, 2015, the maximum ratio was 1.42% for Class I shares.

(6) Effective September 30, 2016, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.25% for Class I shares. Prior to September 30, 2016, the maximum ratio was 1.35% for Class I shares.

(7) Amount is less than 0.005%.

Financial Highlights

Emerging Markets Equity Portfolio

	Class II				
	Year Ended December 31,				
Selected Per Share Data and Ratios	**2018**	**2017**	**2016[1]**	**2015**	**2014**
Net Asset Value, Beginning of Period	$17.59	$13.11	$12.35	$13.93	$14.64
Income (Loss) from Investment Operations:					
Net Investment Income[2]	0.13	0.08	0.09	0.07	0.07
Net Realized and Unrealized Gain (Loss)	(3.21)	4.51	0.73	(1.55)	(0.73)
Total from Investment Operations	(3.08)	4.59	0.82	(1.48)	(0.66)
Distributions from and/or in Excess of:					
Net Investment Income	(0.07)	(0.11)	(0.06)	(0.10)	(0.05)
Net Asset Value, End of Period	$14.44	$17.59	$13.11	$12.35	$13.93
Total Return[3]	(17.51)%	35.06%	6.62%	(10.71)%	(4.55)%
Ratios and Supplemental Data:					
Net Assets, End of Period (Thousands)	$68,404	$89,249	$76,392	$73,325	$87,934
Ratio of Expenses to Average Net Assets[8]	1.27%[4]	1.30%[4]	1.33%[4][6]	1.45%[4][5]	1.47%[4]
Ratio of Expense to Average Net Assets Excluding Non Operating Expense	1.27%	N/A	N/A	N/A	N/A
Ratio of Net Investment Income to Average Net Assets[8]	0.81%[4]	0.51%[4]	0.69%[4]	0.50%[4]	0.48%[4]
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01%	0.00%[7]	0.00%[7]	0.00%[7]	0.00%[7]
Portfolio Turnover Rate	42%	37%	34%	38%	45%
[8] Supplemental Information on the Ratios to Average Net Assets:					
Ratios Before Expense Limitation:					
Expenses to Average Net Assets	1.48%	1.57%	1.64%	1.92%	2.05%
Net Investment Income (Loss) to Average Net Assets	0.60%	0.24%	0.38%	0.03%	(0.10)%

(1) Reflects prior period Custodian out-of-pocket expenses that were reimbursed in September 2016. The amount of the reimbursement was immaterial on a per share basis and did not impact the total return of Class II shares. The Ratio of Expenses to Average Net Assets and the Ratio of Net Investment Income to Average Net Assets would be unchanged as the reimbursement of Custodian fees was offset against expense waivers/reimbursements with no impact to net expenses or net investment income.

(2) Per share amount is based on average shares outstanding.

(3) Calculated based on the net asset value as of the last business day of the period. Performance does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

(4) The Ratios of Expenses and Net Investment Income reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

(5) Effective September 30, 2015, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.40% for Class II shares. Prior to September 30, 2015, the maximum ratio was 1.47% for Class II shares.

(6) Effective September 30, 2016, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.30% for Class II shares. Prior to September 30, 2016, the maximum ratio was 1.40% for Class II shares.

(7) Amount is less than 0.005%.

Notes to Financial Statements

Morgan Stanley Variable Insurance Fund, Inc. (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Company is comprised of ten separate active, diversified and non-diversified funds (individually referred to as a "Fund", collectively as the "Funds"). The Company applies investment company accounting and reporting guidance.

The accompanying financial statements relate to the Emerging Markets Equity Portfolio. The Fund seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of issuers in emerging market countries. The Fund offers two classes of shares — Class I and Class II. Both classes of shares have identical voting rights (except that shareholders of a Class have exclusive voting rights regarding any matter relating solely to that Class of shares), dividend, liquidation and other rights.

The Company is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies offered by the separate accounts of certain life insurance companies.

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

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Topic 820) — Disclosures Framework — Changes to Disclosure Requirements of Fair Value Measurement ("ASU 2018-13") which introduces new fair value disclosure requirements as well as eliminates and modifies certain existing fair value disclosure requirements. ASU 2018-13 would be effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years; however, management has elected to early adopt ASU 2018-13 effective with the current reporting period as permitted by the standard. The impact of the Fund's adoption was limited to changes in the Fund's financial statement disclosures regarding fair value, primarily those disclosures related to transfers between levels of the fair value hierarchy and disclosure of the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements, when applicable.

1. **Security Valuation:** (1) An equity portfolio security listed or traded on an exchange is valued at its latest reported sales price (or at the exchange official closing price if such exchange reports an official closing price), and if there were no sales on a given day and if there is no official exchange closing price for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available on the relevant exchanges. Listed equity securities not traded on the valuation date with no reported bid and asked prices available on the exchange are valued at the mean between the current bid and asked prices obtained from one or more reputable brokers or dealers. In cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market; (2) all other equity portfolio securities for which over-the-counter ("OTC") market quotations are readily available are valued at the latest reported sales price (or at the market official closing price if such market reports an official closing price), and if there was no trading in the security on a given day and if there is no official closing price from relevant markets for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available on the relevant markets. An unlisted equity security that does not trade on the valuation date and for which bid and asked prices from the relevant markets are unavailable is valued at the mean between the current bid and asked prices obtained from one or more reputable brokers or dealers; (3) certain portfolio securities may be valued by an outside pricing service/vendor approved by the Company's Board of Directors (the "Directors"). The pricing service/vendor may employ a pricing model that takes into account, among other things, bids, yield spreads and/or other market data and specific security characteristics. Alternatively, if a valuation is not available from an outside pricing service/vendor, and the security trades on an exchange, the security may be valued at its latest reported sale price (or at the exchange official closing price if such exchange reports an official closing price), prior to the time when assets are valued. If there are no sales on a given day and if there is no official exchange closing price for that day, the security is valued at the mean between the last reported bid and asked prices if such bid and asked prices are available in the relevant exchanges; (4) when market quotations are not readily available, including circumstances under which

Notes to Financial Statements (cont'd)

Morgan Stanley Investment Management Inc. (the "Adviser") or Morgan Stanley Investment Management Company ("MSIM Company") (the "Sub-Adviser"), each a wholly-owned subsidiary of Morgan Stanley, determines that the closing price, last sale price or the mean between the last reported bid and asked prices are not reflective of a security's market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Fund's Board of Directors (the "Directors"). Occasionally, developments affecting the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business of the New York Stock Exchange ("NYSE"). If developments occur during such periods that are expected to materially affect the value of such securities, such valuations may be adjusted to reflect the estimated fair value of such securities as of the close of the NYSE, as determined in good faith by the Directors or by the Adviser using a pricing service and/or procedures approved by the Directors; (5) quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into U.S. dollar equivalents at the prevailing market rates prior to the close of the NYSE; and (6) investments in mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value ("NAV") as of the close of each business day.

The Directors have responsibility for determining in good faith the fair value of the investments, and the Directors may appoint others, such as the Company's Adviser or a valuation committee, to assist the Directors in determining fair value and to make the actual calculations pursuant to the fair valuation methodologies previously approved by the Directors. Under procedures approved by the Directors, the Company's Adviser has formed a Valuation Committee whose members are approved by the Directors. The Valuation Committee provides administration and oversight of the Company's valuation policies and procedures, which are reviewed at least annually by the Directors. These procedures allow the Company to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

2. **Fair Value Measurement:** FASB Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurement" ("ASC 820"), defines fair value as the value 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. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below:
   - Level 1 – unadjusted 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. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

   The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

Notes to Financial Statements (cont'd)

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2018:

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Automobiles	$ —	$ 7,327	$—	$ 7,327
Banks	7,263	54,383	—	61,646
Beverages	3,895	4,075	—	7,970
Capital Markets	—	2,551	—	2,551
Construction Materials	—	4,644	—	4,644
Diversified Consumer Services	2,178	—	—	2,178
Diversified Financial Services	—	1,985	—	1,985
Diversified Telecommunication Services	—	3,453	—	3,453
Electronic Equipment, Instruments & Components	—	1,242	—	1,242
Food & Staples Retailing	3,416	10,540	—	13,956
Food Products	—	5,563	—	5,563
Gas Utilities	971	—	—	971
Health Care Providers & Services	—	2,570	—	2,570
Hotels, Restaurants & Leisure	1,457	215	—	1,672
Household Products	—	2,144	—	2,144
Independent Power & Renewable Electricity Producers	—	743	—	743
Industrial Conglomerates	—	6,663	—	6,663
Information Technology Services	—	1,929	—	1,929
Insurance	—	7,324	—	7,324
Interactive Media & Services	9,210	11,238	—	20,448
Machinery	—	2,499	—	2,499
Media	—	1,967	—	1,967
Metals & Mining	3,129	2,509	—	5,638
Multi-Line Retail	—	5,751	—	5,751
Oil, Gas & Consumable Fuels	—	9,475	—	9,475
Personal Products	—	4,582	—	4,582
Pharmaceuticals	—	2,163	—	2,163
Real Estate Management & Development	—	3,772	—	3,772
Semiconductors & Semiconductor Equipment	—	15,164	—	15,164

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Common Stocks (cont'd)				
Tech Hardware, Storage & Peripherals	$ —	$ 8,117	$—	$ 8,117
Textiles, Apparel & Luxury Goods	—	10,692	—	10,692
Thrifts & Mortgage Finance	—	2,349	—	2,349
Transportation Infrastructure	—	1,662	—	1,662
Wireless Telecommunication Services	—	3,286	—	3,286
Total Common Stocks	**31,519**	**202,577**	**—**	**234,096**
Short-Term Investments				
Investment Company	12,157	—	—	12,157
Foreign Currency Forward Exchange Contract	—	90	—	90
Total Assets	**43,676**	**202,667**	**—**	**246,343**
Liabilities:				
Foreign Currency Forward Exchange Contract	—	(516)	—	(516)
Total	**$43,676**	**$202,151**	**$—**	**$245,827**

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes.

3. **Foreign Currency Translation and Foreign Investments:** The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

— investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;

— investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities

Notes to Financial Statements (cont'd)

sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances. However, pursuant to U.S. federal income tax regulations, gains and losses from certain foreign currency transactions and the foreign currency portion of gains and losses realized on sales and maturities of foreign denominated debt securities are treated as ordinary income for U.S. federal income tax purposes.

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

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, fluctuations of exchange rates in relation to the U.S. dollar, the possibility of lower levels of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

Governmental approval for foreign investments may be required in advance of making an investment under certain circumstances in some countries, and the extent of foreign investments in domestic companies may be subject to limitation in other countries. Foreign ownership limitations also may be imposed by the charters of individual companies to prevent, among other concerns, violations of foreign investment limitations. As a result, an additional class of shares (identified as "Foreign" in the Portfolio of Investments) may be created and offered for investment. The "local" and "foreign shares" market values may differ. In the absence of trading of the foreign shares in such markets, the Fund values the foreign shares at the closing exchange price of the local shares.

4. **Derivatives:** The Fund may, but is not required to, use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based, in part, on the value of an underlying asset, interest rate, index or financial instrument. Prevailing interest rates and volatility levels, among other things, also affect the value of derivative instruments. A derivative instrument often has risks similar to its underlying asset and may have additional risks, including imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which the derivative instrument relates, risks that the transactions may not be liquid and risks arising from margin requirements. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. All of the Fund's holdings, including derivative instruments, are marked-to-market each day with the change in value reflected in unrealized appreciation (depreciation). Upon disposition, a realized gain or loss is recognized.

   Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and the risk of loss. Leverage associated with derivative transactions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable Securities and Exchange Commission ("SEC") rules and regulations, or may cause the Fund to be more volatile than if the Fund had not been leveraged. Although the Adviser and/or Sub-Adviser seek to use derivatives to further the Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

Notes to Financial Statements (cont'd)

Following is a description of the derivative instruments and techniques that the Fund used during the period and their associated risks:

Foreign Currency Forward Exchange Contracts: In connection with its investments in foreign securities, the Fund also entered into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date. A foreign currency forward exchange contract ("currency contract") is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract. Currency contracts may be used to protect against uncertainty in the level of future foreign currency exchange rates or to gain or modify exposure to a particular currency. To the extent hedged by the use of currency contracts, the precise matching of the currency contract amounts and the value of the securities involved will not generally be possible because the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the date on which the contract is entered into and the date it matures. Furthermore, such transactions may reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. There is additional risk to the extent that currency contracts create exposure to currencies in which the Fund's securities are not denominated. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts. The use of currency contracts involves the risk of loss from the insolvency or bankruptcy of the counterparty to the contract or the failure of the counterparty to make payments or otherwise comply with the terms of the contract. A currency contract is marked-to-market daily and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund records realized gains (losses) when the currency contract is closed equal to the difference between the value of the currency contract at the time it was opened and the value at the time it was closed.

FASB ASC 815, "Derivatives and Hedging" ("ASC 815"), is intended to improve financial reporting about derivative instruments by requiring enhanced disclosures to enable investors to better understand how and why the Fund uses derivative instruments, how these derivative instruments are accounted for and their effects on the Fund's financial position and results of operations.

The following table sets forth the fair value of the Fund's derivative contracts by primary risk exposure as of December 31, 2018:

	Asset Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Foreign Currency Forward Exchange Contract	Unrealized Appreciation on Foreign Currency Forward Exchange Contract	Currency Risk	$ 90

	Liability Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Foreign Currency Forward Exchange Contract	Unrealized Depreciation on Foreign Currency Forward Exchange Contract	Currency Risk	$(516)

The following table sets forth by primary risk exposure the Fund's realized gains (losses) and change in unrealized appreciation (depreciation) by type of derivative contract for the year ended December 31, 2018 in accordance with ASC 815:

Realized Gain (Loss)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$814

Change in Unrealized Appreciation (Depreciation)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$(426)

At December 31, 2018, the Fund's derivative assets and liabilities are as follows:

Gross Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities

Derivatives	Assets(a) (000)	Liabilities(a) (000)
Foreign Currency Forward Exchange Contracts	$90	$(516)

(a) Absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

The Fund typically enters into International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Master Agreements") or similar master agreements (collectively, "Master Agreements") with its contract counterparties for certain OTC derivatives in order to, among other things, reduce its credit risk to counterparties. ISDA Master Agreements include provisions for general obligations, representations, collateral and events of default or termination. Under an ISDA Master Agreement, the Fund typically may offset with the counterparty certain

Notes to Financial Statements (cont'd)

OTC derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment (close-out netting) in the event of default, termination and/or potential deterioration in the credit quality of the counterparty. Various Master Agreements govern the terms of certain transactions with counterparties, including transactions such as swap, forward, repurchase and reverse repurchase agreements. These Master Agreements typically attempt to reduce the counterparty risk associated with such transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Cross-termination provisions under Master Agreements typically provide that a default in connection with one transaction between the Fund and a counterparty gives the non-defaulting party the right to terminate any other transactions in place with the defaulting party to create one single net payment due to/due from the defaulting party and may be a feature in certain Master Agreements. In the event the Fund exercises its right to terminate a Master Agreement after a counterparty experiences a termination event as defined in the Master Agreement, the return of collateral with market value in excess of the Fund's net liability may be delayed or denied.

The following tables present derivative financial instruments that are subject to enforceable netting arrangements as of December 31, 2018:

Counterparty	Gross Asset Derivatives Presented in the Statement of Assets and Liabilities (000)	Gross Amounts Not Offset in the Statement of Assets and Liabilities: Financial Instrument (000)	Collateral Pledged (000)	Net Amount (not less than $0) (000)
Goldman Sachs International	$90	$—	$—	$90

Counterparty	Gross Liability Derivatives Presented in the Statement of Assets and Liabilities (000)	Gross Amounts Not Offset in the Statement of Assets and Liabilities: Financial Instrument (000)	Collateral Pledged (000)	Net Amount (not less than $0) (000)
UBS AG	$516	$—	$(490)	$26

For the year ended December 31, 2018, the approximate average monthly amount outstanding for each derivative type is as follows:

Foreign Currency Forward Exchange Contracts:

Average monthly principal amount $29,571,000

5. **Securities Lending:** The Fund lends securities to qualified financial institutions, such as broker-dealers, to earn additional income. Any increase or decrease in the fair value of the securities loaned that might occur and any interest earned or dividends declared on those securities during the term of the loan would remain in the Fund. The Fund would receive cash or securities as collateral in an amount equal to or exceeding 100% of the current fair value of the loaned securities. The collateral is marked-to-market daily by State Street Bank and Trust Company ("State Street"), the securities lending agent, to ensure that a minimum of 100% collateral coverage is maintained.

Based on pre-established guidelines, the securities lending agent invests any cash collateral that is received in an affiliated money market portfolio and repurchase agreements. Securities lending income is generated from the earnings on the invested collateral and borrowing fees, less any rebates owed to the borrowers and compensation to the lending agent, and is recorded as "Income from Securities Loaned — Net" in the Fund's Statement of Operations. Risks in securities lending transactions are that a borrower may not provide additional collateral when required or return the securities when due, and that the value of the short-term investments will be less than the amount of cash collateral plus any rebate that is required to be returned to the borrower.

The Fund has the right under the securities lending agreement to recover the securities from the borrower on demand.

The following table presents financial instruments that are subject to enforceable netting arrangements as of December 31, 2018:

Gross Asset Amounts Presented in the Statement of Assets and Liabilities (000)	Gross Amounts Not Offset in the Statement of Assets and Liabilities: Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than $0) (000)
$8,900(b)	$—	$(8,900)(c)(d)	$0

(b) Represents market value of loaned securities at year end.

Notes to Financial Statements (cont'd)

(c) The Fund received cash collateral of approximately $2,160,000, which was subsequently invested in Morgan Stanley Institutional Liquidity Funds as reported in the Portfolio of Investments. In addition, the Fund received non-cash collateral of approximately $7,181,000 in the form of U.S. Government obligations, which the Fund cannot sell or pledge, and accordingly are not reflected in the Portfolio of Investments.

(d) The actual collateral received is greater than the amount shown here due to overcollateralization.

FASB ASC 860, "Transfers & Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", is intended to provide increased transparency about the types of collateral pledged in securities lending transactions and other similar transactions that are accounted for as secured borrowing.

The following table displays a breakdown of transactions accounted for as secured borrowings, the gross obligations by class of collateral pledged and the remaining contractual maturity of those transactions as of December 31, 2018:

	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous (000)	<30 days (000)	Between 30 & 90 days (000)	>90 days (000)	Total (000)
Securities Lending Transactions					
Common Stocks	$ 8,900	$—	$—	$—	$ 8,900
Total Borrowings	**$8,900**	**$—**	**$—**	**$—**	**$8,900**
Gross amount of recognized liabilities for securities lending transactions					**$8,900**

6. Indemnifications:

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

7. Security Transactions, Income and Expenses:

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on the sale of investment securities are determined on the specific identified cost method. Dividend income and other distributions are recorded on the ex-dividend date (except for certain foreign dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes. Interest income is recognized on the accrual basis except where collection is in doubt. Discounts are accreted and premiums are amortized over the life of the respective securities. Most expenses of the Company can be directly attributed to a particular Fund. Expenses which cannot be directly attributed are apportioned among the Funds based upon relative net assets or other appropriate methods. Income, expenses (other than class specific expenses) and realized and unrealized gains or losses are allocated to each class of shares based upon their relative net assets.

Settlement and registration of foreign securities transactions may be subject to significant risks not normally associated with investments in the United States. In certain markets, ownership of shares is defined according to entries in the issuer's share register. It is possible that a Fund holding these securities could lose its share registration through fraud, negligence or even mere oversight. In addition, shares being delivered for sales and cash being paid for purchases may be delivered before the exchange is complete. This may subject the Fund to further risk of loss in the event of a failure to complete the transaction by the counterparty.

8. Dividends and Distributions to Shareholders:

Dividends and distributions to shareholders are recorded on the ex-dividend date. Dividends from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed at least annually.

B. Advisory/Sub-Advisory Fees: The Adviser, a wholly-owned subsidiary of Morgan Stanley, provides the Fund with advisory services under the terms of an Investment Advisory Agreement, paid quarterly, at the annual rate based on the daily net assets as follows:

First $500 million	Next $500 million	Next $1.5 billion	Over $2.5 billion
0.85%	0.75%	0.70%	0.65%

For the year ended December 31, 2018, the advisory fee rate (net of rebate) was equivalent to an annual effective rate of 0.84% of the Fund's average daily net assets.

The Adviser has agreed to reduce its advisory fee and/or reimburse the Fund so that total annual portfolio operating expenses, excluding certain investment related expenses, taxes, interest and other extraordinary expenses (including litigation), will not exceed 1.25% for Class I shares and 1.30% for Class II shares. The fee waivers and/or expense reimbursements will continue for at least one year from the date of the Fund's prospectus or until such time as the Directors act to discontinue all or a portion of such waivers and/or reimbursements when they deem such action is appropriate. This arrangement had no effect for the year ended December 31, 2018.

The Adviser has entered into a Sub-Advisory Agreement with the Sub-Adviser, a wholly-owned subsidiary of Morgan Stanley. The Sub-Adviser provides the Fund with advisory services subject to the overall supervision of the Adviser and the Fund's Officers and Directors. The Adviser pays the Sub-Adviser on a monthly basis a portion of the net advisory fees the Adviser receives from the Fund.

Notes to Financial Statements (cont'd)

C. Administration Fees: The Adviser also serves as Administrator to the Company and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.08% of the Fund's average daily net assets.

Under a Sub-Administration Agreement between the Administrator and State Street, State Street provides certain administrative services to the Company. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

D. Servicing Fees: The Company accrues daily and pays quarterly a servicing fee of up to 0.17% of the average daily value of shares of the Fund held in an insurance company's account. Certain insurance companies have entered into a servicing agreement with the Company to provide administrative and other contract-owner related services on behalf of the Fund.

E. Distribution Fees: Morgan Stanley Distribution, Inc. ("MSDI" or the "Distributor"), a wholly-owned subsidiary of the Adviser and an indirect subsidiary of Morgan Stanley, serves as the Distributor of the Fund and provides the Fund's Class II shareholders with distribution services pursuant to a Distribution Plan (the "Plan") in accordance with Rule 12b-1 under the Act. Under the Plan, the Fund is authorized to pay the Distributor a distribution fee, which is accrued daily and paid monthly, at an annual rate of 0.25% of the Fund's average daily net assets attributable to Class II shares. The Distributor has agreed to waive 0.20% of the 0.25% distribution fee that it may receive. This fee waiver will continue for at least one year from the date of the Fund's prospectus or until such time as the Directors act to discontinue all or a portion of such waiver when they deem such action is appropriate. For the year ended December 31, 2018, this waiver amounted to approximately $163,000.

F. Dividend Disbursing and Transfer Agent: The Company's dividend disbursing and transfer agent is DST Asset Manager Solutions, Inc. ("DST"). Pursuant to a Transfer Agency Agreement, the Company pays DST a fee based on the number of classes, accounts and transactions relating to the Funds of the Company.

G. Custodian Fees: State Street (the "Custodian") also serves as Custodian for the Company in accordance with a Custodian Agreement. The Custodian holds cash, securities and other assets of the Company as required by the Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

H. Security Transactions and Transactions with Affiliates: For the year ended December 31, 2018, purchases and sales of investment securities for the Fund, other than long-term U.S. Government securities and short-term investments were approximately $117,712,000 and $149,585,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the year ended December 31, 2018.

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds — Government Portfolio (the "Liquidity Funds"), an open-end management investment company managed by the Adviser, both directly and as a portion of the securities held as collateral on loaned securities. Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Fund due to its investment in the Liquidity Funds. For the year ended December 31, 2018, advisory fees paid were reduced by approximately $19,000 relating to the Fund's investment in the Liquidity Funds.

A summary of the Fund's transactions in shares of affiliated investments during the year ended December 31, 2018 is as follows:

Affiliated Investment Company	Value December 31, 2017 (000)	Purchases at Cost (000)	Proceeds from Sales (000)	Dividend Income (000)
Liquidity Funds	$7,801	$85,554	$81,198	$207

Affiliated Investment Company (cont'd)	Realized Gain (Loss) (000)	Change in Unrealized Appreciation (Depreciation) (000)	Value December 31, 2018 (000)
Liquidity Funds	$—	$—	$12,157

During the year ended December 31, 2018, the Fund incurred less than $500 in brokerage commissions with Morgan Stanley & Co. LLC, an affiliate of the Adviser/Administrator, Sub-Adviser and Distributor, for portfolio transactions executed on behalf of the Fund.

The Fund is permitted to purchase and sell securities ("cross-trade") from and to other Morgan Stanley funds as well as other funds and client accounts for which the Adviser or an affiliate of the Adviser serves as investment adviser, pursuant to procedures approved by the Directors in compliance with Rule 17a-7 under the Act (the "Rule"). Each cross-trade is executed at the current market price in compliance with provisions of the Rule. For the year ended December 31, 2018, the Fund did not engage in any cross-trade transactions.

Notes to Financial Statements (cont'd)

The Fund has an unfunded Deferred Compensation Plan (the "Compensation Plan"), which allows each independent Director to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Directors. Each eligible Director 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 investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the NAV of the Fund.

I. Federal Income Taxes: It is the Fund's intention to continue to qualify as a regulated investment company and distribute all of its taxable and tax-exempt income. Accordingly, no provision for federal income taxes is required in the financial statements.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued based on net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned. Taxes may also be based on transactions in foreign currency and are accrued based on the value of investments denominated in such currency.

FASB ASC 740-10, "Income Taxes — Overall", sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other Expenses" in the Statement of Operations. The Fund files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2018 remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown for GAAP purposes due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal years 2018 and 2017 was as follows:

2018 Distributions Paid From:		2017 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
$1,273	$—	$2,230	$—

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from GAAP. These book/tax differences are either considered temporary or permanent in nature.

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

The Fund had no permanent differences causing reclassifications among the components of net assets for the year ended December 31, 2018.

At December 31, 2018, the components of distributable earnings for the Fund on a tax basis were as follows:

Undistributed Ordinary Income (000)	Undistributed Long-Term Capital Gain (000)
$2,398	$15,713

During the year ended December 31, 2018, the Fund utilized capital loss carryforwards for U.S. federal income tax purposes of approximately $6,470,000.

J. Credit Facility: The Company and other Morgan Stanley funds participated in a $150,000,000 committed, unsecured revolving line of credit facility (the "Facility") with State Street. This Facility is to be used for temporary emergency purposes or funding of shareholder redemption requests. The interest rate on borrowings is based on the federal funds rate or 1 month LIBOR rate plus a spread. The Facility also has a commitment fee of 0.25% per annum based on the unused portion of the Facility. During the year ended December 31, 2018, the Fund did not have any borrowings under the Facility.

K. Other: At December 31, 2018, the Fund had record owners of 10% or greater. Investment activities of these shareholders could have a material impact on the Fund. The aggregate percentage of such owners was 46.8%.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Morgan Stanley Variable Insurance Fund, Inc. —
Emerging Markets Equity Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Emerging Markets Equity Portfolio (the “Fund”) (one of the funds constituting Morgan Stanley Variable Insurance Fund, Inc. (the “Company”)), including the portfolio of investments, as of December 31, 2018, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of Emerging Markets Equity Portfolio (one of the funds constituting Morgan Stanley Variable Insurance Fund, Inc.) at December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities law and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of the Company’s internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young LLP

We have served as the auditor of one or more Morgan Stanley investment companies since 2000.
Boston, Massachusetts
February 20, 2019

Federal Tax Notice (unaudited)

For federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during its taxable year ended December 31, 2018.

The Fund intends to pass through foreign tax credits of approximately $698,000 and has derived net income from sources within foreign countries amounting to approximately $6,573,000.

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

Director and Officer Information (unaudited)

Independent Directors:

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Frank L. Bowman (74) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	President, Strategic Decisions, LLC (consulting) (since February 2009); Director or Trustee of various Morgan Stanley Funds (since August 2006); Chairperson of the Compliance and Insurance Committee (since October 2015); formerly, Chairperson of the Insurance Sub- Committee of the Compliance and Insurance Committee (2007-2015); served as President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (February 2005-November 2008); retired as Admiral, U.S. Navy after serving over 38 years on active duty including 8 years as Director of the Naval Nuclear Propulsion Program in the Department of the Navy and the U.S. Department of Energy (1996-2004); served as Chief of Naval Personnel (July 1994-September 1996) and on the Joint Staff as Director of Political Military Affairs (June 1992-July 1994); knighted as Honorary Knight Commander of the Most Excellent Order of the British Empire; awarded the Officier de l'Orde National du Mérite by the French Government; elected to the National Academy of Engineering (2009).	82	Director of BP p.l.c.; Director of Naval and Nuclear Technologies LLP; Director Emeritus of the Armed Services YMCA; Member of the National Security Advisory Council of the Center for U.S. Global Engagement and a member of the CNA Military Advisory Board; Trustee of Fairhaven United Methodist Church; Member of the Board of Advisors of the Dolphin Scholarship Foundation; and Director of other various non-profit organizations.
Kathleen A. Dennis (65) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	President, Cedarwood Associates (mutual fund and investment management consulting) (since July 2006); Chairperson of the Liquidity and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).	82	Director of various non-profit organizations.
Nancy C. Everett (63) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since January 2015	Chief Executive Officer, Virginia Commonwealth University Investment Company (since November 2015); Owner, OBIR, LLC (institutional investment management consulting) (since June 2014); formerly, Managing Director, BlackRock Inc. (February 2011-December 2013); and Chief Executive Officer, General Motors Asset Management (a/k/a Promark Global Advisors, Inc.) (June 2005-May 2010).	83	Formerly, Member of Virginia Commonwealth University School of Business Foundation (2005-2016); Member of Virginia Commonwealth University Board of Visitors (2013-2015); Member of Committee on Directors for Emerging Markets Growth Fund, Inc. (2007-2010); Chairperson of Performance Equity Management, LLC (2006-2010); and Chairperson, GMAM Absolute Return Strategies Fund, LLC (2006-2010).
Jakki L. Haussler (61) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since January 2015	Chairman and Chief Executive Officer, Opus Capital Group (since January 1996); formerly, Director, Capvest Venture Fund, LP (May 2000-December 2011); Partner, Adena Ventures, LP (July 1999-December 2010); Director, The Victory Funds (February 2005-July 2008).	83	Director of Service Corporation International and Member, Audit Committee and Investment Committee; Director of Cincinnati Bell Inc. and Member, Audit Committee and Governance and Nominating Committee; Chairman of Northern Kentucky University Member, Investment Committee; Member of Chase College of Law Transactional Law Practice Center Board of Advisors; Director of Best Transport; Director of Chase College of Law Board of Visitors; formerly, Member, University of Cincinnati Foundation Investment Committee; Member, Miami University Board of Visitors (2008-2011); Trustee of Victory Funds (2005-2008) and Chairman, Investment Committee (2007-2008) and Member, Service Provider Committee (2005-2008).

Director and Officer Information (unaudited) (cont'd)

Independent Directors (cont'd):

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Dr. Manuel H. Johnson (69) c/o Johnson Smick International, Inc. 220 I Street, NE — Suite 200 Washington, D.C. 20002	Director	Since July 1991	Senior Partner, Johnson Smick International, Inc. (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since July 1991); Co-Chairman and a founder of the Group of Seven Council (G7C) (international economic commission); formerly, Chairperson of the Audit Committee (July 1991-September 2006), Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	82	Director of NVR, Inc. (home construction).
Joseph J. Kearns (76) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 1994	Senior Adviser, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 1994); formerly, Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of various Morgan Stanley Funds (since August 1994); CFO of the J. Paul Getty Trust.	83	Prior to August 10, 2016, Director of Electro Rent Corporation (equipment leasing); Prior to December 31, 2013, Director of The Ford Family Foundation.
Michael F. Klein (60) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	Managing Director, Aetos Alternatives Management, LP (since March 2000); Co-President, Aetos Alternatives Management, LP (since January 2004) and Co-Chief Executive Officer of Aetos Alternatives Management, LP (since August 2013); Chairperson of the Fixed Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management and President, various Morgan Stanley Funds (June 1998-March 2000); Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999).	82	Director of certain investment funds managed or sponsored by Aetos Alternatives Management, LP; Director of Sanitized AG and Sanitized Marketing AG (specialty chemicals).
Patricia Maleski (58) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since January 2017	Managing Director, JPMorgan Asset Management (2004-2016); Oversight and Control Head of Fiduciary and Conflicts of Interest Program (2015-2016); Chief Control Officer-Global Asset Management (2013-2015); President, JPMorgan Funds (2010-2013); Chief Administrative Officer (2004-2013); various other positions including Treasurer and Board Liaison (since 2001).	83	None.
Michael E. Nugent (82) 522 Fifth Avenue New York, NY 10036	Chair of the Board and Director	Chair of the Boards since July 2006 and Director since July 1991	Chair of the Boards of various Morgan Stanley Funds (since July 2006); Chairperson of the Closed-End Fund Committee (since June 2012) Governance Committee (since January 2019) and Director or Trustee of various Morgan Stanley Funds (since July 1991); formerly, Chairperson of the Insurance Committee (until July 2006); General Partner, Triumph Capital, L.P. (private investment partnership) (1988-2013).	82	None.
W. Allen Reed (71) c/o Perkins Coie LLP Counsel to the Independent Directors 30 Rockefeller Plaza New York, NY 10112	Director	Since August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, President and CEO of General Motors Asset Management; Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).	82	Director of Legg Mason, Inc.; formerly, Director of the Auburn University Foundation (2010-2015).

Director and Officer Information (unaudited) (cont'd)

Independent Directors (cont'd):

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years and Other Relevant Professional Experience	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Fergus Reid (86)**** c/o Joe Pietryka, Inc. 85 Charles Colman Blvd. Pawling, NY 12564	Director	Since June 1992	Chairman, Joe Pietryka, Inc.; Chairperson of the Governance Committee and Director or Trustee of various Morgan Stanley Funds (since June 1992).	83	Formerly, Trustee and Director of certain investment companies in the JP Morgan Fund Complex managed by JP Morgan Investment Management Inc. (1987-2012).

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

** The Fund Complex includes (as of December 31, 2018) all open-end and closed-end funds (including all of their portfolios) advised by Morgan Stanley Investment Management Inc. (the "Adviser") and any funds that have an adviser that is an affiliated person of the Adviser (including, but not limited to, Morgan Stanley AIP GP LP).

*** This includes any directorships at public companies and registered investment companies held by the Director at any time during the past five years.

****Effective date of retirement is December 31, 2018.

Executive Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years
John H. Gernon (55) 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer	Since September 2013	President and Principal Executive Officer of the Equity and Fixed Income Funds and the Morgan Stanley AIP Funds (since September 2013) and the Liquidity Funds and various money market funds (since May 2014) in the Fund Complex; Managing Director of the Adviser; Head of Product (since 2006).
Timothy J. Knierim (59) 522 Fifth Avenue New York, NY 10036	Chief Compliance Officer	Since December 2016	Managing Director of the Adviser and various entities affiliated with the Adviser; Chief Compliance Officer of various Morgan Stanley Funds and the Adviser (since December 2016) and Chief Compliance Officer of Morgan Stanley AIP GP LP (since 2014). Formerly, Managing Director and Deputy Chief Compliance Officer of the Adviser (2014-2016); and formerly, Chief Compliance Officer of Prudential Investment Management, Inc. (2007-2014).
Francis J. Smith (53) 522 Fifth Avenue New York, NY 10036	Treasurer and Principal Financial Officer	Treasurer since July 2003 and Principal Financial Officer since September 2002	Managing Director of the Adviser and various entities affiliated with the Adviser; Treasurer (since July 2003) and Principal Financial Officer of various Morgan Stanley Funds (since September 2002).
Mary E. Mullin (51) 522 Fifth Avenue New York, NY 10036	Secretary	Since June 1999	Managing Director of the Adviser; Secretary of various Morgan Stanley Funds (since June 1999).
Michael J. Key (39) 522 Fifth Avenue New York, NY 10036	Vice President	Since June 2017	Vice President of the Equity and Fixed Income Funds, Liquidity Funds, various money market funds and the Morgan Stanley AIP Funds in the Fund Complex (since June 2017); Executive Director of the Adviser; Head of Product Development for Equity and Fixed Income Funds (since August 2013).

* This is the earliest date the officer began serving the Morgan Stanley Funds. Each officer serves a one-year term, until his or her successor is elected and qualifies.

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Morgan Stanley Variable Insurance Fund, Inc.

Annual Report – December 31, 2018

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

Sub-Adviser
Morgan Stanley Investment Management Company
23 Church Street
16-01 Capital Square, Singapore 049481

Distributor
Morgan Stanley Distribution, Inc.
522 Fifth Avenue
New York, New York 10036

Dividend Disbursing and Transfer Agent
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Independent Registered Public Accounting Firm
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Reporting to Shareholders

Each Morgan Stanley fund provides a complete schedule of portfolio holdings in its semi-annual and the annual reports within 60 days of the end of the fund's second and fourth fiscal quarters. The semi-annual and annual reports are filed electronically with the Securities and Exchange Commission ("SEC") on Form N-CSRS and Form N-CSR, respectively. Morgan Stanley also delivers the semi-annual and annual reports to fund shareholders and makes these reports available on its public website, www.morganstanley.com/im/shareholderreports. 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 website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, www.sec.gov. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's email address (publicinfo@sec.gov).

Proxy Voting Policies and Procedures and Proxy Voting Record

You may obtain a copy of the Company's Proxy Voting Policy and Procedures and information regarding how the Company voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, without charge, upon request, by calling toll free 1 (800) 548-7786 or by visiting our website at www.morganstanley.com/im/shareholderreports. This information is also available on the SEC's website at www.sec.gov.

This report is submitted for the general information of the shareholders of the Fund. For more detailed information about the Fund, its fees and expenses and other pertinent information, please read its Prospectus. The Company's Statement of Additional Information contains additional information about the Fund, including its Directors. It is available, without charge, by calling 1 (800) 548-7786.

This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective Prospectus. Read the Prospectus carefully before investing.

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