

Morgan Stanley

Morgan Stanley Variable Insurance Fund, Inc.

Annual Report – December 31, 2019

Global Real Estate 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.

Table of Contents

Expense Example.....	2
Investment Overview.....	3
Portfolio of Investments.....	7
Statement of Assets and Liabilities	10
Statement of Operations.....	11
Statements of Changes in Net Assets.....	12
Financial Highlights	13
Notes to Financial Statements.....	14
Report of Independent Registered Public Accounting Firm	20
Federal Tax Notice	21
Director and Officer Information	22

Expense Example (unaudited)

Global Real Estate Portfolio

As a shareholder of the Global Real Estate Portfolio (the “Fund”), you incur two types of costs: (1) insurance company charges; and (2) ongoing costs, which 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, 2019 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 7/1/19	Actual Ending Account Value 12/31/19	Hypothetical Ending Account Value	Actual Expenses Paid During Period*	Hypothetical Expenses Paid During Period*	Net Expense Ratio During Period**
Global Real Estate Portfolio Class II	\$1,000.00	\$1,049.70	\$1,018.90	\$6.46	\$6.36	1.25%

* Expenses are calculated using the 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)

Global Real Estate Portfolio

The Fund seeks to provide current income and capital appreciation.

Performance

For the fiscal year ended December 31, 2019, the Fund's Class II shares had a total return based on net asset value and reinvestment of distributions per share of 18.06%, net of fees. The Fund's Class II shares underperformed the Fund's benchmark, the FTSE EPRA Nareit Developed Real Estate Index — Net Total Return to U.S. Investors (the "Index"), which returned 22.70%, and the MSCI World Net Index, which returned 27.67%.

Factors Affecting Performance

- Overall returns have been strong for full year 2019, but there was a wide disparity in share price performance; sectors viewed as defensive generally outperformed as the lower-for-longer investment theme strengthened and segments of the equity market appeared to be pricing in an economic slowdown/recession scenario. Bond yields continued to decline, achieving all-time lows in late August 2019; a phase that began in the fourth quarter of 2018, resulting in negative sovereign bond yields in certain markets (Germany, Japan) and significant bond yield declines in the U.S. and Australia. Given this combination of thematic investing and all-time low bond yields, we have witnessed a continued willingness among investors to pay premium valuations for segments of the market that are viewed as having greater predictability in cash flows. We suspect that underlying private market property valuation has become a less relevant metric as generalist investors and passive funds have become the marginal buyer of real estate securities. Generalist investors appear to place a greater focus on secular themes and are untethered to private market valuations.
 - With share prices generally appearing untethered to private real estate values, there are sectors trading at relative valuations previously witnessed during the 2008-09 global financial crisis and some sectors trading in excess of 50% premiums to net asset values (NAVs). There has been a continued willingness to pay premium valuations for segments of the real estate investment trust (REIT) market that are viewed as having greater predictability in cash flows (e.g., U.S. net lease and health care REITs, Japan REITs [J-REITs]) or benefiting from a secular investment theme (e.g., U.S. industrial and data centers). In addition, the concerns with regard to economic growth have generally placed downward pressure on segments that are viewed as more vulnerable — office, retail and hotels.
- Many of these stocks are trading at large discounts to NAVs, despite significant transactional evidence in the private markets in the office and hotel sectors. This has resulted in a further widening of the disparity in share price valuations among market segments. The Fund continues to be underweight to segments that have benefited from this theme due to premium share price valuations, and overweight to market segments which trade at very attractive discounted valuations.
- The global real estate securities market gained 22.7% during the 12-month period ending December 31, 2019, as measured by the Index.
 - o In the U.S., property stocks gained 24.3%, as measured by the FTSE EPRA Nareit U.S. Index.⁽ⁱ⁾ Continued negative sentiment and share price weakness in NYC office and Class A malls resulted in very wide discounts to NAVs, while data centers and net lease assets experienced share price strength due to being viewed as defensive in a lower-for-longer interest rate environment (in the case of net lease) or having a secular growth theme (in the case of data centers).
 - o In Asia, property stocks gained 17.1%, as measured by the FTSE EPRA Nareit Developed Asia Index.⁽ⁱ⁾ There have been three important macro events impacting Asia: the protests in Hong Kong, the ongoing U.S.-China trade war and the overall view of the market from lower-for-longer (this sentiment peaked in August 2019) to a more recent shift towards modestly higher sovereign bond yields. Following declines due to the continuation of anti-government protests, Hong Kong stocks traded at a wide discount to NAV and continue to trade at the widest discounts on a global basis. In Japan, REITs posted gains due to investors' search for yield, the Bank of Japan's commitment to monetary easing and the asset purchase program, and the segment's defensive characteristics.
 - o In Europe, property stocks gained 27.3%, as measured by the FTSE EPRA Nareit Developed Europe Index.⁽ⁱ⁾ The U.K. posted the largest gains on a global basis due to currency strength and less uncertainty over Brexit.
 - The top contributors to performance were the underweight to German residential and overweight to the U.K. Majors and London office specialists.
 - o German residential underweight — the Fund's underweight to this sector was a key contributor as the sector experienced steep declines and volatility,

Investment Overview (unaudited) (cont'd)

Global Real Estate Portfolio

particularly after the second quarter of 2019 when the City of Berlin proposed to freeze rents and have rental reductions in some cases, in response to a surge in housing costs.

- o U.K. Majors and London office specialists overweight — the U.K. Majors and London office specialists traded at attractive discounted valuations throughout the year and experienced a strong recovery in share prices in the fourth quarter of 2019 on reduced concerns over Brexit.
- The key detractors from performance were the Fund's overweight to and stock selection within the U.S. malls sector and Hong Kong real estate operating companies (REOCs), and underweights to the U.S. net lease and U.S. industrial sectors and J-REITs.
 - o U.S. malls — the Fund remained overweight to select owners of Class A malls, as tenant sales in the "A mall" portfolios continue to experience growth despite retailer challenges, but the sector underperformed in the period as sentiment towards retail remains negative.
 - o Hong Kong REOCs — the overweight to Hong Kong REOCs detracted for the period due to escalation of anti-government protests and market sentiment on the economic uncertainties related to the U.S.-Sino trade war. The stocks experienced a recovery in the fourth quarter of 2019, but still ended the year trading at a significant 47% discount to NAVs.
 - o U.S. net lease sector underweight — the sector traded at one of the most significant premiums to NAV (+47% at the end of December) but the companies experienced share price gains on investor preference for stocks viewed as more defensive, given that net lease companies generally feature more bond-like cash flows.
 - o U.S. industrial sector underweight — this sector outperformed as it continued to benefit from a secular investment theme despite trading at a +23% premium to NAVs at the end of December 2019.
 - o J-REITs underweight — this sector significantly outperformed for the period and traded at a +22% premium to NAVs as investors continued to favor J-REITs due to being viewed as defensive and attractive in a lower-for-longer Japanese government bond yield environment.

Management Strategies

- We believe listed real estate security returns should mirror private real estate performance. This strategy may result in periods of underperformance, particularly when the market is driven more by thematic/momentum investing and macro factors, as opposed to fundamentals and intrinsic value. The current prolonged period in which underlying private market valuation is not a relevant determinant of share prices has been surprising. The private market is more than six times larger than the public markets and has, up until this period, always served as a key determinant of share prices and our key metric. It is logical to us that persistent discounts cannot exist when there is so much capital on the sidelines needing to invest, and we believe we will be rewarded as these stocks provide favorable risk-adjusted return opportunities based on our analysis.
- We would note the lack of focus on valuations/fundamentals has been, in our opinion, prolonged due to the following factors:
 - o Institutional investors have demonstrated a significant preference for private real estate (as opposed to public real estate); as a result, generalist and passive investors have become the marginal buyers.
 - o Generalist investors tend to focus less on valuations and more on traditional stock market metrics (such as earnings growth and dividend yields) and secular themes.
 - o Growth of passive investing in the REIT space has contributed to exacerbating the dislocation due to a lack of focus on differentiating among stocks based on fundamentals, and instead adding to overvalued stocks that have grown in market capitalization and reducing exposure to undervalued stocks that have decreased in size.
 - o Untethered to private real estate valuations, earnings multiples have expanded to record levels in sectors viewed as more defensive or benefiting from favorable secular themes. This has resulted in a willingness to ignore the distinction in multiples used to value assets in the private real estate sector and therefore indifference about the quality of the real estate cash flow when buying stocks based on fund from operations (FFO) multiples, as shown by net lease and health care REITs trading at higher multiples than NYC office REITs.

Investment Overview (unaudited) (cont'd)

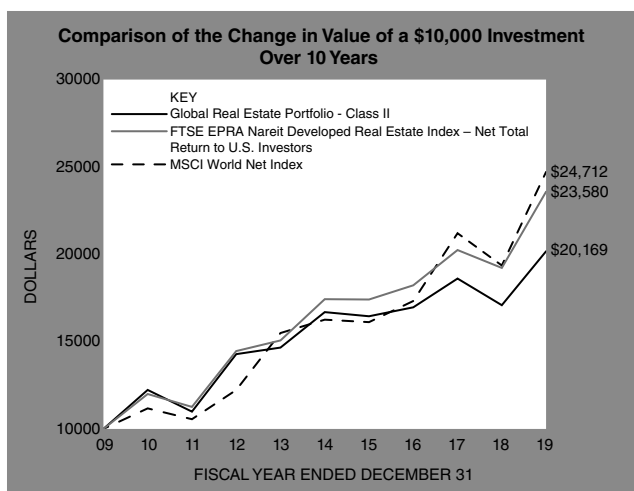
Global Real Estate Portfolio

- Regional bets are currently relatively muted due to a lack of large valuation disparities among the regions and due to macro uncertainties which may impact regional share prices far more than underlying fundamentals and valuations, and we have instead focused more on the significant disparity in valuations within each of the regions. While the overall global real estate securities market ended the period trading at a 5% premium to NAVs, we see significant disparities in valuations among market segments within each of the major regions, with the most attractive expected return prospects from companies concentrated in U.S. central business district office (especially NYC office), U.S. and Continental high quality retail, the Hong Kong commercial property companies, the U.K. Majors, U.S. hotels, and select opportunities to invest in other core assets at attractive discounted valuations in a number of other global markets.

⁽¹⁾ The FTSE EPRA Nareit U.S. Index is a subset of the FTSE EPRA Nareit Developed Index and is a free float-adjusted market capitalization weighted index composed of listed real estate securities in the U.S. real estate markets. The FTSE EPRA Nareit Developed Asia Index is a subset of the FTSE EPRA Nareit Developed Index and is a free float-adjusted market capitalization weighted index composed of listed real estate securities in the Asia real estate markets. The FTSE EPRA Nareit Developed Europe Index is a subset of the FTSE EPRA Nareit Developed Index and is a free float-adjusted market capitalization weighted index composed of listed real estate securities in the European real estate markets. The performance of the indexes are listed in U.S. dollars and assume reinvestment of dividends. The indexes are unmanaged and their returns do not include any sales charges or fees. Such costs would lower performance. It is not possible to invest directly in an index.

Investment Overview (unaudited) (cont'd)

Global Real Estate Portfolio



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.

Performance Compared to the FTSE EPRA Nareit Developed Real Estate Index – Net Total Return to U.S. Investors⁽¹⁾ and the MSCI World Net Index⁽²⁾

	Period Ended December 31, 2019			
	Total Returns ⁽³⁾			
	One Year	Average Annual		
Five Years		Ten Years	Since Inception ⁽⁵⁾	
Fund – Class II ⁽⁴⁾	18.06%	3.86%	7.27%	4.35%
FTSE EPRA Nareit Developed Real Estate Index – Net Total Return to U.S. Investors	22.70	6.23	8.96	5.07
MSCI World Net Index	27.67	8.74	9.47	6.18

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 FTSE EPRA Nareit Developed Real Estate Index — Net Total Return to U.S. Investors is a free float-adjusted market capitalization weighted index designed to reflect the stock performance of companies engaged in specific aspects of the major real estate markets/regions of the developed world. The performance of the Index is listed in U.S. dollars and assumes reinvestment of dividends. "Net Total Return to U.S. Investors" reflects a reduction in total returns after taking into account the withholding tax on dividends by certain foreign countries represented in the Index. 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⁾ The MSCI World Net Index is a free float-adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed 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 World Net Index currently consists of 23 developed market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. 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.

⁽³⁾ Total returns for the Fund reflect fees waived and expenses reimbursed, if applicable, by the Adviser (as defined herein). Without such waivers and reimbursements, total returns would have been lower.

⁽⁴⁾ Commenced operations on April 28, 2006.

⁽⁵⁾ For comparative purposes, average annual since inception returns listed for the Indexes refer to the inception date or initial offering of the respective share class of the Fund, not the inception of the Index.

Portfolio of Investments

Global Real Estate Portfolio

	Shares	Value (000)
Common Stocks (98.2%)		
Australia (2.8%)		
Dexus REIT	65,154	\$ 535
GPT Group (The) REIT	62,367	245
Mirvac Group REIT	124,757	279
Scentre Group REIT	271,192	729
Stockland REIT	2,580	8
Vicinity Centres REIT	111,589	195
		1,991
Austria (0.1%)		
Atrium European Real Estate Ltd. (a)	12,735	49
Canada (1.9%)		
Boardwalk REIT	1,994	70
Crombie Real Estate Investment Trust REIT	8,699	107
First Capital Real Estate Investment Trust	27,692	441
H&R Real Estate Investment Trust REIT	6,013	98
RioCan Real Estate Investment Trust REIT	25,806	532
SmartCentres Real Estate Investment Trust REIT	2,715	65
		1,313
China (1.2%)		
China Overseas Land & Investment Ltd. (b)	80,000	311
China Resources Land Ltd. (b)	60,000	299
Longfor Group Holdings Ltd. (b)	55,000	258
Poly Property Development Co., Ltd. (a)(b)	1,000	6
		874
Finland (0.3%)		
Kojamo Oyj	10,594	193
France (5.3%)		
Carmila SA REIT	4,824	108
Covivio REIT	1,838	209
Gecina SA REIT	4,101	734
ICADE REIT	1,397	152
Klepierre SA REIT	32,569	1,237
Mercialys SA REIT	19,255	266
Unibail-Rodamco-Westfield REIT	6,576	1,037
		3,743
Germany (3.2%)		
ADO Properties SA	2,335	84
Alstria Office AG REIT	11,619	218
Deutsche Wohnen SE	17,019	692
LEG Immobilien AG	2,147	254
Vonovia SE	18,175	976
		2,224
Hong Kong (8.4%)		
China Merchants Commercial Real Estate Investment Trust REIT (a)	118,155	50
CK Asset Holdings Ltd.	57,000	411
Hang Lung Properties Ltd.	86,000	189
Hongkong Land Holdings Ltd.	156,300	899
Hysan Development Co., Ltd.	14,921	59
Link REIT	129,664	1,373
Midea Real Estate Holding Ltd.	15,400	47

	Shares	Value (000)
New World Development Co., Ltd.	184,585	\$ 253
Sino Land Co., Ltd.	41,638	60
Sun Hung Kai Properties Ltd.	85,393	1,307
Swire Properties Ltd.	229,100	760
Wharf Real Estate Investment Co., Ltd.	79,420	485
		5,893
Ireland (0.5%)		
Hibernia REIT PLC	211,147	334
Japan (9.9%)		
Activia Properties, Inc. REIT	29	145
Advance Residence Investment Corp. REIT	77	244
Daiwa Office Investment Corp. REIT	13	100
GLP J-REIT	177	220
Hulic Co., Ltd.	10,000	120
Hulic REIT, Inc.	26	47
Industrial & Infrastructure Fund Investment Corp. REIT	6	9
Invincible Investment Corp. REIT	117	67
Japan Excellent, Inc. REIT	31	50
Japan Hotel REIT Investment Corp.	296	221
Japan Real Estate Investment Corp. REIT	90	597
Japan Retail Fund Investment Corp. REIT	95	204
Kenedix Office Investment Corp. REIT	14	108
Mitsubishi Estate Co., Ltd.	58,900	1,127
Mitsui Fudosan Co., Ltd.	44,900	1,097
Mori Trust Sogo Reit, Inc.	58	104
Nippon Building Fund, Inc. REIT	106	777
Nippon Prologis, Inc. REIT	33	84
Nomura Real Estate Master Fund, Inc. REIT	202	346
Orix, Inc. J-REIT	46	100
Premier Investment Corp. REIT	40	57
Sumitomo Realty & Development Co., Ltd.	22,000	768
Tokyo Tatemono Co., Ltd.	1,000	16
United Urban Investment Corp. REIT	181	340
		6,948
Malta (0.0%)		
BGP Holdings PLC (a)(c)	5,886,464	9
Netherlands (0.7%)		
Eurocommercial Properties N.V. CVA REIT	9,936	279
NSI N.V. REIT	3,039	148
Wereldhave N.V. REIT	2,088	47
		474
Norway (0.4%)		
Entra ASA	15,339	254
Norwegian Property ASA	34,158	54
		308
Singapore (1.7%)		
Ascendas Real Estate Investment Trust REIT	147,724	326
CapitaLand Commercial Trust REIT	144,592	214
CapitaLand Ltd.	13,200	37
CapitaLand Mall Trust REIT	83,900	153
Frasers Logistics & Industrial Trust REIT	118,300	109
Mapletree Commercial Trust REIT	84,212	150

Portfolio of Investments (cont'd)

Global Real Estate Portfolio

	Shares	Value (000)
Singapore (cont'd)		
Mapletree Logistics Trust REIT	63,500	\$ 82
UOL Group Ltd.	22,974	142
		1,213
Spain (1.1%)		
Inmobiliaria Colonial Socimi SA REIT	21,964	280
Merlin Properties Socimi SA REIT	35,669	512
		792
Sweden (0.8%)		
Atrium Ljungberg AB, Class B	4,841	117
Castellum AB	3,980	93
Fabege AB	3,781	63
Hufvudstaden AB, Class A	12,659	250
Kungsleden AB	5,594	59
		582
Switzerland (0.2%)		
PSP Swiss Property AG (Registered)	1,240	171
United Kingdom (5.3%)		
British Land Co., PLC (The) REIT	93,952	795
Capital & Counties Properties PLC	38,844	135
Derwent London PLC REIT	8,511	452
Grainger PLC	18,032	75
Great Portland Estates PLC REIT	34,690	395
Hammerson PLC REIT	86,202	352
Intu Properties PLC REIT (a)	36,728	17
Land Securities Group PLC REIT	65,183	855
Segro PLC REIT	13,151	156
Shaftesbury PLC REIT	5,444	68
St. Modwen Properties PLC	21,770	143
Urban & Civic PLC	55,947	256
		3,699
United States (54.4%)		
Alexandria Real Estate Equities, Inc. REIT	3,540	572
American Campus Communities, Inc. REIT	7,770	365
American Homes 4 Rent, Class A REIT	16,456	431
Apartment Investment & Management Co., Class A REIT	6,791	351
AvalonBay Communities, Inc. REIT	12,299	2,579
Boston Properties, Inc. REIT	18,555	2,558
Camden Property Trust REIT	8,351	886
Cousins Properties, Inc. REIT	15,149	624
CubeSmart REIT	20,257	638
DiamondRock Hospitality Co. REIT	92,648	1,027
Digital Realty Trust, Inc. REIT	7,470	894
Duke Realty Corp. REIT	11,471	398
Equity Residential REIT	17,193	1,391
Essex Property Trust, Inc. REIT	1,858	559
Extra Space Storage, Inc. REIT	3,530	373
Gaming and Leisure Properties, Inc. REIT	8,648	372
Healthcare Realty Trust, Inc. REIT	30,984	1,034
Healthcare Trust of America, Inc., Class A REIT	10,568	320
Healthpeak Properties, Inc. REIT	7,765	268
Highwoods Properties, Inc. REIT	2,860	140

	Shares	Value (000)
Host Hotels & Resorts, Inc. REIT	97,070	\$ 1,801
Hudson Pacific Properties, Inc. REIT	23,732	893
Invitation Homes, Inc. REIT	17,630	528
JBG SMITH Properties REIT	10,426	416
Kilroy Realty Corp. REIT	3,976	334
Lexington Realty Trust REIT	14,390	153
Liberty Property Trust REIT	5,344	321
Life Storage, Inc. REIT	1,875	203
Macerich Co. (The) REIT	52,612	1,416
Mack-Cali Realty Corp. REIT	12,684	293
Mid-America Apartment Communities, Inc. REIT	3,397	448
Paramount Group, Inc. REIT	42,354	590
ProLogis, Inc. REIT	27,347	2,438
Public Storage REIT	4,006	853
QTS Realty Trust, Inc., Class A REIT	529	29
Regency Centers Corp. REIT	10,874	686
Senior Housing Properties Trust REIT	9,610	81
Simon Property Group, Inc. REIT	28,340	4,222
SL Green Realty Corp. REIT	38,847	3,569
Sunstone Hotel Investors, Inc. REIT	54,037	752
UDR, Inc. REIT	7,213	337
Ventas, Inc. REIT	1,870	108
Vornado Realty Trust REIT	17,941	1,193
Weingarten Realty Investors REIT	16,980	530
Welltower, Inc. REIT	4,434	363
		38,337
Total Common Stocks (Cost \$52,679)		69,147
Short-Term Investment (0.7%)		
Investment Company (0.7%)		
Morgan Stanley Institutional Liquidity Funds — Treasury Portfolio — Institutional Class (See Note H)		
(Cost \$473)	473,328	473
Total Investments (98.9%) (Cost \$53,152) (d)(e)		69,620
Other Assets in Excess of Liabilities (1.1%)		806
Net Assets (100.0%)		\$70,426

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) At December 31, 2019, the Fund held a fair valued security valued at approximately \$9,000, representing less than 0.05% of net assets. This security has been fair valued as determined in good faith under procedures established by and under the general supervision of the Company's (as defined herein) Directors.
- (d) The approximate fair value and percentage of net assets, \$10,475,000 and 14.9%, 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.

Portfolio of Investments (cont'd)

Global Real Estate Portfolio

(e) At December 31, 2019, the aggregate cost for federal income tax purposes is approximately \$57,656,000. The aggregate gross unrealized appreciation is approximately \$13,613,000 and the aggregate gross unrealized depreciation is approximately \$1,649,000, resulting in net unrealized appreciation of approximately \$11,964,000.

CVA Certificaten Van Aandelen.
REIT Real Estate Investment Trust.

Portfolio Composition

Classification	Percentage of Total Investments
Diversified	23.3%
Office	21.8
Retail	19.5
Residential	15.5
Other*	8.6
Industrial	5.7
Lodging/Resorts	5.6
Total Investments	<u>100.0%</u>

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

Global Real Estate Portfolio

Statement of Assets and Liabilities

December 31, 2019
(000)

Assets:	
Investments in Securities of Unaffiliated Issuers, at Value (Cost \$52,679)	\$69,147
Investment in Security of Affiliated Issuer, at Value (Cost \$473)	473
<hr/>	
Total Investments in Securities, at Value (Cost \$53,152)	69,620
Foreign Currency, at Value (Cost \$470)	475
Dividends Receivable	304
Receivable for Fund Shares Sold	169
Tax Reclaim Receivable	40
Receivable from Affiliate	1
Receivable for Investments Sold	— [@]
Other Assets	11
<hr/>	
Total Assets	70,620
Liabilities:	
Payable for Advisory Fees	66
Payable for Professional Fees	44
Payable for Servicing Fees	19
Payable for Custodian Fees	17
Payable for Distribution Fees — Class II Shares	15
Deferred Capital Gain Country Tax	11
Payable for Administration Fees	5
Payable for Transfer Agency Fees	1
Payable for Fund Shares Redeemed	1
Other Liabilities	15
<hr/>	
Total Liabilities	194
<hr/>	
NET ASSETS	\$70,426
Net Assets Consist of:	
Paid-in-Capital	\$55,074
Total Distributable Earnings	15,352
<hr/>	
Net Assets	\$70,426
CLASS II:	
Net Asset Value, Offering and Redemption Price Per Share Applicable to 6,518,842 Outstanding	
\$0.001 Par Value Shares (Authorized 500,000,000 Shares)	\$ 10.80

[@] Amount is less than \$500.

Global Real Estate Portfolio

Statement of Operations

Year Ended
December 31, 2019
(000)

Investment Income:	
Dividends from Securities of Unaffiliated Issuers (Net of \$109 of Foreign Taxes Withheld)	\$ 2,063
Dividends from Security of Affiliated Issuer (Note H)	12
Total Investment Income	2,075
Expenses:	
Advisory Fees (Note B)	567
Distribution Fees — Class II Shares (Note E)	177
Servicing Fees (Note D)	120
Professional Fees	112
Custodian Fees (Note G)	74
Administration Fees (Note C)	57
Shareholder Reporting Fees	23
Pricing Fees	11
Directors' Fees and Expenses	6
Transfer Agency Fees (Note F)	4
Other Expenses	13
Total Expenses	1,164
Waiver of Advisory Fees (Note B)	(279)
Rebate from Morgan Stanley Affiliate (Note H)	(1)
Net Expenses	884
Net Investment Income	1,191
Realized Gain (Loss):	
Investments Sold	2,686
Foreign Currency Translation	(4)
Net Realized Gain	2,682
Change in Unrealized Appreciation (Depreciation):	
Investments (Net of Increase in Deferred Capital Gain Country Tax of \$11)	7,865
Foreign Currency Translation	5
Net Change in Unrealized Appreciation (Depreciation)	7,870
Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	10,552
Net Increase in Net Assets Resulting from Operations	\$11,743

Global Real Estate Portfolio

Statements of Changes in Net Assets	Year Ended December 31, 2019 (000)	Year Ended December 31, 2018 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Income	\$ 1,191	\$ 1,793
Net Realized Gain	2,682	4,816
Net Change in Unrealized Appreciation (Depreciation)	7,870	(12,827)
Net Increase (Decrease) in Net Assets Resulting from Operations	11,743	(6,218)
Dividends and Distributions to Shareholders:		
Class II	(5,238)	(2,376)
Capital Share Transactions:⁽¹⁾		
Class II:		
Subscribed	6,093	6,341
Distributions Reinvested	5,238	2,376
Redeemed	(14,161)	(16,997)
Net Decrease in Net Assets Resulting from Capital Share Transactions	(2,830)	(8,280)
Total Increase (Decrease) in Net Assets	3,675	(16,874)
Net Assets:		
Beginning of Period	66,751	83,625
End of Period	\$ 70,426	\$ 66,751
⁽¹⁾ Capital Share Transactions:		
Class II:		
Shares Subscribed	571	593
Shares Issued on Distributions Reinvested	498	219
Shares Redeemed	(1,313)	(1,593)
Net Decrease in Class II Shares Outstanding	(244)	(781)

Financial Highlights

Global Real Estate Portfolio

Selected Per Share Data and Ratios	Class II				
	Year Ended December 31,				
	2019	2018	2017	2016 ⁽¹⁾	2015
Net Asset Value, Beginning of Period	\$9.87	\$11.09	\$10.36	\$10.18	\$10.57
Income (Loss) from Investment Operations:					
Net Investment Income ⁽²⁾	0.18	0.25	0.24	0.16	0.14
Net Realized and Unrealized Gain (Loss)	1.58	(1.13)	0.75	0.16	(0.29)
Total from Investment Operations	1.76	(0.88)	0.99	0.32	(0.15)
Distributions from and/or in Excess of:					
Net Investment Income	(0.29)	(0.34)	(0.26)	(0.14)	(0.24)
Net Realized Gain	(0.54)	—	—	—	—
Total Distributions	(0.83)	(0.34)	(0.26)	(0.14)	(0.24)
Net Asset Value, End of Period	\$10.80	\$9.87	\$11.09	\$10.36	\$10.18
Total Return⁽³⁾	18.06%	(8.20)%	9.71%	3.12%	(1.42)%
Ratios to Average Net Assets and Supplemental Data:					
Net Assets, End of Period (Thousands)	\$70,426	\$66,751	\$83,625	\$86,247	\$94,884
Ratio of Expenses Before Expense Limitation	1.64%	1.66%	1.69%	1.60%	1.67%
Ratio of Expenses After Expense Limitation	1.25% ⁽⁴⁾	1.33% ⁽⁴⁾⁽⁵⁾	1.40% ⁽⁴⁾	1.40% ⁽⁴⁾	1.40% ⁽⁴⁾
Ratio of Net Investment Income	1.67% ⁽⁴⁾	2.37% ⁽⁴⁾	2.26% ⁽⁴⁾	1.54% ⁽⁴⁾	1.80% ⁽⁴⁾
Ratio of Rebate from Morgan Stanley Affiliates	0.00% ⁽⁶⁾	0.00% ⁽⁶⁾	0.00% ⁽⁶⁾	0.00% ⁽⁶⁾	0.00% ⁽⁶⁾
Portfolio Turnover Rate	24%	36%	34%	24%	26%

(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 After Expense Limitation and the Ratio of Net Investment Income 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 Ratio of Expenses After Expense Limitation and Ratio of 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."

(5) Effective July 1, 2018, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.25% for Class II shares. Prior to July 1, 2018, the maximum ratio was 1.40% for Class II shares.

(6) 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 Global Real Estate Portfolio. The Fund seeks to provide current income and capital appreciation. The Fund currently offers Class II shares only, although Class I shares may be offered in the future.

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 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 rel-

evant exchanges. If only bid prices are available then the latest bid price may be used. 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. If Morgan Stanley Investment Management Inc. (the “Adviser”) or Morgan Stanley Investment Management Limited (“MSIM Limited”) and Morgan Stanley Investment Management Company (“MSIM Company”) (together, the “Sub-Advisers”), each a wholly-owned subsidiary of Morgan Stanley, determines that the price provided by the outside pricing service/vendor or exchange does not reflect the security’s fair value or is unable to provide a price, prices from brokers or dealers may also be utilized. In these circumstances, the value of the security will be the mean of bid and asked prices obtained from brokers or dealers; (4) when market quotations are not readily available, including circumstances under

Notes to Financial Statements (cont'd)

which the Adviser or the Sub-Advisers 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 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.

The Fund invests a significant portion of its assets in securities of REITs. The market's perception of prospective declines in private real estate values and other financial assets may result in increased volatility of market prices that can negatively impact the valuation of certain issuers held by the Fund.

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, 2019:

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Global Real Estate Portfolio				
Assets:				
Common Stocks				
Diversified	\$ 11,432	\$ 4,789	\$—	\$ 16,221
Health Care	2,174	—	—	2,174
Industrial	3,657	313	—	3,970
Industrial/Office Mixed	326	152	—	478
Lodging/Resorts	3,580	288	—	3,868
Office	12,926	2,237	—	15,163
Residential	8,337	2,443	9	10,789
Retail	13,792	253	—	14,045
Self Storage	2,067	—	—	2,067
Specialty	372	—	—	372
Total Common Stocks	58,663	10,475	9	69,147
Short-Term Investment				
Investment Company	473	—	—	473
Total Assets	\$59,136	\$10,475	\$ 9	\$69,620

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

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

	Common Stock (000)
Beginning Balance	\$ 7
Purchases	—
Sales	—
Amortization of discount	—
Transfers in	—
Transfers out	—
Corporate actions	—
Change in unrealized appreciation (depreciation)	2
Realized gains (losses)	—
Ending Balance	\$ 9
Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2019	\$ 2

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 as of December 31, 2019.

	Fair Value at December 31, 2019 (000)	Valuation Technique	Unobservable Input	Amount*	Impact to Valuation from an Increase in Input**
Common Stock	\$9	Market Transaction Method	Transaction Valuation Discount for Lack of Marketability	\$0.001 50.0%	Increase Decrease

* Amount is indicative of the weighted average.

** Represents the expected directional change in the fair value of the Level 3 investments that would result from an increase in the corresponding input. A decrease to the unobservable input would have the opposite effect. Significant changes in these inputs could result in significantly higher or lower fair value measurements.

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 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

Notes to Financial Statements (cont'd)

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. The change in unrealized currency gains (losses) on foreign currency transactions 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. 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.

5. 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 deter-

mined 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.

The Fund owns shares of REITs which report information on the source of their distributions annually in the following calendar year. A portion of distributions received from REITs during the year is estimated to be a return of capital and is recorded as a reduction of their cost.

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.

6. 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 an annual rate of 0.80% of the daily net assets of the Fund.

The Adviser has agreed to reduce its advisory fee and/or reimburse the Fund so that the total annual Fund operating expenses, excluding certain investment related expenses, taxes, interest and other extraordinary expenses (including litigation), will not exceed 1.25% 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

Notes to Financial Statements (cont'd)

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. For the year ended December 31, 2019, approximately \$279,000 of advisory fees were waived pursuant to this arrangement.

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

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 Bank and Trust Company ("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.

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, 2019, purchases and sales of investment securities for the Fund, other than long-term U.S. Government securities and short-term investments were approximately \$17,033,000 and \$24,278,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the year ended December 31, 2019.

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds — Treasury Portfolio (the "Liquidity Funds"), an open-end management investment company managed by the Adviser. 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, 2019, advisory fees paid were reduced by approximately \$1,000 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, 2019 is as follows:

Affiliated Investment Company	Value	Purchases at Cost	Proceeds from Sales	Dividend Income
	December 31, 2018			
	(000)	(000)	(000)	(000)
Liquidity Funds	\$99	\$9,271	\$8,897	\$12

Affiliated Investment Company (cont'd)	Realized	Change in Unrealized	Value
	Gain (Loss)	Appreciation (Depreciation)	December 31, 2019
	(000)	(000)	(000)
Liquidity Funds	\$—	\$—	\$473

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, 2019, the Fund did not engage in any cross-trade transactions.

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

Notes to Financial Statements (cont'd)

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. Generally, each of the tax years in the four-year period ended December 31, 2019 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 2019 and 2018 was as follows:

2019 Distributions Paid From:		2018 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
\$1,979	\$3,259	\$2,376	\$—

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.

Permanent differences, primarily due to equalization debits and an adjustment to prior period distributable earnings, resulted in the following reclassifications among the components of net assets at December 31, 2019:

Total Distributable Earnings (000)	Paid-in- Capital (000)
\$(622)	\$622

At December 31, 2019, 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)
\$2,332	\$1,067

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. Effective April 22, 2019, the committed line amount increased to \$300,000,000. 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, 2019, the Fund did not have any borrowings under the Facility.

K. Other: At December 31, 2019, 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 87.1%.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Morgan Stanley Variable Insurance Fund, Inc. —
Global Real Estate Portfolio

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Global Real Estate 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, 2019, 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 Global Real Estate Portfolio (one of the funds constituting Morgan Stanley Variable Insurance Fund, Inc.) at December 31, 2019, 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, 2019 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 19, 2020

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, 2019.

The Fund designated and paid approximately \$3,554,000 as a long-term capital gain distribution.

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

Director and Officer Information (unaudited)

Independent Directors:

Name, Birth Year 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 Funds in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Frank L. Bowman c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1944	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).	86	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; Director of other various non-profit organizations; formerly, Director of BP p.l.c. (November 2010-May 2019).
Kathleen A. Dennis c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1953	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).	86	Director of various non-profit organizations.
Nancy C. Everett c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1955	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).	87	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 c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1957	Director	Since January 2015	Chairman, Opus Capital Group (since 1996); formerly, Chief Executive Officer, Opus Capital Group (1996-2019); 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).	87	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, Birth Year 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 Funds in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Dr. Manuel H. Johnson c/o Johnson Smick International, Inc. 220 I Street, NE — Suite 200 Washington, D.C. 20002 Birth Year 1949	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.	86	Director of NVR, Inc. (home construction).
Joseph J. Kearns c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1942	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.	87	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 c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1958	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).	86	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 c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1960	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).	87	None.
Michael E. Nugent 522 Fifth Avenue New York, NY 10036 Birth Year 1936	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 Governance Committee (since January 2019) and Director or Trustee of various Morgan Stanley Funds (since July 1991); formerly, Chairperson of each of the Closed-End Fund committee (until December 2019) and the Insurance Committee (until July 2006); General Partner, Triumph Capital, L.P. (private investment partnership) (1988-2013).	86	None.

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

Independent Directors (cont'd):

Name, Birth Year 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 Funds in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
W. Allen Reed c/o Perkins Coie LLP Counsel to the Independent Directors 1155 Avenue of the Americas New York, NY 10036 Birth Year 1947	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).	86	Formerly, Director of Legg Mason, Inc.; formerly, Director of the Auburn University Foundation (2010-2015).

* 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, 2019) 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.

Executive Officers:

Name, Birth Year and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years
John H. Gernon 522 Fifth Avenue New York, NY 10036 Birth Year 1963	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 522 Fifth Avenue New York, NY 10036 Birth Year 1959	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 522 Fifth Avenue New York, NY 10036 Birth Year 1965	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 522 Fifth Avenue New York, NY 10036 Birth Year 1967	Secretary	Since June 1999	Managing Director of the Adviser; Secretary of various Morgan Stanley Funds (since June 1999).
Michael J. Key 522 Fifth Avenue New York, NY 10036 Birth Year 1979	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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Adviser and Administrator

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New York, New York 10036

Custodian

State Street Bank and Trust Company
One Lincoln Street
Boston, Massachusetts 02111

Sub-Advisers

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New York, New York 10036

Independent Registered Public Accounting Firm

Ernst & Young LLP
200 Clarendon Street
Boston, Massachusetts 02116

Dividend Disbursing and Transfer Agent

DST Asset Manager Solutions, Inc.
2000 Crown Colony Drive
Quincy, Massachusetts 02169

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 non-money market fund also files a complete schedule of portfolio holdings with the SEC for the fund's first and third fiscal quarters as an attachment to Form N-PORT. 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. However, the holdings for each money market fund are posted to the Morgan Stanley public website. You may obtain the Form N-PORT 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. 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.

Variable Product Funds

70100 Ameriprise Financial Center
Minneapolis, MN 55474

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