Morgan Stanley

Morgan Stanley Variable Insurance Fund, Inc.

Semi-Annual Report – June 30, 2020

Core Plus Fixed Income 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

Core Plus Fixed Income Portfolio

As a shareholder of the Core Plus Fixed Income 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 June 30, 2020 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 1/1/20	Actual Ending Account Value 6/30/20	Hypothetical Ending Account Value	Actual Expenses Paid During Period*	Hypothetical Expenses Paid During Period*	Net Expense Ratio During Period**
Core Plus Fixed Income Portfolio Class I	$1,000.00	$1,038.00	$1,021.48	$3.45	$3.42	0.68%
Core Plus Fixed Income Portfolio Class II	1,000.00	1,036.40	1,020.24	4.71	4.67	0.93

* 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 182/366 (to reflect the most recent one-half year period).

** Annualized.

Portfolio of Investments

Core Plus Fixed Income Portfolio

		Face Amount (000)		Value (000)
Fixed Income Securities (97.1%)				
Agency Adjustable Rate Mortgages (0.1%)				
Federal Home Loan Mortgage Corporation, Conventional Pools:				
12 Month USD LIBOR + 1.62%, 2.83%, 7/1/45	$	150	$	155
Federal National Mortgage Association, Conventional Pool:				
12 Month USD LIBOR + 1.59%, 2.42%, 12/1/45		53		55
				210
Agency Fixed Rate Mortgages (16.6%)				
Federal Home Loan Mortgage Corporation, Gold Pools:				
3.50%, 1/1/44		595		644
4.00%, 12/1/41 - 10/1/44		741		806
5.41%, 7/1/37 - 8/1/37		20		22
5.44%, 1/1/37 - 6/1/38		50		55
5.46%, 5/1/37 - 1/1/38		53		57
5.48%, 8/1/37 - 10/1/37		47		52
5.50%, 8/1/37 - 4/1/38		72		81
5.52%, 10/1/37		5		6
5.62%, 12/1/36 - 8/1/37		60		66
6.00%, 8/1/37 - 5/1/38		18		20
6.50%, 9/1/32		11		12
7.50%, 5/1/35		29		35
8.00%, 8/1/32		19		22
8.50%, 8/1/31		23		29
Federal National Mortgage Association, Conventional Pools:				
2.50%, 2/1/50		408		425
3.00%, 7/1/49		297		308
3.50%, 7/1/46 - 7/1/49		2,249		2,400
4.00%, 11/1/41 - 8/1/49		1,833		1,971
4.50%, 8/1/40 - 9/1/48		1,431		1,580
5.00%, 7/1/40		89		103
5.62%, 12/1/36		31		34
6.00%, 12/1/38		427		497
6.50%, 11/1/27 - 10/1/38		21		25
7.00%, 6/1/29		6		7
7.50%, 8/1/37		49		60
8.00%, 4/1/33		39		48
8.50%, 10/1/32		39		48
9.50%, 4/1/30		4		4
July TBA:				
2.50%, 7/1/50 (a)		5,300		5,526
3.00%, 7/1/35 - 7/1/50 (a)		3,400		3,579
3.50%, 7/1/50 (a)		8,000		8,415
Government National Mortgage Association, Various Pools:				
3.50%, 11/20/40 - 7/20/46		506		539
4.00%, 7/15/44 - 5/20/49		1,451		1,547
5.00%, 12/20/48 - 2/20/49		125		135
				29,158

		Face Amount (000)		Value (000)
Asset-Backed Securities (11.4%)				
Aaset Trust, 3.84%, 5/15/39 (b)	$	222	$	203
Accredited Mortgage Loan Trust, 1 Month USD LIBOR + 0.60%, 0.78%, 4/25/34 (c)		493		481
American Homes 4 Rent Trust, 6.07%, 10/17/52 (b)		490		551
AMSR 2019-SFR1 Trust, 2.77%, 1/19/39 (b)		600		641
Aqua Finance Trust, 3.47%, 7/16/40 (b)		300		272
Avant Loans Funding Trust, 4.65%, 4/15/26 (b)		400		380
5.00%, 11/17/25 (b)		150		149
Blackbird Capital Aircraft Lease Securitization Ltd., 5.68%, 12/16/41 (b)		401		252
Cascade Funding Mortgage Trust, 5.60%, 4/25/30 (b)(c)		200		205
7.30%, 4/25/30 (b)(c)		400		410
Cascade MH Asset Trust, 4.00%, 11/25/44 (b)(c)		384		381
CFMT 2020-HB3 LLC, 6.28%, 5/25/30 (b)(c)		250		254
Conn's Receivables Funding LLC, 3.62%, 6/17/24 (b)		250		241
Fair Square Issuance Trust, 2.90%, 9/20/24 (b)		200		200
Fairstone Financial Issuance Trust I, 3.95%, 3/21/33 (b)	CAD	250		181
Falcon Aerospace Ltd., 3.60%, 9/15/39 (b)	$	283		256
Foundation Finance Trust, 3.86%, 11/15/34 (b)		267		270
FREED ABS Trust, 3.87%, 6/18/26 (b)		350		348
4.52%, 6/18/27 (b)		281		284
4.61%, 10/20/25 (b)		520		516
GAIA Aviation Ltd., 7.00%, 12/15/44 (b)		341		142
JOL Air Ltd., 4.95%, 4/15/44 (b)		227		137
Lunar Aircraft Ltd., 3.38%, 2/15/45 (b)		243		226
MACH 1 Cayman Ltd., 3.47%, 10/15/39 (b)		332		279
METAL LLC, 4.58%, 10/15/42 (b)		368		274
MFA LLC, 3.35%, 11/25/47 (b)		398		399
4.16%, 7/25/48 (b)		364		364
Mosaic Solar Loan Trust, 2.10%, 4/20/46 (b)		250		252
Nationstar HECM Loan Trust, 5.43%, 11/25/28 (b)(c)		600		649

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

		Face Amount (000)		Value (000)
Asset-Backed Securities (cont'd)				
NovaStar Mortgage Funding Trust, 1 Month USD LIBOR + 1.06%, 1.24%, 12/25/33 (c)	$	328	$	318
NRZ Excess Spread-Collateralized Notes, 4.37%, 1/25/23 (b)		257		251
4.59%, 2/25/23 (b)		351		355
5.44%, 6/25/25		600		600
Oxford Finance Funding LLC, 3.10%, 2/15/28 (b)		250		254
5.44%, 2/15/27 (b)		300		278
PNMAC GMSR Issuer Trust, 1 Month USD LIBOR + 2.85%, 3.03%, 2/25/23 (b)(c)		300		296
Pretium Mortgage Credit Partners I 2020-NPL2 LLC, 3.72%, 2/27/60 (b)		399		400
Pretium Mortgage Credit Partners I LLC, 2.86%, 5/27/59 (b)		517		514
Prosper Marketplace Issuance Trust, 5.50%, 10/15/24 (b)		646		624
PRPM LLC, 3.35%, 11/25/24 (b)		235		236
Raptor Aircraft Finance I LLC, 4.21%, 8/23/44 (b)		618		515
S-Jets Ltd., 7.02%, 8/15/42 (b)		655		274
SFS Asset Securitization LLC, 4.24%, 6/10/25 (b)		509		509
SLM Student Loan Trust, 3 Month EURIBOR + 0.55%, 0.39%, 7/25/39 - 1/25/40 (c)	EUR	1,100		1,130
Small Business Lending Trust, 2.85%, 7/15/26 (b)	$	132		128
Sprite Ltd., 4.25%, 12/15/37 (b)		228		191
START Ireland, 4.09%, 3/15/44 (b)		165		148
Tricon American Homes Trust, 5.10%, 1/17/36 (b)		400		409
5.15%, 9/17/34 (b)		400		408
5.77%, 11/17/33 (b)		460		457
Upstart Securitization Trust, 3.09%, 4/22/30 (b)		580		546
3.73%, 9/20/29 (b)		550		535
Vantage Data Centers Issuer LLC, 4.07%, 2/16/43 (b)		195		201
VOLT LXIV LLC, 3.38%, 10/25/47 (b)		185		185
VOLT LXXXV LLC, 3.23%, 1/25/50 (b)		596		593
VOLT LXXXVIII LLC, 2.98%, 3/25/50 (b)		473		469
				20,021

		Face Amount (000)		Value (000)
Collateralized Mortgage Obligations — Agency Collateral Series (0.7%)				
Federal Home Loan Mortgage Corporation, 1 Month USD LIBOR + 4.35%, 4.53%, 12/25/26 (b)(c)	$	74	$	73
1 Month USD LIBOR + 5.05%, 5.23%, 7/25/23 (c)		92		89
1 Month USD LIBOR + 5.25%, 5.43%, 7/25/26 (b)(c)		43		43
IO 0.46%, 11/25/27 (c)		13,389		301
0.57%, 8/25/27 (c)		8,299		229
IO REMIC 6.00% - 1 Month USD LIBOR, 5.82%, 11/15/43 - 6/15/44 (d)		1,796		304
6.05% - 1 Month USD LIBOR, 5.87%, 4/15/39 (d)		250		7
IO STRIPS 7.50%, 12/15/29		3		1
Federal National Mortgage Association, IO 6.39% - 1 Month USD LIBOR, 6.22%, 9/25/20 (d)		274		1
IO REMIC 6.00%, 5/25/33 - 7/25/33		165		32
IO STRIPS 8.00%, 4/25/24		1		—@
8.00%, 6/25/35 (c)		10		2
9.00%, 11/25/26		1		—@
REMIC 7.00%, 9/25/32		27		33
Government National Mortgage Association, IO 0.73%, 8/20/58 (c)		3,815		90
5.00%, 2/16/41		80		15
IO PAC 6.15% - 1 Month USD LIBOR , 5.96%, 10/20/41 (d)		795		54
				1,274
Commercial Mortgage-Backed Securities (6.2%)				
Bancorp Commercial Mortgage Trust, 1 Month USD LIBOR + 2.30%, 2.48%, 9/15/36 (b)(c)		450		399
BANK 2019-BNK21, IO 1.00%, 10/17/52 (c)		3,993		247
Barclays Commercial Mortgage Trust, IO 1.51%, 5/15/52 (c)		3,991		309
BF 2019-NYT Mortgage Trust, 1 Month USD LIBOR + 1.70%, 1.88%, 12/15/35 (b)(c)		600		568
BXP Trust, 1 Month USD LIBOR + 3.00%, 3.18%, 11/15/34 (b)(c)		650		534

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

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

	Face Amount (000)	Value (000)
Commercial Mortgage-Backed Securities (cont'd)		
Citigroup Commercial Mortgage Trust, 3.62%, 12/10/41 (b)	$ 300	$ 222
IO 0.99%, 11/10/48 (c)	2,651	75
1.04%, 9/10/58 (c)	4,530	170
COMM Mortgage Trust, IO		
0.14%, 7/10/45 (c)	9,999	23
0.92%, 10/10/47 (c)	2,995	75
1.15%, 7/15/47 (c)	2,790	89
CSWF 2018-TOP, 1 Month USD LIBOR + 1.45%, 1.63%, 8/15/35 (b)(c)	480	451
GS Mortgage Securities Trust, 4.90%, 8/10/46 (b)(c)	500	384
IO 0.87%, 9/10/47 (c)	4,663	111
1.42%, 10/10/48 (c)	4,861	246
HMH Trust, 6.29%, 7/5/31 (b)	300	274
InTown Hotel Portfolio Trust, 1 Month USD LIBOR + 2.05%, 2.23%, 1/15/33 (b)(c)	346	322
Jackson Park Trust LIC, 3.24%, 10/14/39 (b)(c)	400	383
JP Morgan Chase Commercial Mortgage Securities Trust, IO		
0.65%, 4/15/46 (c)	6,000	84
0.82%, 12/15/49 (c)	2,921	83
1.09%, 7/15/47 (c)	6,553	133
JPMBB Commercial Mortgage Securities Trust, IO 1.16%, 8/15/47 (c)	3,596	114
MFT Trust, 3.48%, 2/6/30 (b)(c)	200	180
MKT 2020-525M Mortgage Trust, 2.94%, 2/12/40 (b)(c)	200	176
Multifamily Connecticut Avenue Securities Trust, 1 Month USD LIBOR + 1.95%, 2.13%, 3/25/50 (b)(c)	699	670
Natixis Commercial Mortgage Securities Trust, 1 Month USD LIBOR + 2.20%, 2.38%, 7/15/36 (b)(c)	500	477
4.27%, 5/15/39 (b)(c)	450	451
4.46%, 1/15/43 (b)(c)	200	170
4.56%, 2/15/39 (b)(c)	807	791
Olympic Tower 2017-OT Mortgage Trust, 3.57%, 5/10/39 (b)	600	646
SG Commercial Mortgage Securities Trust, 3.85%, 3/15/37 (b)(c)	450	406
4.66%, 2/15/41 (b)(c)	550	478
VMC Finance LLC, 1 Month USD LIBOR + 2.05%, 2.24%, 9/15/36 (b)(c)	481	425
Wells Fargo Commercial Mortgage Trust, 1 Month USD LIBOR + 1.74%, 1.92%, 2/15/37 (b)(c)	$ 250	$ 220
1 Month USD LIBOR + 2.21%, 2.39%, 1/15/35 (b)(c)	200	184
WFRBS Commercial Mortgage Trust, 4.28%, 5/15/45 (b)(c)	385	347
		10,917
Corporate Bonds (38.6%)		
Energy (0.4%)		
BP Capital Markets America, Inc. 3.12%, 5/4/26	375	410
Midwest Connector Capital Co. LLC 3.63%, 4/1/22 (b)	175	179
Petrobras Global Finance BV 6.75%, 6/3/50	150	155
		744
Finance (16.5%)		
AerCap Ireland Capital DAC/AerCap Global Aviation Trust 4.13%, 7/3/23	575	563
Air Lease Corp. 2.30%, 2/1/25	325	311
American International Group, Inc. 4.50%, 7/16/44	150	175
AvalonBay Communities, Inc., Series G 2.95%, 5/11/26	175	190
Avolon Holdings Funding Ltd. 2.88%, 2/15/25 (b)	475	399
Banco Bradesco SA 3.20%, 1/27/25 (b)	700	690
Banco Santander Chile 2.70%, 1/10/25 (b)	300	309
Bank of America Corp., 2.68%, 6/19/41	275	284
4.24%, 4/24/38	225	274
MTN 4.00%, 1/22/25	1,085	1,199
Bank of Montreal 3.80%, 12/15/32	450	485
BBVA USA 3.50%, 6/11/21	425	434
BNP Paribas SA 4.40%, 8/14/28 (b)	300	346
Boston Properties LP 3.80%, 2/1/24	145	157
BPCE SA 5.15%, 7/21/24 (b)	550	614
Brighthouse Financial, Inc. 4.70%, 6/22/47	35	32
Brookfield Finance LLC 3.45%, 4/15/50	250	240
Brookfield Finance, Inc. 4.00%, 4/1/24	525	570
Brown & Brown, Inc. 4.20%, 9/15/24	275	298

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

		Face Amount (000)	Value (000)
Finance (cont'd)			
Canadian Imperial Bank of Commerce 2.25%, 1/28/25	$	600	$ 627
Capital One Bank USA NA 3.38%, 2/15/23		510	537
Capital One Financial Corp. 3.30%, 10/30/24		725	781
Citigroup, Inc., 2.57%, 6/3/31		700	725
4.45%, 9/29/27		175	200
5.50%, 9/13/25		250	297
CNO Financial Group, Inc. 5.25%, 5/30/29		170	183
Cooperatieve Rabobank UA 3.95%, 11/9/22		625	662
Credit Agricole SA 3.75%, 4/24/23 (b)		400	428
Credit Suisse Group AG 2.59%, 9/11/25 (b)		700	724
CyrusOne LP/CyrusOne Finance Corp. 2.90%, 11/15/24		175	184
Danske Bank A/S 5.00%, 1/12/23 (b)		200	210
Deutsche Bank AG, 2.70%, 7/13/20		425	425
3.95%, 2/27/23		425	442
GE Capital International Funding Co., Unlimited Co. 4.42%, 11/15/35		350	356
GLP Capital LP/GLP Financing II, Inc. 3.35%, 9/1/24		300	301
Goldman Sachs Group, Inc. (The), 3.69%, 6/5/28		175	196
6.75%, 10/1/37		285	415
MTN 4.80%, 7/8/44		175	229
Grupo Aval Ltd. 4.38%, 2/4/30 (b)		200	190
Guardian Life Insurance Co. of America (The) 4.85%, 1/24/77 (b)		175	224
HSBC Holdings PLC 4.25%, 3/14/24		750	810
HSBC USA, Inc. 3.50%, 6/23/24		250	273
Intesa Sanpaolo SpA 5.25%, 1/12/24		300	324
iStar, Inc. 5.25%, 9/15/22		175	170
Itau Unibanco Holding SA 2.90%, 1/24/23 (b)		800	792
Jefferies Finance LLC/JFIN Co-Issuer Corp. 6.25%, 6/3/26 (b)		300	283
JPMorgan Chase & Co., 3.70%, 5/6/30		625	718
4.13%, 12/15/26		550	641
JPMorgan Chase Bank NA 0.00%, 8/7/22		200	246
Lloyds Banking Group PLC 4.38%, 3/22/28	$	525	$ 610
Macquarie Bank Ltd. 2.30%, 1/22/25 (b)		450	472
Marsh & McLennan Cos., Inc. 2.25%, 11/15/30		350	364
MassMutual Global Funding II 3.40%, 3/8/26 (b)		400	449
Metropolitan Life Global Funding I 2.95%, 4/9/30 (b)		150	165
MPT Operating Partnership LP/ MPT Finance Corp. 5.00%, 10/15/27		175	180
Nationwide Building Society, 4.30%, 3/8/29 (b)		375	426
4.36%, 8/1/24 (b)		200	217
Pine Street Trust I 4.57%, 2/15/29 (b)		250	286
Progressive Corp. (The), 3.20%, 3/26/30		150	171
4.00%, 3/1/29		100	120
Realty Income Corp. 3.25%, 10/15/22		350	367
Royal Bank of Scotland Group PLC 3.88%, 9/12/23		250	270
Santander UK Group Holdings PLC 3.57%, 1/10/23		900	934
Service Properties Trust 4.35%, 10/1/24		365	329
Societe Generale SA 2.63%, 1/22/25 (b)		425	434
Standard Chartered PLC, 3.05%, 1/15/21 (b)		375	380
4.64%, 4/1/31 (b)		200	227
Syngenta Finance N.V. 4.89%, 4/24/25 (b)		550	579
TD Ameritrade Holding Corp. 3.63%, 4/1/25		475	531
Travelers Cos., Inc. (The) 3.75%, 5/15/46		200	236
WEA Finance LLC/Westfield UK & Europe Finance PLC 3.25%, 10/5/20 (b)		450	451
Wells Fargo & Co., 2.57%, 2/11/31		175	183
2.88%, 10/30/30		225	241
5.01%, 4/4/51		225	314
			29,099
Industrials (19.0%)			
AbbVie, Inc. 3.20%, 11/21/29 (b)		450	497
Adobe, Inc. 2.30%, 2/1/30		325	351
Airbus SE 0.00%, 6/14/21	EUR	300	334
Akamai Technologies, Inc. 0.38%, 9/1/27 (b)	$	181	197

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

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

		Face Amount (000)		Value (000)
Industrials (cont'd)				
Albertsons Cos., Inc. / Safeway, Inc. / New Albertsons LP / Albertsons LLC				
3.50%, 2/15/23 (b)	$	175	$	177
Amazon.com, Inc.,				
2.50%, 6/3/50		225		232
4.25%, 8/22/57		100		134
American Airlines Pass-Through Trust, Series AA				
3.15%, 8/15/33		197		182
Amgen, Inc.,				
2.30%, 2/25/31		300		315
4.66%, 6/15/51		150		200
Anheuser-Busch InBev Worldwide, Inc.,				
4.75%, 1/23/29		400		484
5.55%, 1/23/49		350		467
Anthem, Inc.				
3.65%, 12/1/27		200		228
Apple, Inc.				
2.95%, 9/11/49		250		273
AT&T, Inc.,				
3.85%, 6/1/60		225		241
4.30%, 2/15/30		475		557
4.90%, 8/15/37		175		211
BAT Capital Corp.				
3.56%, 8/15/27		550		593
Boeing Co. (The),				
3.95%, 8/1/59		250		220
5.15%, 5/1/30		325		363
Booking Holdings, Inc.				
0.90%, 9/15/21		105		112
BP Capital Markets PLC,				
4.38%, 12/31/99 (e)		150		153
4.88%, 12/31/99 (e)		150		155
Braskem Netherlands Finance BV				
4.50%, 1/31/30 (b)		310		284
Bristol-Myers Squibb Co.				
3.40%, 7/26/29 (b)		550		641
Campbell Soup Co.				
3.13%, 4/24/50		300		307
Canadian National Railway Co.				
2.45%, 5/1/50		200		194
Charter Communications Operating LLC/ Charter Communications Operating Capital				
2.80%, 4/1/31		250		254
Cigna Corp.				
3.05%, 10/15/27 (b)		175		191
CNH Industrial Capital LLC				
4.38%, 11/6/20		300		303
CNOOC Finance 2013 Ltd.				
3.00%, 5/9/23		220		230
Coca-Cola Femsa SAB de CV				
2.75%, 1/22/30		400		424
Comcast Corp.,				
1.95%, 1/15/31		150		152
4.05%, 11/1/52		300		369
4.25%, 1/15/33		200		246

		Face Amount (000)		Value (000)
Concho Resources, Inc.				
4.85%, 8/15/48	$	150	$	170
Crown Castle International Corp.				
3.30%, 7/1/30		250		276
CVS Health Corp.,				
3.75%, 4/1/30		523		604
5.05%, 3/25/48		200		262
5.13%, 7/20/45		75		97
Deere & Co.				
3.10%, 4/15/30		125		142
Dell International LLC/EMC Corp.,				
4.90%, 10/1/26 (b)		200		221
6.02%, 6/15/26 (b)		175		201
Delta Air Lines, Inc., Series AA				
3.20%, 10/25/25		250		251
Diageo Capital PLC				
2.13%, 10/24/24		450		474
Diamond Sports Group LLC/Diamond Sports Finance Co.				
6.63%, 8/15/27 (b)		250		134
Diamondback Energy, Inc.				
3.25%, 12/1/26		425		428
Dollar Tree, Inc.				
3.70%, 5/15/23		250		268
DuPont de Nemours, Inc.				
5.42%, 11/15/48		75		99
Enbridge, Inc.				
2.50%, 1/15/25		250		260
Energy Transfer Operating LP				
2.90%, 5/15/25		250		256
Expedia Group, Inc.				
3.25%, 2/15/30		100		93
Exxon Mobil Corp.				
3.10%, 8/16/49		325		339
Ford Motor Credit Co., LLC,				
3.10%, 5/4/23		200		190
4.39%, 1/8/26		200		191
Fortune Brands Home & Security, Inc.				
4.00%, 9/21/23		350		382
Fox Corp.				
5.58%, 1/25/49		200		279
General Motors Co.				
6.60%, 4/1/36		125		135
General Motors Financial Co., Inc.,				
3.85%, 1/5/28		150		149
4.35%, 1/17/27		375		389
Georgia-Pacific LLC				
2.30%, 4/30/30 (b)		325		339
Glencore Funding LLC				
4.13%, 3/12/24 (b)		450		483
Grifols SA				
2.25%, 11/15/27 (b)	EUR	200		222
HCA, Inc.,				
5.25%, 6/15/49	$	125		150
5.50%, 6/15/47		175		214
Heathrow Funding Ltd.				
4.88%, 7/15/23 (b)		435		447

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

		Face Amount (000)	Value (000)
Industrials (cont'd)			
Imperial Brands Finance PLC 3.13%, 7/26/24 (b)	$	350	$ 364
Intel Corp. 3.90%, 3/25/30		400	484
Johns Hopkins University, Series A			
2.81%, 1/1/60		270	286
Kimberly-Clark de Mexico SAB de CV 2.43%, 7/1/31 (b)(f)		300	303
Las Vegas Sands Corp., 3.20%, 8/8/24		175	175
3.50%, 8/18/26		150	150
Level 3 Financing, Inc. 3.40%, 3/1/27 (b)		325	344
Lowe's Cos., Inc. 3.65%, 4/5/29		350	402
LYB International Finance III LLC 4.20%, 10/15/49		175	189
Newcastle Coal Infrastructure Group Pty Ltd. 4.40%, 9/29/27 (b)		475	459
Newmont Corp. 3.70%, 3/15/23		58	60
NIKE, Inc. 2.85%, 3/27/30		300	334
Nuance Communications, Inc. 1.00%, 12/15/35		179	212
Nucor Corp. 2.70%, 6/1/30		250	263
Nvent Finance Sarl			
3.95%, 4/15/23		450	471
NVIDIA Corp. 2.85%, 4/1/30		300	334
Occidental Petroleum Corp., 3.20%, 8/15/26		45	37
5.55%, 3/15/26		325	297
Omnicom Group, Inc. 2.45%, 4/30/30		275	281
Palo Alto Networks, Inc. 0.75%, 7/1/23		159	170
Procter & Gamble Co. (The) 3.00%, 3/25/30		250	287
Resort at Summerlin LP, Series B 13.00%, 12/15/07 (g)(h)(i)(j)(k)		299	—
Resorts World Las Vegas LLC/RWLV Capital, Inc. 4.63%, 4/16/29 (b)		400	393
Rockies Express Pipeline LLC 3.60%, 5/15/25 (b)		475	440
Sherwin-Williams Co. (The) 2.30%, 5/15/30		450	460
Siemens Financieringsmaatschappij N.V. 2.35%, 10/15/26 (b)		525	563
Sika AG 0.15%, 6/5/25	CHF	120	149
Splunk, Inc. 0.50%, 9/15/23	$	158	228
Sprint Spectrum Co., LLC/Sprint Spectrum Co., II LLC/Sprint Spectrum Co., III LLC 3.36%, 3/20/23 (b)	$	332	$ 336
Standard Industries, Inc. 2.25%, 11/21/26 (b)	EUR	125	133
Starbucks Corp. 3.80%, 8/15/25	$	450	508
Sunoco Logistics Partners Operations LP 3.90%, 7/15/26		200	210
T-Mobile USA, Inc. 3.88%, 4/15/30 (b)		350	390
Target Corp. 2.65%, 9/15/30		125	138
Telefonica Emisiones SA 4.10%, 3/8/27		550	628
Teva Pharmaceutical Finance Netherlands III BV 2.20%, 7/21/21		46	45
Trimble, Inc. 4.15%, 6/15/23		625	667
Twitter, Inc. 1.00%, 9/15/21		344	338
United Technologies Corp. 4.50%, 6/1/42		150	187
Upjohn, Inc. 2.70%, 6/22/30 (b)		325	334
Verint Systems, Inc. 1.50%, 6/1/21		200	199
Verizon Communications, Inc. 4.67%, 3/15/55		418	569
Volkswagen Group of America Finance LLC 4.75%, 11/13/28 (b)		275	325
VTR Finance 6.38%, 7/15/28 (b)(f)		200	206
Walmart, Inc. 2.95%, 9/24/49		100	113
Walt Disney Co. (The) 3.60%, 1/13/51		550	616
Weibo Corp. 1.25%, 11/15/22		132	123
Western Midstream Operating LP 3.10%, 2/1/25		300	285
Williams Cos., Inc. (The) 4.85%, 3/1/48		350	383
			33,284
Utilities (2.7%)			
Boston Gas Co. 3.00%, 8/1/29 (b)		225	243
Calpine Corp. 4.50%, 2/15/28 (b)		350	342
DTE Energy Co. 2.95%, 3/1/30		225	235
Duke Energy Indiana LLC, Series YYY			
3.25%, 10/1/49		150	166

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

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

		Face Amount (000)	Value (000)
Utilities (cont'd)			
Enel Finance International N.V. 3.63%, 5/25/27 (b)	$	275	$ 301
Entergy Louisiana LLC 3.05%, 6/1/31		175	195
FirstEnergy Corp., Series C 3.40%, 3/1/50		250	266
Korea Hydro & Nuclear Power Co., Ltd. 3.75%, 7/25/23 (b)		710	770
Mississippi Power Co. 3.95%, 3/30/28		500	569
Northern States Power Co. 2.90%, 3/1/50		250	272
Oglethorpe Power Corp. 5.05%, 10/1/48		250	284
ONEOK, Inc. 3.10%, 3/15/30		375	359
Pacific Gas and Electric Co., 2.10%, 8/1/27		175	174
3.50%, 8/1/50		250	242
Xcel Energy, Inc. 2.60%, 12/1/29		325	350
			4,768
			67,895
Mortgages — Other (14.6%)			
Alternative Loan Trust, 1 Month USD LIBOR + 0.18%, 0.36%, 5/25/47 (c)		119	104
5.50%, 2/25/36		7	6
6.00%, 7/25/37		53	45
PAC 5.50%, 2/25/36		3	3
6.00%, 4/25/36		15	11
Banc of America Alternative Loan Trust, 1 Month USD LIBOR + 0.65%, 0.83%, 7/25/46 (c)		149	108
5.86%, 10/25/36		311	141
6.00%, 4/25/36		9	9
Banc of America Funding Trust, 5.25%, 7/25/37		89	88
6.00%, 7/25/37		18	17
Bunker Hill Loan Depositary Trust, 1.72%, 2/25/55		600	600
ChaseFlex Trust, 6.00%, 2/25/37		354	223
Classic RMBS Trust, 3.06%, 8/16/49 (b)	CAD	728	539
CSFB Mortgage-Backed Pass-Through Certificates, 6.50%, 11/25/35	$	749	238
Eurosail BV, 3 Month EURIBOR + 1.80%, 1.55%, 10/17/40 (c)	EUR	300	329
Eurosail PLC, 3 Month GBP LIBOR + 0.95%, 1.14%, 6/13/45 (c)	GBP	440	536
Farringdon Mortgages No. 2 PLC, 3 Month GBP LIBOR + 1.50%, 2.17%, 7/15/47 (c)	GBP	209	$ 254
Federal Home Loan Mortgage Corporation, 1 Month USD LIBOR + 2.35%, 2.53%, 4/25/30 (c)	$	519	522
3.00%, 9/25/45 - 5/25/47		2,161	2,207
3.50%, 5/25/45 - 5/25/47		1,379	1,434
3.88%, 5/25/45 (b)(c)		64	63
4.00%, 5/25/45		58	61
Grifonas Finance PLC, 6 Month EURIBOR + 0.28%, 0.00%, 8/28/39 (c)	EUR	353	372
GSR Mortgage Loan Trust, 5.75%, 1/25/37	$	135	122
HarborView Mortgage Loan Trust, 1 Month USD LIBOR + 0.19%, 0.38%, 1/19/38 (c)		307	272
Headlands Residential LLC, 3.97%, 6/25/24 (b)		150	150
IM Pastor 3 FTH, 3 Month EURIBOR + 0.14%, 0.00%, 3/22/43 (c)	EUR	403	404
JP Morgan Alternative Loan Trust, 6.00%, 12/25/35	$	52	48
JP Morgan Mortgage Trust, 3.81%, 6/25/37 (c)		49	43
6.00%, 6/25/37		33	34
L1C 2020-1 LLC, 5.29%, 8/25/51 (b)		400	400
Landmark Mortgage Securities No. 1 PLC, 3 Month EURIBOR + 0.60%, 0.25%, 6/17/38 (c)	EUR	384	401
Legacy Mortgage Asset Trust, 3.25%, 2/25/60 (b)	$	596	600
Lehman Mortgage Trust, 6.50%, 9/25/37		702	370
LHOME Mortgage Trust, 3.23%, 10/25/24 (b)		170	171
4.58%, 10/25/23 (b)		400	400
New Residential Mortgage Loan Trust, 4.00%, 9/25/57 (b)		363	382
NRPL Trust, 4.25%, 7/25/67 (b)		497	510
OBX 2020-EXP1 Trust, 3.50%, 2/25/60 (b)		258	266
Paragon Mortgages No. 13 PLC, 3 Month GBP LIBOR + 0.40%, 1.07%, 1/15/39 (c)	GBP	270	308
Paragon Mortgages No. 15 PLC, 3 Month EURIBOR + 0.54%, 0.18%, 12/15/39 (c)	EUR	500	488
PRPM LLC, 4.50%, 1/25/24 (b)	$	382	388

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

		Face Amount (000)	Value (000)
Mortgages — Other (cont'd)			
RALI Trust,			
6.00%, 4/25/36 - 1/25/37	$	38	$ 35
PAC			
6.00%, 4/25/36		13	13
Residential Asset Securitization Trust,			
6.00%, 7/25/36		25	21
RMF Buyout Issuance Trust,			
1.71%, 6/25/30 (b)(c)		461	462
2.15%, 6/25/30 (b)(c)		150	150
Rochester Financing No. 2 PLC, 3 Month GBP LIBOR + 2.75%,			
2.91%, 6/18/45 (c)	GBP	350	419
Seasoned Credit Risk Transfer Trust,			
3.00%, 7/25/56 - 2/25/59	$	4,982	5,479
4.00%, 7/25/56 (c)		300	299
4.00%, 8/25/56 (b)(c)		400	363
4.00%, 8/25/58 - 2/25/59		577	642
4.25%, 8/25/59 (b)(c)		650	581
4.50%, 6/25/57		1,183	1,330
4.75%, 7/25/56 - 6/25/57 (b)(c)		700	664
4.75%, 10/25/58 (c)		300	290
Structured Asset Securities Corp. Reverse Mortgage Loan Trust, 1 Month USD LIBOR + 1.85%,			
2.03%, 5/25/47 (b)(c)		833	662
TDA 27 FTA, 3 Month EURIBOR + 0.19%,			
0.00%, 12/28/50 (c)	EUR	500	448
TVC Mortgage Trust,			
3.47%, 9/25/24 (b)	$	200	199
			25,724
Municipal Bonds (1.1%)			
Chicago O'Hare International Airport, IL, O'Hare International Airport Revenue Series 2010B			
6.40%, 1/1/40		115	171
City of New York, NY, Series G-1			
5.97%, 3/1/36		245	350
Illinois State Toll Highway Authority, IL, Highway Revenue, Build America Bonds Series A			
6.18%, 1/1/34		705	1,022
Pennsylvania State University/The, PA, Series D			
2.84%, 9/1/50		325	334
			1,877
Sovereign (7.8%)			
Angolan Government International Bond,			
8.00%, 11/26/29 (b)		240	199
Australia Government Bond,			
2.75%, 11/21/28	AUD	3,725	2,986
Banque Ouest Africaine de Developpement,			
4.70%, 10/22/31 (b)	$	350	354
Brazil Notas do Tesouro Nacional Series F,			
10.00%, 1/1/29	BRL	2,300	508

		Face Amount (000)	Value (000)
Croatia Government International Bond,			
2.75%, 1/27/30	EUR	275	$ 348
Dominican Republic International Bond,			
5.88%, 1/30/60 (b)	$	170	147
Ecuador Government International Bond,			
9.50%, 3/27/30 (g)(h)		200	86
10.65%, 1/31/29 (g)(h)		275	114
Egypt Government International Bond,			
6.38%, 4/11/31 (b)	EUR	400	417
8.15%, 11/20/59 (b)	$	200	187
Export-Import Bank of India,			
3.25%, 1/15/30 (b)		200	198
Honduras Government International Bond,			
5.63%, 6/24/30 (b)(l)		150	153
Indonesia Treasury Bond,			
8.25%, 5/15/29	IDR	5,325,000	398
8.38%, 3/15/34		4,816,000	356
Italy Buoni Poliennali Del Tesoro,			
1.65%, 12/1/30 (b)	EUR	450	522
Mexican Bonos, Series M			
8.50%, 5/31/29	MXN	16,500	850
Mexico Government International Bond,			
3.25%, 4/16/30 (l)	$	300	298
Nigeria Government International Bond,			
9.25%, 1/21/49 (b)		400	406
Pertamina Persero PT,			
6.50%, 11/7/48 (b)		350	460
Petroleos Mexicanos,			
6.50%, 1/23/29		210	183
6.84%, 1/23/30 (b)		180	159
6.95%, 1/28/60 (b)		55	42
7.69%, 1/23/50 (b)		159	133
Qatar Government International Bond,			
5.10%, 4/23/48 (b)		300	409
Republic of Austria Government Bond,			
0.85%, 6/30/20 (b)	EUR	60	75
2.10%, 9/20/17 (b)		42	94
Republic of Belarus Ministry of Finance,			
6.38%, 2/24/31 (b)	$	220	213
Republic of South Africa Government Bond,			
8.00%, 1/31/30	ZAR	15,032	801
Russian Federal Bond - OFZ,			
7.95%, 10/7/26	RUB	57,880	925
Russian Foreign Bond - Eurobond,			
5.63%, 4/4/42	$	400	544
Senegal Government International Bond,			
6.25%, 5/23/33 (b)		200	204
Spain Government Bond,			
1.25%, 10/31/30 (b)	EUR	775	939
			13,708
Total Fixed Income Securities (Cost $167,470)			170,784

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

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

	Shares	Value (000)
Short-Term Investments (13.2%)		
Securities held as Collateral on Loaned Securities (0.3%)		
Investment Company (0.3%)		
Morgan Stanley Institutional Liquidity Funds — Government Portfolio — Institutional Class (See Note H) **(Cost $459)**	459,000	$ 459
Investment Company (12.4%)		
Morgan Stanley Institutional Liquidity Funds — Government Portfolio — Institutional Class (See Note H) **(Cost $21,893)**	21,893,013	21,893
	Face Amount (000)	
U.S. Treasury Security (0.5%)		
U.S. Treasury Bill 0.16%, 1/28/21 (m)(n) **(Cost $832)**	$ 833	832
Total Short-Term Investments (Cost $23,184)		23,184
Total Investments (110.3%) (Cost $190,654) Including $452 of Securities Loaned (o)(p)		193,968
Liabilities in Excess of Other Assets (-10.3%)		(18,082)
Net Assets (100.0%)		$175,886

(a) Security is subject to delayed delivery.

(b) 144A security — Certain conditions for public sale may exist. Unless otherwise noted, these securities are deemed to be liquid.

(c) Floating or variable rate securities: The rates disclosed are as of June 30, 2020. For securities based on a published reference rate and spread, the reference rate and spread are indicated in the description in the Portfolio of Investments. Certain variable rate securities may not be based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description in the Portfolio of Investments.

(d) Inverse Floating Rate Security — Interest rate fluctuates with an inverse relationship to an associated interest rate. Indicated rate is the effective rate at June 30, 2020.

(e) Perpetual — One or more securities do not have a predetermined maturity date. Rates for these securities are fixed for a period of time, after which they revert to a floating rate. Interest rates in effect are as of June 30, 2020.

(f) When-issued security.

(g) Issuer in bankruptcy.

(h) Non-income producing security; bond in default.

(i) Acquired through exchange offer.

(j) At June 30, 2020, the Fund held a fair valued security valued at $0, representing 0.0% 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.

(k) PIK: Payment-in-kind security for which part of the income earned may be paid as additional principal.

(l) All or a portion of this security was on loan at June 30, 2020.

(m) Rate shown is the yield to maturity at June 30, 2020.

(n) All or a portion of the security was pledged to cover margin requirements for swap agreements.

(o) Securities are available for collateral in connection with securities purchased on a forward commitment basis, when-issued security, open foreign currency forward exchange contracts, futures contracts and swap agreement.

(p) At June 30, 2020, the aggregate cost for federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is approximately $8,498,000 and the aggregate gross unrealized depreciation is approximately $4,975,000, resulting in net unrealized appreciation of approximately $3,523,000.

@ Value is less than $500.

EURIBOR Euro Interbank Offered Rate.

IO Interest Only.

LIBOR London Interbank Offered Rate.

MTN Medium Term Note.

OFZ Obilgatsyi Federal'novo Zaima (Russian Federal Loan Obligation).

PAC Planned Amortization Class.

REMIC Real Estate Mortgage Investment Conduit.

STRIPS Separate Trading of Registered Interest and Principal of Securities.

TBA To Be Announced.

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

Foreign Currency Forward Exchange Contracts:

The Fund had the following foreign currency forward exchange contracts open at June 30, 2020:

Counterparty	Contracts to Deliver (000)	In Exchange For (000)	Delivery Date	Unrealized Appreciation (Depreciation) (000)
Bank of America NA	HUF 130,175	$ 425	9/3/20	$ 12
Bank of America NA	MXN 19,326	$ 875	9/3/20	42
Barclays Bank PLC	AUD 4,334	$ 3,001	9/3/20	9
Barclays Bank PLC	$ 9	CHF 8	9/3/20	—@
Barclays Bank PLC	$ 941	JPY 100,840	9/3/20	(6)
Barclays Bank PLC	$ 436	NOK 4,115	9/3/20	(8)
Barclays Bank PLC	$ 315	ZAR 5,250	9/3/20	(14)
BNP Paribas SA	BRL 2,891	$ 569	9/3/20	39
BNP Paribas SA	CHF 491	EUR 454	9/3/20	(9)
BNP Paribas SA	EUR 5,365	$ 6,093	9/3/20	58
BNP Paribas SA	EUR 441	$ 499	9/3/20	3
BNP Paribas SA	EUR 59	$ 66	9/3/20	(—@)
BNP Paribas SA	IDR 11,675,884	$ 817	9/3/20	5
BNP Paribas SA	PLN 1,915	$ 485	9/3/20	1
BNP Paribas SA	$ 372	CHF 355	9/3/20	4
BNP Paribas SA	$ 22	GBP 18	9/3/20	(—@)
BNP Paribas SA	$ 411	HUF 125,173	9/3/20	(14)
Citibank NA	GBP 1,231	$ 1,544	9/3/20	19
Citibank NA	RUB 64,368	$ 928	9/3/20	29
Citibank NA	$ 482	PLN 1,889	9/3/20	(5)
Citibank NA	ZAR 19,702	$ 1,157	9/3/20	29
HSBC Bank PLC	EUR 800	$ 906	9/3/20	6
JPMorgan Chase Bank NA	CAD 1,042	$ 771	9/3/20	4
JPMorgan Chase Bank NA	CHF —@	$ —@	9/3/20	(—@)
JPMorgan Chase Bank NA	GBP 716	EUR 795	9/3/20	6
JPMorgan Chase Bank NA	JPY 101,543	$ 932	9/3/20	(9)
JPMorgan Chase Bank NA	$ 888	EUR 791	9/3/20	2
State Street Bank and Trust Co.	$ 41	CAD 56	9/3/20	—@
UBS AG	$ 32	MXN 713	9/3/20	(2)
UBS AG	$ 454	NZD 705	9/3/20	1
				$202

Futures Contracts:

The Fund had the following futures contracts open at June 30, 2020:

	Number of Contracts	Expiration Date	Notional Amount (000)	Value (000)	Unrealized Appreciation (Depreciation) (000)
Long:					
U.S. Treasury 2 yr. Note	46	Sep-20	$ 9,200	$10,158	$ 5
U.S. Treasury 5 yr. Note	96	Sep-20	9,600	12,071	30
U.S. Treasury Ultra Bond	69	Sep-20	6,900	15,053	(70)
Short:					
German Euro 30 yr. Bond	1	Sep-20	EUR (100)	(247)	(2)
German Euro Bund	9	Sep-20	(900)	(1,785)	(9)
German Euro OAT	7	Sep-20	(700)	(1,318)	(14)
U.S. Treasury 10 yr. Note	7	Sep-20	$ (700)	(974)	(3)
U.S. Treasury 30 yr. Bond	3	Sep-20	(300)	(536)	(6)
U.S. Treasury Ultra Long Bond	32	Sep-20	(3,200)	(5,040)	(42)
					$(111)

Portfolio of Investments (cont'd)

Core Plus Fixed Income Portfolio

Credit Default Swap Agreement:

The Fund had the following credit default swap agreement open at June 30, 2020:

Swap Counterparty and Reference Obligation	Credit Rating of Reference Obligation†	Buy/Sell Protection	Pay/ Receive Fixed Rate	Payment Frequency	Maturity Date	Notional Amount (000)	Value (000)	Upfront Payment (Received) (000)	Unrealized Appreciation (000)
Morgan Stanley & Co. LLC* CDX.NA.HY.33	NR	Buy	5.00%	Quarterly	12/20/24	$1,426	$6	$(112)	$118

@ — Value is less than $500.
† — Credit rating as issued by Standard & Poor's.
* — Cleared swap agreement, the broker is Morgan Stanley & Co. LLC.
NR — Not Rated.
OAT — Obligations Assimilables du Trésor (French Treasury Obligation).
AUD — Australian Dollar
BRL — Brazilian Real
CAD — Canadian Dollar
CHF — Swiss Franc
EUR — Euro
GBP — British Pound
HUF — Hungarian Forint
IDR — Indonesian Rupiah
JPY — Japanese Yen
MXN — Mexican Peso
NOK — Norwegian Krone
NZD — New Zealand Dollar
PLN — Polish Zloty
RUB — Russian Ruble
USD — United States Dollar
ZAR — South African Rand

Portfolio Composition**

Classification	Percentage of Total Investments
Industrials	17.2%
Agency Fixed Rate Mortgages	15.1
Finance	15.0
Mortgages — Other	13.3
Short-Term Investments	11.7
Asset-Backed Securities	10.3
Sovereign	7.1
Commercial Mortgage-Backed Securities	5.6
Other***	4.7
Total Investments	100.0%****

** Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of June 30, 2020.
*** Industries and/or investment types representing less than 5% of total investments.
**** Does not include open long/short futures contracts with a value of approximately $47,182,000 and net unrealized depreciation of approximately $111,000. Does not include open foreign currency forward exchange contracts with net unrealized appreciation of approximately $202,000 and does not include open swap agreements with total unrealized appreciation of approximately $118,000.

Core Plus Fixed Income Portfolio

Statement of Assets and Liabilities

	June 30, 2020 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value[1] (Cost $168,302)	$171,616
Investment in Security of Affiliated Issuer, at Value (Cost $22,352)	22,352
Total Investments in Securities, at Value (Cost $190,654)	193,968
Foreign Currency, at Value (Cost $4)	4
Interest Receivable	1,050
Receivable for Variation Margin on Futures Contracts	755
Receivable for Investments Sold	531
Unrealized Appreciation on Foreign Currency Forward Exchange Contracts	269
Receivable for Fund Shares Sold	231
Tax Reclaim Receivable	4
Receivable from Affiliate	1
Receivable from Securities Lending Income	—@
Other Assets	20
Total Assets	196,833
Liabilities:	
Payable for Investments Purchased	19,595
Collateral on Securities Loaned, at Value	459
Payable for Fund Shares Redeemed	435
Payable for Advisory Fees	133
Unrealized Depreciation on Foreign Currency Forward Exchange Contracts	67
Payable for Servicing Fees	59
Payable for Professional Fees	39
Due to Broker	28
Deferred Capital Gain Country Tax	24
Payable for Variation Margin on Swap Agreements	24
Payable for Distribution Fees — Class II Shares	17
Payable for Custodian Fees	13
Payable for Administration Fees	11
Bank Overdraft	10
Payable for Transfer Agency Fees	2
Other Liabilities	31
Total Liabilities	20,947
NET ASSETS	$175,886
Net Assets Consist of:	
Paid-in-Capital	$158,595
Total Distributable Earnings	17,291
Net Assets	$175,886
CLASS I:	
Net Assets	$ 83,719
Net Asset Value, Offering and Redemption Price Per Share Applicable to 7,133,424 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 11.74
CLASS II:	
Net Assets	$ 92,167
Net Asset Value, Offering and Redemption Price Per Share Applicable to 7,889,063 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 11.68
[1] **Including:**	
Securities on Loan, at Value:	$ 452

@ Amount is less than $500.

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

Core Plus Fixed Income Portfolio

Statement of Operations

	Six Months Ended June 30, 2020 (000)
Investment Income:	
Interest from Securities of Unaffiliated Issuers (Net of $12 of Foreign Taxes Withheld)	$ 2,949
Dividends from Security of Affiliated Issuer (Note H)	57
Dividends from Securities of Unaffiliated Issuers	9
Income from Securities Loaned — Net	3
Total Investment Income	3,018
Expenses:	
Advisory Fees (Note B)	338
Distribution Fees — Class II Shares (Note E)	116
Servicing Fees (Note D)	98
Administration Fees (Note C)	72
Professional Fees	69
Custodian Fees (Note G)	29
Pricing Fees	24
Shareholder Reporting Fees	13
Transfer Agency Fees (Note F)	5
Directors' Fees and Expenses	4
Other Expenses	8
Total Expenses	776
Waiver of Advisory Fees (Note B)	(31)
Rebate from Morgan Stanley Affiliate (Note H)	(15)
Net Expenses	730
Net Investment Income	2,288
Realized Gain (Loss):	
Investments Sold (Net of $9 of Capital Gain Country Tax)	4,326
Foreign Currency Forward Exchange Contracts	152
Foreign Currency Translation	(34)
Futures Contracts	901
Swap Agreements	151
Net Realized Gain	5,496
Change in Unrealized Appreciation (Depreciation):	
Investments (Net of Decrease in Deferred Capital Gain Country Tax of $12)	(2,255)
Foreign Currency Forward Exchange Contracts	338
Foreign Currency Translation	—@
Futures Contracts	(189)
Swap Agreements	123
Net Change in Unrealized Appreciation (Depreciation)	(1,983)
Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	3,513
Net Increase in Net Assets Resulting from Operations	$ 5,801

@ Amount is less than $500.

Core Plus Fixed Income Portfolio

Statements of Changes in Net Assets

	Six Months Ended June 30, 2020 (unaudited) (000)	Year Ended December 31, 2019 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Income	$ 2,288	$ 5,046
Net Realized Gain	5,496	4,158
Net Change in Unrealized Appreciation (Depreciation)	(1,983)	7,725
Net Increase in Net Assets Resulting from Operations	5,801	16,929
Dividends and Distributions to Shareholders:		
Class I	—	(2,963)
Class II	—	(3,607)
Total Dividends and Distributions to Shareholders	—	(6,570)
Capital Share Transactions:[1]		
Class I:		
Subscribed	10,817	32,507
Distributions Reinvested	—	2,963
Redeemed	(21,956)	(18,360)
Class II:		
Subscribed	10,360	18,320
Distributions Reinvested	—	3,607
Redeemed	(17,245)	(23,496)
Net Increase (Decrease) in Net Assets Resulting from Capital Share Transactions	(18,024)	15,541
Total Increase (Decrease) in Net Assets	(12,223)	25,900
Net Assets:		
Beginning of Period	188,109	162,209
End of Period	$175,886	$188,109
(1) **Capital Share Transactions:**		
Class I:		
Shares Subscribed	944	2,899
Shares Issued on Distributions Reinvested	—	270
Shares Redeemed	(1,960)	(1,651)
Net Increase (Decrease) in Class I Shares Outstanding	(1,016)	1,518
Class II:		
Shares Subscribed	909	1,659
Shares Issued on Distributions Reinvested	—	329
Shares Redeemed	(1,533)	(2,137)
Net Decrease in Class II Shares Outstanding	(624)	(149)

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

Financial Highlights

Core Plus Fixed Income Portfolio

	Class I					
	Six Months Ended June 30, 2020	Year Ended December 31,				
Selected Per Share Data and Ratios	**(unaudited)**	**2019**	**2018**	**2017**	**2016[1]**	**2015**
Net Asset Value, Beginning of Period	$11.31	$10.63	$10.98	$10.67	$10.25	$10.68
Income (Loss) from Investment Operations:						
Net Investment Income[2]	0.15	0.35	0.34	0.34	0.33	0.20
Net Realized and Unrealized Gain (Loss)	0.28	0.79	(0.41)	0.32	0.30	(0.27)
Total from Investment Operations	0.43	1.14	(0.07)	0.66	0.63	(0.07)
Distributions from and/or in Excess of:						
Net Investment Income	—	(0.46)	(0.28)	(0.35)	(0.21)	(0.36)
Net Asset Value, End of Period	$11.74	$11.31	$10.63	$10.98	$10.67	$10.25
Total Return[3]	3.80%[7]	10.88%[4]	(0.65)%	6.24%	6.11%[5]	(0.65)%
Ratios to Average Net Assets and Supplemental Data:						
Net Assets, End of Period (Thousands)	$83,719	$92,157	$70,476	$79,752	$82,746	$88,018
Ratio of Expenses Before Expense Limitation	0.73%[8]	0.77%	0.76%	0.76%	0.72%	0.76%
Ratio of Expenses After Expense Limitation	0.68%[6][8]	0.69%[6]	0.68%[6]	0.68%[6]	0.61%[6]	0.69%[6]
Ratio of Expenses After Expense Limitation Excluding Non-Operating Expenses	N/A	N/A	N/A	N/A	0.61%[6]	N/A
Ratio of Net Investment Income	2.66%[6][8]	3.16%[6]	3.12%[6]	3.10%[6]	3.06%[6]	1.89%[6]
Ratio of Rebate from Morgan Stanley Affiliates	0.02%[8]	0.01%	0.02%	0.02%	0.02%	0.01%
Portfolio Turnover Rate	142%[7]	231%	220%	277%	376%	400%

(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 After Expense Limitation would have been 0.07% higher and the Ratio of Net Investment Income would have been 0.07% lower had the custodian not reimbursed the Fund.

(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) Performance was positively impacted by approximately 0.10% due to the receipt of proceeds from the settlement of class action suit involving the Fund's past holdings. This was a one-time settlement, and as a result, the impact on the NAV and consequently the performance will not likely be repeated in the future. Had this settlement not occurred, the total return for Class I shares would have been approximately 10.78%.

(5) Performance was positively impacted by approximately 1.77% due to the receipt of proceeds from the settlement of class action suits involving the Fund's past holdings. These were one-time settlements, and as a result, the impact on the NAV and consequently the performance will not likely be repeated in the future. Had these settlements not occurred, the total return for Class I shares would have been approximately 4.34%.

(6) 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."

(7) Not annualized.

(8) Annualized.

Financial Highlights

Core Plus Fixed Income Portfolio

	Class II					
	Six Months Ended June 30, 2020	Year Ended December 31,				
Selected Per Share Data and Ratios	**(unaudited)**	**2019**	**2018**	**2017**	**2016[1]**	**2015**
Net Asset Value, Beginning of Period	$11.27	$10.59	$10.94	$10.64	$10.22	$10.65
Income (Loss) from Investment Operations:						
Net Investment Income[2]	0.14	0.32	0.31	0.31	0.30	0.17
Net Realized and Unrealized Gain (Loss)	0.27	0.79	(0.41)	0.31	0.30	(0.26)
Total from Investment Operations	0.41	1.11	(0.10)	0.62	0.60	(0.09)
Distributions from and/or in Excess of:						
Net Investment Income	—	(0.43)	(0.25)	(0.32)	(0.18)	(0.34)
Net Asset Value, End of Period	$11.68	$11.27	$10.59	$10.94	$10.64	$10.22
Total Return[3]	3.64%[7]	10.61%[4]	(0.91)%	5.89%	5.86%[5]	(0.83)%
Ratios to Average Net Assets and Supplemental Data:						
Net Assets, End of Period (Thousands)	$92,167	$95,952	$91,733	$111,585	$103,739	$104,736
Ratio of Expenses Before Expense Limitation	0.98%[8]	1.02%	1.01%	1.01%	0.97%	1.04%
Ratio of Expenses After Expense Limitation	0.93%[6][8]	0.94%[6]	0.93%[6]	0.93%[6]	0.86%[6]	0.94%[6]
Ratio of Expenses After Expense Limitation Excluding Non-Operating Expenses	N/A	N/A	N/A	N/A	0.86%[6]	N/A
Ratio of Net Investment Income	2.41%[6][8]	2.91%[6]	2.87%[6]	2.85%[6]	2.81%[6]	1.64%[6]
Ratio of Rebate from Morgan Stanley Affiliates	0.02%[8]	0.01%	0.02%	0.02%	0.02%	0.01%
Portfolio Turnover Rate	142%[7]	231%	220%	277%	376%	400%

(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 would have been 0.07% higher and the Ratio of Net Investment Income would have been 0.07% lower had the custodian not reimbursed the Fund.

(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) Performance was positively impacted by approximately 0.10% due to the receipt of proceeds from the settlement of class action suit involving the Fund's past holdings. This was a one-time settlement, and as a result, the impact on the NAV and consequently the performance will not likely be repeated in the future. Had this settlement not occurred, the total return for Class II shares would have been approximately 10.51%.

(5) Performance was positively impacted by approximately 1.77% due to the receipt of proceeds from the settlement of class action suits involving the Fund's past holdings. These were one-time settlements, and as a result, the impact on the NAV and consequently the performance will not likely be repeated in the future. Had these settlements not occurred, the total return for Class II shares would have been approximately 4.09%.

(6) 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."

(7) Not annualized.

(8) Annualized.

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

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 Core Plus Fixed Income Portfolio. The Fund seeks above-average total return over a market cycle of three to five years by investing primarily in a diversified portfolio of fixed income securities. 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. 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) 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 only bid prices are available then the latest bid price may be used. If Morgan Stanley Investment Management Inc. (the "Adviser"), 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; (2) futures are valued at the settlement price on the exchange on which they trade or, if a settlement price is unavailable, at the last sale price on the exchange; (3) over-the-counter ("OTC") swaps may be valued by an outside pricing service approved by the Directors or quotes from a broker or dealer. Swaps cleared on a clearinghouse or exchange may be valued using the closing price provided by the clearinghouse or exchange; (4) when market quotations are not readily available, including circumstances under which the Adviser 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

Notes to Financial Statements (cont'd)

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.

The following is a summary of the inputs used to value the Fund's investments as of June 30, 2020:

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Fixed Income Securities				
Agency Adjustable Rate Mortgages	$ —	$ 210	$—	$ 210
Agency Fixed Rate Mortgages	—	29,158	—	29,158
Asset-Backed Securities	—	20,021	—	20,021
Collateralized Mortgage Obligations - Agency Collateral Series	—	1,274	—	1,274
Commercial Mortgage-Backed Securities	—	10,917	—	10,917
Corporate Bonds	—	67,895	—†	67,895†
Mortgages — Other	—	25,724	—	25,724
Municipal Bonds	—	1,877	—	1,877
Sovereign	—	13,708	—	13,708
Total Fixed Income Securities	**—**	**170,784**	**—†**	**170,784†**
Short-Term Investments				
Investment Companies	22,352	—	—	22,352
U.S. Treasury Security	—	832	—	832
Total Short-Term Investments	**22,352**	**832**	**—**	**23,184**
Foreign Currency Forward Exchange Contracts	—	269	—	269
Futures Contracts	35	—	—	35
Credit Default Swap Agreement	—	118	—	118
Total Assets	**22,387**	**172,003**	**—†**	**194,390†**

Notes to Financial Statements (cont'd)

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Liabilities:				
Foreign Currency Forward Exchange Contracts	$ —	$ (67)	$—	$ (67)
Futures Contracts	(146)	—	—	(146)
Total Liabilities	**(146)**	**(67)**	**—**	**(213)**
Total	**$22,241**	**$171,936**	**$—†**	**$194,177†**

† Includes one security valued at zero.

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:

	Corporate Bond (000)
Beginning Balance	$—†
Purchases	—
Sales	—
Amortization of discount	—
Transfers in	—
Transfers out	—
Corporate actions	—
Change in unrealized appreciation (depreciation)	—
Realized gains (losses)	—
Ending Balance	$—†
Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2020	$—

† Includes one security valued at zero.

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 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 sales and maturities of 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.

Notes to Financial Statements (cont'd)

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 seeks to use derivatives to further the Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

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. In addition, the Fund may use cross currency hedging or proxy hedging with respect to currencies in which the Fund has or expects to have portfolio or currency exposure. Cross currency hedges involve the sale of one currency against the positive exposure to a different currency and may be used for hedging purposes or to establish an active exposure to the exchange rate between any two currencies. 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.

Futures: A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying asset, reference rate or index at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. During the

Notes to Financial Statements (cont'd)

period the futures contract is open, payments are received from or made to the broker based upon changes in the value of the contract (the variation margin). A decision as to whether, when and how to use futures contracts involves the exercise of skill and judgment and even a well-conceived futures transaction may be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures contracts can be highly volatile, using futures contracts can lower total return and the potential loss from futures contracts can exceed the Fund's initial investment in such contracts. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. There is also the risk of loss by the Fund of margin deposits in the event of bankruptcy of a broker with which the Fund has open positions in the futures contract.

Swaps: The Fund may enter into OTC swap contracts or cleared swap transactions. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indices, reference rates, currencies or other instruments. Typically swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two payment streams are netted out, with only the net amount paid by one party to the other). The Fund's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each party. Cleared swap transactions may help reduce counterparty credit risk. In a cleared swap, the Fund's ultimate counterparty is a clearinghouse rather than a swap dealer, bank or other financial institution. OTC swap agreements are not entered into or traded on exchanges and often there is no central clearing or guaranty function for OTC swaps. These OTC swaps are often subject to credit risk or the risk of default or non-performance by the counterparty. Both OTC and cleared swaps could result in losses if interest rates, foreign currency exchange rates or other factors are not correctly anticipated by the Fund or if the reference index, security or investments do not perform as expected. During the period swap agreements are open, payments are received from or made to the clearinghouse or counterparty based upon changes in the value of the contract (variation margin). The Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulatory developments require the clearing and exchange-trading of certain standardized swap transactions. Mandatory exchange-trading and clearing is occurring on a phased-in basis.

The Fund's use of swaps during the period included those based on the credit of an underlying security commonly referred to as "credit default swaps." The Fund may be either the buyer or seller in a credit default swap. Where the Fund is the buyer of a credit default swap contract, it would typically be entitled to receive the par (or other agreed-upon) value of a referenced debt obligation from the counterparty to the contract only in the event of a default or similar event by the issuer of the debt obligation. If no default occurs, the Fund would have paid to the counterparty a periodic stream of payments over the term of the contract and received no benefit from the contract. When the Fund is the seller of a credit default swap contract, it typically receives the stream of payments but is obligated to pay an amount equal to the par (or other agreed-upon) value of a referenced debt obligation upon the default or similar event by the issuer of the referenced debt obligation. The use of credit default swaps could result in losses to the Fund if the Adviser fails to correctly evaluate the creditworthiness of the issuer of the referenced debt obligation.

If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap agreement and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap agreement less the recovery value of the referenced obligation or underlying securities comprising the referenced index. If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap agreement and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap agreement less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Recovery values are estimated by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is determined by a

Notes to Financial Statements (cont'd)

facilitated auction whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value. The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the swap agreement.

The current credit rating of each individual issuer is listed in the table following the Portfolio of Investments and serves as an indicator of the current status of the payment/performance risk of the credit derivative. Alternatively, for credit default swaps on an index of credits, the quoted market prices and current values serve as an indicator of the current status of the payment/performance risk of the credit derivative. Generally, lower credit ratings and increasing market values, in absolute terms, represent a deterioration of the credit and a greater likelihood of an adverse credit event of the issuer.

When the Fund has an unrealized loss on a swap agreement, the Fund has instructed the custodian to pledge cash or liquid securities as collateral with a value approximately equal to the amount of the unrealized loss. Collateral pledges are monitored and subsequently adjusted if and when the swap valuations fluctuate. If applicable, cash collateral is included with "Due from (to) Broker" in the Statement of Assets and Liabilities.

Upfront payments paid or received by the Fund will be reflected as an asset or liability, respectively, in the Statement of Assets and Liabilities.

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 tables set forth the fair value of the Fund's derivative contracts by primary risk exposure as of June 30, 2020:

	Asset Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Foreign Currency Forward Exchange Contracts	Unrealized Appreciation on Foreign Currency Forward Exchange Contracts	Currency Risk	$269
Futures Contracts	Variation Margin on Futures Contracts	Interest Rate Risk	35(a)
Swap Agreement	Variation Margin on Swap Agreement	Credit Risk	118(a)
Total			$422

	Liability Derivatives Statement of Assets and Liabilities Location	Primary Risk Exposure	Value (000)
Foreign Currency Forward Exchange Contracts	Unrealized Depreciation on Foreign Currency Forward Exchange Contracts	Currency Risk	$ (67)
Futures Contracts	Variation Margin on Futures Contracts	Interest Rate Risk	(146)(a)
Total			$(213)

(a) This amount represents the cumulative appreciation (depreciation) as reported in the Portfolio of Investments. The Statement of Assets and Liabilities only reflects the current day's net variation margin.

The following tables set forth by primary risk exposure the Fund's realized gains (losses) and change in unrealized appreciation (depreciation) by type of derivative contract for the six months ended June 30, 2020 in accordance with ASC 815:

Realized Gain (Loss)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$ 152
Interest Rate Risk	Futures Contracts	901
Credit Risk	Swap Agreement	151
Total		$1,204

Change in Unrealized Appreciation (Depreciation)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$ 338
Interest Rate Risk	Futures Contracts	(189)
Credit Risk	Swap Agreement	123
Total		$ 272

At June 30, 2020, 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(b)	Assets(c) (000)	Liabilities(c) (000)
Foreign Currency Forward Exchange Contracts	$269	$(67)

(b) Excludes exchange-traded derivatives.

(c) 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

Notes to Financial Statements (cont'd)

default or termination. Under an ISDA Master Agreement, the Fund typically may offset with the counterparty certain 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 June 30, 2020:

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 Received (000)	Net Amount (not less than $0) (000)
Bank of America NA	$ 54	$ —	$(28)	$ 26
Barclays Bank PLC	9	(9)	—	0
BNP Paribas SA	110	(23)	—	87
Citibank NA	77	(5)	—	72
HSBC Bank PLC	6	—	—	6
JPMorgan Chase Bank NA	12	(9)	—	3
State Street Bank and Trust Co.	—@	—	—	—@
UBS AG	1	(1)	—	0
Total	$269	$(47)	$(28)	$194

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)
Barclays Bank PLC	$28	$ (9)	$—	$19
BNP Paribas SA	23	(23)	—	0
Citibank NA	5	(5)	—	0
JPMorgan Chase Bank NA	9	(9)	—	0
UBS AG	2	(1)	—	1
Total	$67	$(47)	$—	$20

@ Amount is less than $500.

For the six months ended June 30, 2020, the approximate average monthly amount outstanding for each derivative type is as follows:

Foreign Currency Forward Exchange Contracts:

Average monthly principal amount $31,414,000

Futures Contracts:

Average monthly notional value $84,242,000

Swap Agreements:

Average monthly notional amount $2,008,000

5. **When-Issued/Delayed Delivery Securities:** The Fund purchases and sells when-issued and delayed delivery securities. Securities purchased on a when-issued or delayed delivery basis are purchased for delivery beyond the normal settlement date at a stated price and yield, and no income accrues to the Fund on such securities prior to delivery date. Payment and delivery for when-issued and delayed delivery securities can take place a month or more after the date of the transaction. When the Fund enters into a purchase transaction on a when-issued or delayed delivery basis, securities are available for collateral in an amount at least equal in value to the Fund's commitments to purchase such securities. Purchasing securities on a when-issued or delayed delivery basis may involve a risk that the market price at the time of delivery may be lower than the agreed upon purchase price, in which case there could be an unrealized loss at the time of delivery. Purchasing investments on a when-issued or delayed delivery basis may be considered a form of leverage which may increase the impact that gains (losses) may have on the Fund.

6. **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

Notes to Financial Statements (cont'd)

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 June 30, 2020:

Gross Amounts Not Offset in the Statement of Assets and Liabilities			
Gross Asset Amounts Presented in the Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than $0) (000)
$452(d)	$—	$(452)(e)(f)	$0

(d) Represents market value of loaned securities at period end.

(e) The Fund received cash collateral of approximately $459,000, which was subsequently invested in Morgan Stanley Institutional Liquidity Funds as reported in the Portfolio of Investments.

(f) 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 June 30, 2020:

	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					
Sovereign	$459	$—	$—	$—	$459
Total Borrowings	**$459**	**$—**	**$—**	**$—**	**$459**
Gross amount of recognized liabilities for securities lending transactions					**$459**

7. **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.

8. **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 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

Notes to Financial Statements (cont'd)

loss in the event of a failure to complete the transaction by the counterparty.

9. 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 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 $1 billion	Over $1 billion
0.375%	0.30%

For the six months ended June 30, 2020, the advisory fee rate (net of waiver/rebate) was equivalent to an annual effective rate of 0.32% 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 Fund operating expenses, excluding certain investment related expenses, taxes, interest and other extraordinary expenses (including litigation), will not exceed 0.70% for Class I shares and 0.95% 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. For the six months ended June 30, 2020, approximately $31,000 of advisory fees were waived pursuant to this arrangement.

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.

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 six months ended June 30, 2020, purchases and sales of investment securities for the Fund, other than long-term U.S. Government securities and short-term investments were approximately $66,945,000 and $54,319,000, respectively. For the six months ended June 30, 2020, purchases and sales of long-term U.S. Government securities were approximately $181,087,000 and $206,761,000, respectively.

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds (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 six months ended June 30, 2020, advisory fees paid were reduced by approximately $15,000 relating to the Fund's investment in the Liquidity Funds.

Notes to Financial Statements (cont'd)

A summary of the Fund's transactions in shares of affiliated investments during the six months ended June 30, 2020 is as follows:

Affiliated Investment Company	Value December 31, 2019 (000)	Purchases at Cost (000)	Proceeds from Sales (000)	Dividend Income (000)
Liquidity Funds	$16,060	$59,644	$53,352	$57

Affiliated Investment Company (cont'd)	Realized Gain (Loss) (000)	Change in Unrealized Appreciation (Depreciation) (000)	Value June 30, 2020 (000)
Liquidity Funds	$—	$—	$22,352

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 six months ended June 30, 2020, 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 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)	Ordinary Income (000)
$6,570	$4,328

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, resulted in the following reclassifications among the components of net assets at December 31, 2019:

Total Distributable Earnings (000)	Paid-in-Capital (000)
$(663)	$663

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)
$6,133	$507

Notes to Financial Statements (cont'd)

During the year ended December 31, 2019, the Fund utilized capital loss carryforwards for U.S. federal income tax purposes of approximately $1,262,000.

J. Credit Facility: The Company and other Morgan Stanley funds participated in a $300,000,000 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 six months ended June 30, 2020, the Fund did not have any borrowings under the Facility.

K. Other: At June 30, 2020, 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 56.7%.

L. Subsequent Event: Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak could impact the operations and financial performance of certain of the Fund's investments. The extent of the impact to the financial performance of the Fund's Investments will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted. If the financial performance of the Fund's Investments is impacted because of these factors for an extended period, the Fund's investment results may be adversely affected.

Investment Advisory Agreement Approval (unaudited)

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Adviser under the advisory agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Administrator under the administration agreement, including accounting, operations, clerical, bookkeeping, compliance, business management and planning, legal services and the provision of supplies, office space and utilities at the Adviser's expense. The Board also considered the Adviser's investment in personnel and infrastructure that benefits the Fund. (The Adviser and Administrator together are referred to as the "Adviser" and the advisory and administration agreements together are referred to as the "Management Agreement.") The Board also considered that the Adviser serves a variety of other investment advisory clients and has experience overseeing service providers. The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as prepared by Broadridge Financial Solutions, Inc. ("Broadridge").

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

Performance, Fees and Expenses of the Fund

The Board reviewed the performance, fees and expenses of the Fund compared to its peers, as prepared by Broadridge, and to appropriate benchmarks where applicable. The Board discussed with the Adviser the performance goals and the actual results achieved in managing the Fund. When considering a fund's performance, the Board and the Adviser place emphasis on trends and longer-term returns (focusing on one-year, three-year and five-year performance, as of December 31, 2019, or since inception, as applicable). When a fund underperforms its benchmark and/or its peer group average, the Board and the Adviser discuss the causes of such underperformance and, where necessary, they discuss specific changes to investment strategy or investment personnel. The Board noted that the Fund's performance was better than its peer group average for the one-, three- and five-year periods. The Board discussed with the Adviser the level of the advisory and administration fees (together, the "management fee") for this Fund relative to comparable funds and/or other accounts advised by the Adviser and/or compared to its peers as prepared by Broadridge. In addition to the management fee, the Board also reviewed the Fund's total expense ratio. When a fund's management fee and/or its total expense ratio are higher than its peers, the Board and the Adviser discuss the reasons for this and, where appropriate, they discuss possible waivers and/or caps. The Board noted that the Fund's management fee was lower than its peer group average and the Fund's total expense ratio was higher than its peer group average. After discussion, the Board concluded that the Fund's (i) performance and management fee were competitive with its peer group averages and (ii) total expense ratio was acceptable.

Economies of Scale

The Board considered the size and growth prospects of the Fund and how that relates to the Fund's total expense ratio and particularly the Fund's management fee rate, which includes a breakpoint. In conjunction with its review of the Adviser's profitability, the Board discussed with the Adviser how a change in assets can affect the efficiency or effectiveness of managing the Fund and whether the management fee level is appropriate relative to current and projected asset levels and/or whether the management fee structure reflects economies of scale as asset levels change. The Board has determined that its review of the actual and/or potential economies of scale of the Fund supports its decision to approve the Management Agreement.

Investment Advisory Agreement Approval (cont'd)

Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and its affiliates during the last year from their relationship with the Fund and during the last two years from their relationship with the Morgan Stanley Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. The Board has determined that its review of the analysis of the Adviser's expenses and profitability supports its decision to approve the Management Agreement.

Other Benefits of the Relationship

The Board considered other direct and indirect benefits to the Adviser and/or its affiliates derived from their relationship with the Fund and other funds advised by the Adviser. These benefits may include, among other things, fees for trading, distribution and/or shareholder servicing and for transaction processing and reporting platforms used by securities lending agents, and research received by the Adviser generated from commission dollars spent on funds' portfolio trading. The Board reviewed with the Adviser these arrangements and the reasonableness of the Adviser's costs relative to the services performed. The Board has determined that its review of the other benefits received by the Adviser or its affiliates supports its decision to approve the Management Agreement.

Resources of the Adviser and Historical Relationship Between the Fund and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board also reviewed and considered the historical relationship between the Fund and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Fund's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and that it is beneficial for the Fund to continue its relationship with the Adviser.

Other Factors and Current Trends

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

As part of the Board's review, the Board received information from management on the impact of COVID-19 on the firm generally and the Adviser and the Fund in particular including, among other information, the pandemic's current and expected impact on the Fund's performance and operations.

General Conclusion

After considering and weighing all of the above factors, with various written materials and verbal information presented by the Adviser, the Board concluded that it would be in the best interest of the Fund and its shareholders to approve renewal of the Management Agreement for another year. In reaching this conclusion the Board did not give particular weight to any single piece of information or factor referenced above. The Board considered these factors and information over the course of the year and in numerous meetings, some of which were in executive session with only the independent Board members and their counsel present. It is possible that individual Board members may have weighed these factors, and the information presented, differently in reaching their individual decisions to approve the Management Agreement.

Liquidity Risk Management Program

In compliance with Rule 22e-4 under the Investment Company Act of 1940, as amended (the “Liquidity Rule”), the Fund has adopted and implemented a liquidity risk management program (the “Program”), which is reasonably designed to assess and manage the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors’ interests in the Fund (i.e., liquidity risk). The Fund’s Board of Directors (the “Board”) previously approved the designation of the Liquidity Risk Subcommittee (the “LRS”) as Program administrator. The LRS is comprised of representatives from various divisions within Morgan Stanley Investment Management.

At a meeting held on April 22-23, 2020, the Board reviewed a written report prepared by the LRS that addressed the Program’s operation and assessed its adequacy, and effectiveness of implementation for the period from December 1, 2018, through December 31, 2019, as required under the Liquidity Rule. The report concluded that the Program operated effectively and was adequately and effectively implemented in all material aspects, and that the relevant controls and safeguards were appropriately designed to enable the LRS to administer the Program in compliance with the Liquidity Rule.

In accordance with the Program, the LRS assessed each Fund’s liquidity risk no less frequently than annually taking into consideration certain factors, as applicable, such as (i) investment strategy and liquidity of portfolio investments, (ii) short-term and long-term cash flow projections and (iii) holdings of cash and cash equivalents and borrowing arrangements and other funding sources. Certain factors are considered under both normal and reasonably foreseeable stressed conditions.

Each Fund portfolio investment is classified into one of four liquidity categories, which classification is assessed at least monthly by the LRS. The classification is based on a determination of the number of days it is reasonably expected to take to convert the investment into cash, or sell or dispose of the investment, in current market conditions without significantly changing the market value of the investment. Liquidity classification determinations take into account various market, trading and investment-specific considerations, as well as market depth, and in some cases utilize third-party vendor data.

The Liquidity Rule limits a fund’s investments in illiquid investments to 15% of its net assets and requires funds that do not primarily hold assets that are highly liquid investments to determine and maintain a minimum percentage of the fund’s net assets to be invested in highly liquid investments (highly liquid investment minimum or “HLIM”). The LRS believes that the Program includes provisions reasonably designed to review, monitor and comply with the 15% limit on illiquid investments and for determining, periodically reviewing and complying with the HLIM requirement, as applicable.

There can be no assurance that the Program will achieve its objectives under all circumstances in the future. Please refer to the Fund’s prospectus for more information regarding the Fund’s exposure to liquidity risk and other risks to which it may be subject.

Director and Officer Information

Directors
Frank L. Bowman
Kathleen A. Dennis
Nancy C. Everett
Jakki L. Haussler
Dr. Manuel H. Johnson
Joseph J. Kearns
Michael F. Klein
Patricia Maleski
W. Allen Reed, *Chair of the Board*

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Officers
John H. Gernon
President and Principal Executive Officer

Timothy J. Knierim
Chief Compliance Officer

Mary E. Mullin
Secretary

Francis J. Smith
Treasurer and Principal Financial Officer

Michael J. Key
Vice President

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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 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/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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