The Universal Institutional Funds, Inc.

Annual Report – December 31, 2013

Morgan Stanley

Emerging Markets Equity Portfolio

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

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Expense Example (unaudited)

Emerging Markets Equity Portfolio

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

This example is based on an investment of $1,000 invested at the beginning of the six-month period ended December 31, 2013 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 Portfolio's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Portfolio'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 Portfolio and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

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

	Beginning Account Value 7/1/13	Actual Ending Account Value 12/31/13	Hypothetical Ending Account Value	Actual Expenses Paid During Period*	Hypothetical Expenses Paid During Period*	Net Expense Ratio During Period**
Emerging Markets Equity Portfolio Class I	$1,000.00	$1,049.10	$1,018.10	$7.28	$7.17	1.41%
Emerging Markets Equity Portfolio Class II	1,000.00	1,049.20	1,017.85	7.54	7.43	1.46

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

** Annualized.

Investment Overview (unaudited)

Emerging Markets Equity Portfolio

The Emerging Markets Equity Portfolio (the "Portfolio") seeks long-term capital appreciation by investing primarily in growth-oriented equity securities of issuers in emerging market countries.

Performance

For the fiscal year ended December 31, 2013, the Portfolio had a total return based on net asset value and reinvestment of distributions per share of –1.02%, net of fees, for Class I shares and –1.10%, net of fees, for Class II shares. The Portfolio's Class I and Class II shares outperformed against their benchmark, the Morgan Stanley Capital International (MSCI) Emerging Markets Net Index (the "Index"), which returned –2.60%.

Factors Affecting Performance

- Since mid-2011, emerging markets equities have underperformed those of developed markets as emerging markets' economic growth has been reset downward, which has disappointed investor expectations. We think two main fault lines will continue to negatively affect emerging market returns: China's excessive credit expansion over the last four years and growing investor concerns about countries with current account deficits that are vulnerable to the tapering of quantitative easing (QE) in the U.S. In countries affected by a Chinese slowdown — particularly Brazil, Russia and South Africa — earnings have been weaker than consensus expected. Countries with large current account deficits, such as Indonesia and Turkey, will continue to remain a concern.
- Our stock selection in China and South Africa were among the primary contributors to performance during the year. An underweight allocation to Brazil, along with stock selection in Eastern Europe, Russia and India, also benefited performance.
- The main detractors from results were our stock selection in Indonesia, and an overweight allocation to and stock selection in Thailand. Our stock selection in and underweight allocation to Taiwan also dampened performance, as did stock selection in Korea.

Management Strategies

- As mentioned above, we believe two major fault lines will continue to negatively affect emerging market equities. First, China's credit growth has been excessive and could contribute to an eventual economic slowdown that is likely to surprise consensus expectations. Second, current account deficits in various countries are likely to remain a concern. However, we note there are nuanced differences in the drivers and direction of each country's current account situation and we think investors will eventually consider such differentiation.
- In the Portfolio, we remain confident in our underweight to China and China-related plays via commodities and commodities-oriented markets such as Brazil, Russia and South Africa. In regard to the challenges from rising U.S. bond yields, we remain focused on being overweight those countries that we believe are fundamentally sound but had suffered collateral damage in 2013 — including the Philippines, Mexico, Thailand and Poland. These are countries that have not experienced excessive credit growth since the global financial crisis and whose balance of payments is improving. We consider Eastern Europe a well-placed region to potentially benefit from a European growth recovery. German economic growth continues to create positive spillover effects for Poland and the rest of Eastern Europe, where industrial indicators continue to signal expansion. The Philippines remains an underpenetrated market for financial products and we expect gross domestic product (GDP) growth to continue to be buoyant, driven in part by healthy investment and infrastructure spending. In these cases, we have added to our positions and bought on weakness. We have a preference for countries that exhibit constructive reform agendas, sustainable levels of investment-to-GDP and compelling earnings prospects.

Performance Compared to the Morgan Stanley Capital International (MSCI) Emerging Markets Net Index[1]

	Period Ended December 31, 2013			
	Total Returns[2]			
		Average Annual		
	One Year	Five Years	Ten Years	Since Inception[5]
Portfolio – Class I[3]	–1.02%	14.44%	10.45%	6.69%
MSCI Emerging Markets Net Index	–2.60	14.79	11.17	6.78
Portfolio – Class II[4]	–1.10	14.42	10.40	13.23
MSCI Emerging Markets Net Index	–2.60	14.79	11.17	14.29

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. Performance assumes that all dividends and distributions, if any, were reinvested. For the most recent month-end performance figures, please contact the issuing insurance company or speak with your financial advisor. Investment return and principal value will fluctuate so that Portfolio shares, when redeemed, may be worth more or less than their original cost. Total returns do not reflect the deduction of

Investment Overview (unaudited) (cont'd)

Emerging Markets Equity Portfolio

taxes that a shareholder would pay on Portfolio distributions or the redemption of Portfolio shares. Performance shown does not reflect fees and expenses imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total returns would be lower.

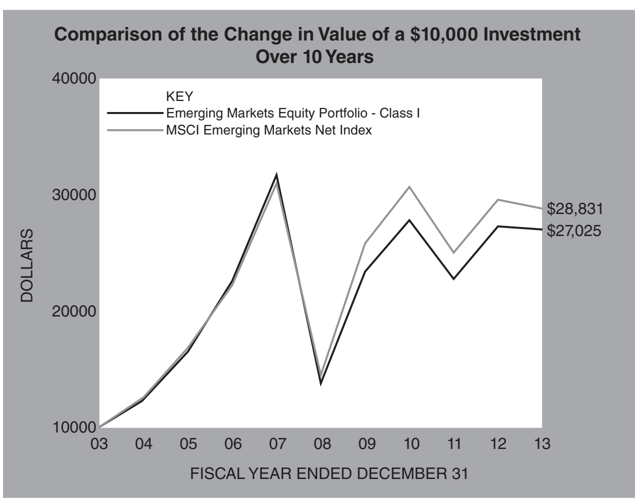
(1) The Morgan Stanley Capital International (MSCI) Emerging Markets Net Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The MSCI Emerging Markets Net Index currently consists of 21 emerging market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends. The Index is unmanaged and its returns do not include any sales charges or fees. Such costs would lower performance. It is not possible to invest directly in an index.

(2) Total returns for the Portfolio reflect fees waived and expenses reimbursed, if applicable, by the Adviser. Without such waivers and reimbursements, total returns would have been lower. The fee waivers and/or expense reimbursements will continue for at least one year or until such time as the Fund's Board of Directors acts to discontinue all or a portion of such waivers and/or expense reimbursements when it deems that such action is appropriate.

(3) Commenced operations on October 1, 1996.

(4) Commenced offering on January 10, 2003.

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



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

Portfolio Composition*

Classification	Percentage of Total Investments
Other**	57.5%
Commercial Banks	18.0
Semiconductors & Semiconductor Equipment	8.8
Wireless Telecommunication Services	5.5
Internet Software & Services	5.2
Oil, Gas & Consumable Fuels	5.0
Total Investments	100.0%***

* Percentages indicated are based upon total investments (excluding Securities held as Collateral on Loaned Securities) as of December 31, 2013.

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

*** Does not include open foreign currency forward exchange contract with total unrealized appreciation of approximately $40,000.

Portfolio of Investments

Emerging Markets Equity Portfolio

	Shares	Value (000)
Common Stocks (98.0%)		
Austria (1.8%)		
Erste Group Bank AG	111,558	$ 3,887
Vienna Insurance Group AG Wiener Versicherung Gruppe	57,693	2,875
		6,762
Brazil (6.9%)		
AMBEV SA ADR	524,863	3,858
Banco Bradesco SA (Preference)	332,687	4,102
BRF SA	306,485	6,398
CCR SA	308,633	2,325
Petroleo Brasileiro SA	235,026	1,593
Petroleo Brasileiro SA (Preference)	310,804	2,250
Petroleo Brasileiro SA ADR	54,249	748
Petroleo Brasileiro SA Sponsored ADR	84,171	1,236
Raia Drogasil SA	139,681	875
Ultrapar Participacoes SA	96,920	2,298
		25,683
Chile (0.7%)		
SACI Falabella	271,525	2,439
China (13.2%)		
Bank of China Ltd. H Shares (a)	15,793,000	7,271
Beijing Enterprises Holdings Ltd. (a)	163,000	1,616
China Conch Venture Holdings Ltd. (a)(b)	163,000	447
China Construction Bank Corp. H Shares (a)	5,804,230	4,379
China Mengniu Dairy Co., Ltd. (a)	556,000	2,639
China Mobile Ltd. (a)	429,000	4,448
China Oilfield Services Ltd. H Shares (a)	922,000	2,860
China Overseas Grand Oceans Group Ltd. (a)(c)	520,000	496
China Overseas Land & Investment Ltd. (a)	586,000	1,647
China Pacific Insurance Group Co., Ltd. H Shares (a)	952,200	3,733
China Petroleum & Chemical Corp. H Shares (a)	1,857,200	1,516
Chongqing Changan Automobile Co., Ltd. B Shares	294,500	581
NetEase, Inc. ADR	7,200	566
Qihoo 360 Technology Co., Ltd. ADR (b)	32,501	2,667
Sihuan Pharmaceutical Holdings Group Ltd. (a)	1,673,000	1,527
Sino Biopharmaceutical Ltd. (a)	1,704,000	1,351
Tencent Holdings Ltd. (a)	131,400	8,381
Tsingtao Brewery Co., Ltd. H Shares (a)	216,000	1,826
Uni-President China Holdings Ltd. (a)(c)	1,273,000	1,297
		49,248
Colombia (1.2%)		
Cemex Latam Holdings SA (b)	237,421	1,821
Grupo de Inversiones Suramericana SA	69,290	1,210
Grupo de Inversiones Suramericana SA (Preference)	72,300	1,310
		4,341
Czech Republic (0.8%)		
Komercni Banka AS	13,488	3,003
Hong Kong (1.2%)		
Samsonite International SA	1,419,600	4,320

	Shares	Value (000)
Hungary (1.0%)		
Richter Gedeon Nyrt	189,682	$ 3,862
India (6.8%)		
Asian Paints Ltd.	217,705	1,725
Glenmark Pharmaceuticals Ltd.	262,129	2,262
HDFC Bank Ltd.	235,966	2,591
Idea Cellular Ltd.	844,877	2,280
IndusInd Bank Ltd.	183,870	1,251
Infosys Ltd.	43,083	2,428
ING Vysya Bank Ltd.	123,981	1,235
ITC Ltd.	510,245	2,655
Oil & Natural Gas Corp. Ltd.	177,973	831
Sun Pharmaceutical Industries Ltd.	249,897	2,292
Tata Consultancy Services Ltd.	102,927	3,614
Zee Entertainment Enterprises Ltd.	473,449	2,117
		25,281
Indonesia (1.6%)		
Bank Tabungan Negara Persero Tbk PT	14,426,264	1,031
Indosat Tbk PT	1,941,500	662
Kalbe Farma Tbk PT	15,588,500	1,601
Matahari Department Store Tbk PT (b)	1,726,500	1,561
Semen Indonesia Persero Tbk PT	964,500	1,121
		5,976
Korea, Republic of (16.7%)		
Cheil Worldwide, Inc. (b)	44,855	1,169
Cosmax, Inc. (b)	21,158	998
Coway Co., Ltd.	44,089	2,774
GS Retail Co., Ltd. (b)	31,460	835
Hana Financial Group, Inc.	53,890	2,242
Hotel Shilla Co., Ltd. (b)	21,380	1,347
Hyundai Department Store Co., Ltd. (b)	7,272	1,109
Hyundai Engineering & Construction Co., Ltd. (b)	50,976	2,932
Hyundai Glovis Co., Ltd. (b)	9,855	2,157
Hyundai Heavy Industries Co., Ltd. (b)	8,049	1,960
Hyundai Motor Co. (b)	31,391	7,035
Hyundai Rotem Co., Ltd. (b)	1,090	30
KT Skylife Co., Ltd. (b)	18,140	508
LG Household & Health Care Ltd. (b)	2,997	1,556
LG Uplus Corp. (b)	75,080	765
NAVER Corp. (b)	3,317	2,276
NCSoft Corp. (b)	10,792	2,541
Nexon Co., Ltd.	207,700	1,917
Orion Corp. (b)	1,089	979
Paradise Co., Ltd. (b)	42,078	1,055
Samsung Electronics Co., Ltd.	11,887	15,454
Samsung Electronics Co., Ltd. (Preference)	2,531	2,429
Shinhan Financial Group Co., Ltd. (b)	85,122	3,815
SK Hynix, Inc. (b)	55,300	1,928
SK Telecom Co., Ltd.	10,201	2,223
SK Telecom Co., Ltd. ADR (c)	13,900	342
		62,376

Portfolio of Investments (cont'd)

Emerging Markets Equity Portfolio

	Shares	Value (000)
Laos (0.3%)		
Kolao Holdings GDR (b)	100,088	$ 1,283
Malaysia (2.9%)		
Astro Malaysia Holdings Bhd	2,065,900	1,892
CIMB Group Holdings Bhd	1,302,030	3,029
Gamuda Bhd	1,426,000	2,089
IHH Healthcare Bhd (b)	1,102,900	1,300
IJM Corp., Bhd	1,408,200	2,528
		10,838
Mexico (7.3%)		
Alfa SAB de CV	1,637,866	4,616
America Movil SAB de CV, Class L ADR	136,290	3,185
Cemex SAB de CV ADR (b)	463,313	5,481
Fomento Economico Mexicano SAB de CV ADR	34,888	3,415
Grupo Financiero Banorte SAB de CV Series O	708,750	4,958
Grupo Financiero Santander Mexico SAB de CV ADR	142,819	1,948
Mexichem SAB de CV	413,837	1,721
Wal-Mart de Mexico SAB de CV Series V	710,520	1,866
		27,190
Panama (0.8%)		
Copa Holdings SA, Class A	18,313	2,932
Peru (1.1%)		
Credicorp Ltd.	30,908	4,102
Philippines (3.7%)		
BDO Unibank, Inc.	2,134,740	3,300
Bloomberry Resorts Corp. (b)	3,536,400	686
DMCI Holdings, Inc.	1,925,170	2,429
International Container Terminal Services, Inc.	838,000	1,926
LT Group, Inc.	2,476,000	861
Metro Pacific Investments Corp.	23,887,900	2,325
SM Investments Corp.	139,368	2,233
		13,760
Poland (4.4%)		
Bank Pekao SA	75,977	4,514
Bank Zachodni WBK SA	41,819	5,366
Jeronimo Martins SGPS SA	209,932	4,105
Telekomunikacja Polska SA	703,964	2,284
		16,269
Qatar (0.5%)		
Ooredoo QSC	49,875	1,879
Russia (4.2%)		
Eurasia Drilling Co., Ltd. GDR	35,253	1,586
Lukoil OAO ADR	43,212	2,699
Mail.ru Group Ltd. GDR	51,402	2,293
MegaFon OAO GDR	43,255	1,449
NovaTek OAO (Registered GDR)	27,832	3,810
Sistema JSFC GDR	16,071	516
Yandex N.V., Class A (b)	75,530	3,259
		15,612
South Africa (4.4%)		
Life Healthcare Group Holdings Ltd. (c)	355,649	$ 1,419
Mondi PLC	190,117	3,284
Naspers Ltd., Class N	49,843	5,208
Pick n Pay Stores Ltd. (c)	306,701	1,520
SABMiller PLC	52,348	2,658
Sasol Ltd.	37,189	1,824
Vodacom Group Ltd.	42,098	534
		16,447
Spain (0.8%)		
Telefonica SA	179,024	2,915
Switzerland (2.0%)		
Coca-Cola HBC AG (b)	144,031	4,203
Swatch Group AG (The)	5,136	3,394
		7,597
Taiwan (7.0%)		
Chailease Holding Co., Ltd.	921,550	2,424
China Life Insurance Co., Ltd.	1,133,630	1,149
Cleanaway Co., Ltd.	107,000	698
Delta Electronics, Inc.	225,000	1,283
Eclat Textile Co., Ltd.	128,620	1,450
Fubon Financial Holding Co., Ltd.	1,358,830	1,988
Ginko International Co., Ltd.	53,000	1,001
Hermes Microvision, Inc. GDR (b)	32,936	1,070
Lung Yen Life Service Corp.	43,000	121
MediaTek, Inc.	259,000	3,854
Siliconware Precision Industries Co.	483,000	577
St. Shine Optical Co., Ltd.	37,000	1,057
Taiwan Cement Corp.	164,000	255
Taiwan Semiconductor Manufacturing Co., Ltd.	2,064,000	7,306
Uni-President Enterprises Corp.	1,113,338	2,006
		26,239
Thailand (3.9%)		
Advanced Info Service PCL (Foreign)	363,600	2,207
Bangkok Bank PCL NVDR	605,100	3,278
Kasikornbank PCL NVDR	399,400	1,896
Land and Houses PCL (Foreign)	5,830,300	1,588
Land and Houses PCL NVDR	1,684,000	459
Minor International PCL (Foreign)	1,795,800	1,131
Robinson Department Store PCL (Foreign)	917,600	1,340
Supalai PCL (Foreign)	3,070,000	1,364
Total Access Communication PCL (Foreign)	444,000	1,311
Total Access Communication PCL NVDR	28,700	85
		14,659
Turkey (1.7%)		
Anadolu Efes Biracilik Ve Malt Sanayii AS	142,499	1,542
Pegasus Hava Tasimaciligi AS (b)	64,803	1,094
Turkcell Iletisim Hizmetleri AS (b)	212,616	1,123
Turkiye Sise ve Cam Fabrikalari AS	1,169,932	1,481
Ulker Biskuvi Sanayi AS	158,318	1,120
		6,360

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

Portfolio of Investments (cont'd)

Emerging Markets Equity Portfolio

	Shares	Value (000)
United States (1.1%)		
Yum! Brands, Inc.	54,420	$ 4,115
Total Common Stocks (Cost $302,477)		365,488
Investment Companies (0.8%)		
India (0.4%)		
Morgan Stanley Growth Fund (See Note H) (b)	1,330,120	1,493
Thailand (0.4%)		
BTS Rail Mass Transit Growth Infrastructure Fund (Foreign) (Units) (d)	5,764,725	1,509
Total Investment Companies (Cost $2,385)		3,002
Short-Term Investments (2.2%)		
Securities held as Collateral on Loaned Securities (1.0%)		
Investment Company (0.8%)		
Morgan Stanley Institutional Liquidity Funds — Money Market Portfolio — Institutional Class (See Note H)	3,224,040	3,224

	Face Amount (000)	Value (000)
Repurchase Agreements (0.2%)		
Barclays Capital, Inc., (0.01%, dated 12/31/13, due 1/2/14; proceeds $653; fully collateralized by a U.S. Government Obligation; 1.00% due 3/31/17; valued at $666)	$ 653	653
BNP Paribas Securities Corp., (0.01%, dated 12/31/13, due 1/2/14; proceeds $57; fully collateralized by a U.S. Government Obligation; 3.63% due 2/15/21; valued at $58)	57	57
		710
Total Securities held as Collateral on Loaned Securities (Cost $3,934)		3,934

	Shares	Value (000)
Investment Company (1.2%)		
Morgan Stanley Institutional Liquidity Funds — Money Market Portfolio — Institutional Class (See Note H) **(Cost $4,416)**	4,416,120	$ 4,416
Total Short-Term Investments (Cost $8,350)		8,350
Total Investments (101.0%) (Cost $313,212) Including $3,846 of Securities Loaned (e)		376,840
Liabilities in Excess of Other Assets (-1.0%)		(3,740)
Net Assets (100.0%)		$373,100

(a) Security trades on the Hong Kong exchange.
(b) Non-income producing security.
(c) All or a portion of this security was on loan at December 31, 2013.
(d) Consists of one or more classes of securities traded together as a unit; stocks with attached warrants.
(e) Securities are available for collateral in connection with an open foreign currency forward exchange contract.
ADR American Depositary Receipt.
GDR Global Depositary Receipt.
NVDR Non-Voting Depositary Receipt.

Foreign Currency Forward Exchange Contract:

The Portfolio had the following foreign currency forward exchange contract open at December 31, 2013:

Counterparty	Currency to Deliver (000)	Value (000)	Settlement Date	In Exchange For (000)	Value (000)	Unrealized Appreciation (000)
State Street Bank and Trust Co.	JPY 191,170	$1,816	1/16/14	USD 1,856	$1,856	$40

JPY — Japanese Yen
USD — United States Dollar

Emerging Markets Equity Portfolio

Statement of Assets and Liabilities

	December 31, 2013 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value(1) (Cost $305,333)	$367,707
Investment in Security of Affiliated Issuer, at Value (Cost $7,879)	9,133
Total Investments in Securities, at Value (Cost $313,212)	376,840
Foreign Currency, at Value (Cost $1,685)	1,683
Cash	179
Receivable for Investments Sold	1,377
Dividends Receivable	280
Receivable for Portfolio Shares Sold	224
Unrealized Appreciation on Foreign Currency Forward Exchange Contracts	40
Tax Reclaim Receivable	15
Receivable from Affiliate	—@
Other Assets	17
Total Assets	380,655
Liabilities:	
Collateral on Securities Loaned, at Value	4,113
Payable for Investments Purchased	1,543
Payable for Advisory Fees	936
Payable for Portfolio Shares Redeemed	407
Deferred Capital Gain Country Tax	311
Payable for Custodian Fees	87
Payable for Administration Fees	79
Payable for Professional Fees	18
Payable for Directors' Fees and Expenses	3
Payable for Distribution Fees — Class II Shares	2
Other Liabilities	56
Total Liabilities	7,555
NET ASSETS	$373,100
Net Assets Consist of:	
Paid-in-Capital	$345,375
Distributions in Excess of Net Investment Income	(1,261)
Accumulated Net Realized Loss	(34,364)
Unrealized Appreciation (Depreciation) on:	
Investments (Net of $311 Deferred Capital Gain Country Tax)	62,063
Investments in Affiliates	1,254
Foreign Currency Forward Exchange Contracts	40
Foreign Currency Translations	(7)
Net Assets	$373,100
CLASS I:	
Net Assets	$271,285
Net Asset Value, Offering and Redemption Price Per Share Applicable to 18,462,070 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 14.69
CLASS II:	
Net Assets	$101,815
Net Asset Value, Offering and Redemption Price Per Share Applicable to 6,952,527 Outstanding $0.001 Par Value Shares (Authorized 500,000,000 Shares)	$ 14.64
(1) **Including:**	
Securities on Loan, at Value:	$ 3,846

@ Amount is less than $500.

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

Emerging Markets Equity Portfolio

Statement of Operations

	Year Ended December 31, 2013 (000)
Investment Income:	
Dividends from Securities of Unaffiliated Issuers (Net of $967 of Foreign Taxes Withheld)	$ 7,826
Income from Securities Loaned — Net	53
Dividends from Security of Affiliated Issuer (Note H)	5
Total Investment Income	7,884
Expenses:	
Advisory Fees (Note B)	4,977
Administration Fees (Note C)	995
Custodian Fees (Note F)	605
Distribution Fees — Class II Shares (Note D)	395
Professional Fees	92
Shareholder Reporting Fees	71
Pricing Fees	15
Directors' Fees and Expenses	10
Transfer Agency Fees (Note E)	2
Other Expenses	20
Total Expenses	7,182
Waiver of Advisory Fees (Note B)	(1,135)
Distribution Fees — Class II Shares Waived (Note D)	(339)
Rebate from Morgan Stanley Affiliate (Note H)	(47)
Net Expenses	5,661
Net Investment Income	2,223
Realized Gain (Loss):	
Investments Sold (Net of $441 Deferred Capital Gain Country Tax)	10,984
Investments in Affiliates	914
Foreign Currency Forward Exchange Contracts	319
Foreign Currency Transactions	(528)
Net Realized Gain	11,689
Change in Unrealized Appreciation (Depreciation):	
Investments (Net of Decrease in Deferred Capital Gain Country Tax of $116)	(16,850)
Investments in Affiliates	(1,324)
Foreign Currency Forward Exchange Contracts	8
Foreign Currency Translations	(5)
Net Change in Unrealized Appreciation (Depreciation)	(18,171)
Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	(6,482)
Net Decrease in Net Assets Resulting from Operations	$ (4,259)

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

Emerging Markets Equity Portfolio

Statements of Changes in Net Assets

	Year Ended December 31, 2013 (000)	Year Ended December 31, 2012 (000)
Increase (Decrease) in Net Assets:		
Operations:		
Net Investment Income	$ 2,223	$ 2,624
Net Realized Gain	11,689	51,555
Net Change in Unrealized Appreciation (Depreciation)	(18,171)	67,770
Net Increase (Decrease) in Net Assets Resulting from Operations	(4,259)	121,949
Distributions from and/or in Excess of:		
Class I:		
Net Investment Income	(3,383)	—
Class II:		
Net Investment Income	(1,340)	—
Total Distributions	(4,723)	—
Capital Share Transactions:[1]		
Class I:		
Subscribed	29,712	50,263
Distributions Reinvested	3,383	—
Redeemed	(57,648)	(241,752)
Class II:		
Subscribed	32,435	20,755
Distributions Reinvested	1,340	—
Redeemed	(54,006)	(308,100)
Net Decrease in Net Assets Resulting from Capital Share Transactions	(44,784)	(478,834)
Total Decrease in Net Assets	(53,766)	(356,885)
Net Assets:		
Beginning of Period	426,866	783,751
End of Period (Including Accumulated Undistributed (Distributions in Excess of) Net Investment Income of $(1,261) and $412)	$373,100	$ 426,866
[1] **Capital Share Transactions:**		
Class I:		
Shares Subscribed	2,008	3,801
Shares Issued on Distributions Reinvested	242	—
Shares Redeemed	(3,899)	(17,503)
Net Decrease in Class I Shares Outstanding	(1,649)	(13,702)
Class II:		
Shares Subscribed	2,226	1,515
Shares Issued on Distributions Reinvested	96	—
Shares Redeemed	(3,685)	(22,012)
Net Decrease in Class II Shares Outstanding	(1,363)	(20,497)

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

Financial Highlights

Emerging Markets Equity Portfolio

Selected Per Share Data and Ratios	Class I Year Ended December 31, 2013	2012	2011	2010	2009
Net Asset Value, Beginning of Period	$ 15.03	$ 12.53	$ 15.38	$ 13.01	$ 7.66
Income (Loss) from Investment Operations:					
Net Investment Income†	0.08	0.08	0.11	0.04	0.04
Net Realized and Unrealized Gain (Loss)	(0.24)	2.42	(2.90)	2.37	5.31
Total from Investment Operations	(0.16)	2.50	(2.79)	2.41	5.35
Distributions from and/or in Excess of:					
Net Investment Income	(0.18)	—	(0.06)	(0.08)	—
Regulatory Settlement Proceeds	—	—	—	0.04^^	—
Net Asset Value, End of Period	$ 14.69	$ 15.03	$ 12.53	$ 15.38	$ 13.01
Total Return ++	(1.02)%	19.95%	(18.22)%	19.02%	69.84%
Ratios and Supplemental Data:					
Net Assets, End of Period (Thousands)	$271,285	$302,315	$423,692	$681,350	$591,835
Ratio of Expenses to Average Net Assets(1)	1.41%+††^	1.44%+††^	1.56%+††^	1.59%+††	1.59%+
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	N/A	1.44%+††	N/A	N/A	N/A
Ratio of Net Investment Income to Average Net Assets(1)	0.57%+††	0.56%+††	0.80%+††	0.30%+††	0.41%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01%††	0.01%††	0.01%††	0.01%††	0.01%
Portfolio Turnover Rate	48%	46%	57%	63%	64%
(1) Supplemental Information on the Ratios to Average Net Assets:					
Ratios Before Expense Limitation:					
Expenses to Average Net Assets	1.71%††	1.65%††	1.60%††	1.61%+††	1.61%+
Net Investment Income to Average Net Assets	0.27%††	0.35%††	0.76%††	0.28%+††	0.39%+

† Per share amount is based on average shares outstanding.

++ 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.

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

^^ During the year ended December 31, 2010, the Portfolio received a regulatory settlement from an unaffiliated third party, which had an impact of 0.31% on total return. 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 would have been approximately 18.71%.

†† Reflects overall Portfolio ratios for investment income and non-class specific expenses.

^ Effective March 1, 2012, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.42% for Class I shares. Prior to March 1, 2012, the maximum ratio was 1.55% for Class I shares. Prior to July 1, 2011, the maximum ratio was 1.60% for Class I shares.

Financial Highlights

Emerging Markets Equity Portfolio

	Class II				
	Year Ended December 31,				
Selected Per Share Data and Ratios	**2013**	**2012**	**2011**	**2010**	**2009**
Net Asset Value, Beginning of Period	$ 14.98	$ 12.50	$ 15.34	$ 12.98	$ 7.63
Income (Loss) from Investment Operations:					
Net Investment Income†	0.08	0.07	0.11	0.03	0.03
Net Realized and Unrealized Gain (Loss)	(0.25)	2.41	(2.90)	2.37	5.32
Total from Investment Operations	(0.17)	2.48	(2.79)	2.40	5.35
Distributions from and/or in Excess of:					
Net Investment Income	(0.17)	—	(0.05)	(0.08)	—
Regulatory Settlement Proceeds	—	—	—	0.04^^	—
Net Asset Value, End of Period	$ 14.64	$ 14.98	$ 12.50	$ 15.34	$ 12.98
Total Return ++	(1.10)%	19.84%	(18.24)%	18.94%	70.12%
Ratios and Supplemental Data:					
Net Assets, End of Period (Thousands)	$101,815	$124,551	$360,059	$493,497	$407,865
Ratio of Expenses to Average Net Assets[(1)]	1.46%+††^	1.49%+††^	1.61%+††^	1.64%+††	1.64%+
Ratio of Expenses to Average Net Assets Excluding Non Operating Expenses	N/A	1.49%+††	N/A	N/A	N/A
Ratio of Net Investment Income to Average Net Assets[(1)]	0.52%+††	0.51%+††	0.75%+††	0.25%+††	0.34%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.01%††	0.01%††	0.01%††	0.01%††	0.01%
Portfolio Turnover Rate	48%	46%	57%	63%	64%
[(1)] Supplemental Information on the Ratios to Average Net Assets:					
Ratios Before Expense Limitation:					
Expenses to Average Net Assets	2.06%††	2.00%††	1.95%††	1.96%+††	1.96%+
Net Investment Income (Loss) to Average Net Assets	(0.08)%††	(0.00)%††§	0.41%††	(0.07)%+††	0.02%+

† Per share amount is based on average shares outstanding.

++ 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.

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

^^ During the year ended December 31, 2010, the Portfolio received a regulatory settlement from an unaffiliated third party, which had an impact of 0.31% on the total return. 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 would have been approximately 18.63%.

†† Reflects overall Portfolio ratios for investment income and non-class specific expenses.

^ Effective March 1, 2012, the Adviser has agreed to limit the ratio of expenses to average net assets to the maximum ratio of 1.47% for Class II shares. Prior to March 1, 2012, the maximum ratio was 1.60% for Class II shares. Prior to July 1, 2011, the maximum ratio was 1.65% for Class II shares.

§ Amount is less than 0.005%.

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

Notes to Financial Statements

The Universal Institutional Funds, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Fund is comprised of ten separate active, diversified and non-diversified portfolios (individually referred to as a "Portfolio", collectively as the "Portfolios").

The accompanying financial statements relate to the Emerging Markets Equity Portfolio. The Portfolio's adviser, Morgan Stanley Investment Management Inc. (the "Adviser") and sub-advisers, Morgan Stanley Investment Management Limited ("MSIM Limited") and Morgan Stanley Investment Management Company ("MSIM Company") (together, the "Sub-Advisers"), seek long-term capital appreciation by investing primarily in growth-oriented equity securities of issuers in emerging market countries. The Portfolio 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 Fund is intended to be the 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 Fund 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.

1. **Security Valuation:** (1) An equity portfolio security listed or traded on an exchange is valued at its latest reported sales price (or at the exchange official closing price if such exchange reports an official closing price), if there were no sales on a given day, the security is valued at the mean between the last reported bid and asked prices; (2) all other equity portfolio securities for which over-the-counter market quotations are readily available are valued at its latest reported sales price. In cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market; (3) 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 Fund's Board of Directors (the "Directors"). Occasionally, developments affecting the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business of the New York Stock Exchange ("NYSE"). If developments occur during such periods that are expected to materially affect the value of such securities, such valuations may be adjusted to reflect the estimated fair value of such securities as of the close of the NYSE, as determined in good faith by the Directors or by the Adviser using a pricing service and/or procedures approved by the Directors; (4) quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into U.S. dollar equivalents at the prevailing market rates prior to the close of the NYSE; (5) investments in mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (6) short-term debt securities with remaining maturities of 60 days or less at the time of purchase may be valued at amortized cost, unless the Adviser determines such valuation does not reflect the securities' market value, in which case these securities will be valued at their fair market value determined by the Adviser.

Under procedures approved by the Directors, the Fund's Adviser has formed a Valuation Committee. The Valuation Committee provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. These procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent

Notes to Financial Statements (cont'd)

uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

2. Fair Value Measurement: Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurements and Disclosures" ("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 Portfolio's investments as of December 31, 2013.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Air Freight & Logistics	$ 2,157	$ —	$—	$ 2,157
Airlines	4,026	—	—	4,026
Automobiles	7,616	—	—	7,616
Beverages	18,363	—	—	18,363
Chemicals	3,446	—	—	3,446
Commercial Banks	63,372	3,826	—	67,198
Commercial Services & Supplies	698	—	—	698
Construction & Engineering	7,549	—	—	7,549
Construction Materials	9,125	—	—	9,125
Diversified Consumer Services	121	—	—	121
Diversified Financial Services	9,257	—	—	9,257
Diversified Telecommunication Services	7,843	—	—	7,843
Electronic Equipment, Instruments & Components	1,283	—	—	1,283
Energy Equipment & Services	4,446	—	—	4,446
Food & Staples Retailing	9,201	—	—	9,201
Food Products	14,439	—	—	14,439
Health Care Equipment & Supplies	2,058	—	—	2,058
Health Care Providers & Services	2,719	—	—	2,719
Hotels, Restaurants & Leisure	7,203	1,131	—	8,334
Household Durables	2,774	—	—	2,774
Household Products	1,556	—	—	1,556
Industrial Conglomerates	12,375	—	—	12,375
Information Technology Services	6,042	—	—	6,042
Insurance	7,757	—	—	7,757
Internet Software & Services	19,442	—	—	19,442
Machinery	1,990	—	—	1,990
Media	10,894	—	—	10,894
Multi-line Retail	5,109	1,340	—	6,449
Oil, Gas & Consumable Fuels	18,805	—	—	18,805
Paper & Forest Products	3,284	—	—	3,284

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)
Assets: (cont'd)				
Common Stocks (cont'd)				
Personal Products	$ 998	$ —	$—	$ 998
Pharmaceuticals	12,895	—	—	12,895
Real Estate Management & Development	4,190	1,364	—	5,554
Semiconductors & Semiconductor Equipment	32,618	—	—	32,618
Software	4,458	—	—	4,458
Specialty Retail	—	1,283	—	1,283
Textiles, Apparel & Luxury Goods	9,164	—	—	9,164
Tobacco	2,655	—	—	2,655
Transportation Infrastructure	4,251	—	—	4,251
Wireless Telecommunication Services	16,847	3,518	—	20,365
Total Common Stocks	**353,026**	**12,462**	**—**	**365,488**
Investment Companies	**1,493**	**1,509**	**—**	**3,002**
Short-Term Investments				
Investment Company	7,640	—	—	7,640
Repurchase Agreements	—	710	—	710
Total Short-Term Investments	**7,640**	**710**	**—**	**8,350**
Foreign Currency Forward Exchange Contract	—	40	—	40
Total Assets	**$362,159**	**$14,721**	**$—**	**$376,880**

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Portfolio recognizes transfers between the levels as of the end of the period. As of December 31, 2013, securities with a total value of approximately $207,673,000 transferred from Level 2 to Level 1. At December 31, 2012, the fair value of certain securities were adjusted due to developments which occurred between the time of the close of the foreign markets on which they trade and the close of business on the NYSE which resulted in their Level 2 classification.

3. **Foreign Currency Translation and Foreign Investments:** The books and records of the Portfolio 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 Portfolio are presented at the foreign exchange rates and market values at the close of the period, the Portfolio 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 Portfolio 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 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 Portfolio's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

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

At December 31, 2013, the net assets of the Portfolio were substantially comprised of foreign denominated securities and currency. Changes in currency exchange rates

Notes to Financial Statements (cont'd)

will affect the U.S. dollar value of and investment income from such securities.

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 Portfolio values the foreign shares at the closing exchange price of the local shares.

4. **Derivatives:** The Portfolio 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 they relate, and risks that the transactions may not be liquid. 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 Portfolio'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 Portfolio 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 rules and regulations, or may cause the Portfolio to be more volatile than if the Portfolio had not been leveraged. Although the Adviser and/or Sub-Advisers seek to use derivatives to further the Portfolio'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 Portfolio used during the period and their associated risks:

   Foreign Currency Forward Exchange Contracts: In connection with its investments in foreign securities, the Portfolio 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 Portfolio may use cross currency hedging or proxy hedging with respect to currencies in which the Portfolio 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. There is additional risk that such transactions reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken and that currency contracts create exposure to currencies in which the Portfolio's securities are not denominated. Unanticipated changes in currency prices may result in poorer overall performance for the Portfolio 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 Portfolio as unrealized gain or loss. The Portfolio 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.

Notes to Financial Statements (cont'd)

FASB ASC 815, "Derivatives and Hedging: Overall" ("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 Portfolio uses derivative instruments, how these derivative instruments are accounted for and their effects on the Portfolio's financial position and results of operations.

The following table sets forth the fair value of the Portfolio's derivative contracts by primary risk exposure as of December 31, 2013.

	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	$40

The following tables set forth by primary risk exposure the Portfolio's realized gains (losses) and change in unrealized appreciation (depreciation) by type of derivative contract for the year ended December 31, 2013 in accordance with ASC 815.

Realized Gain (Loss)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$319

Change in Unrealized Appreciation (Depreciation)

Primary Risk Exposure	Derivative Type	Value (000)
Currency Risk	Foreign Currency Forward Exchange Contracts	$8

At December 31, 2013, the Portfolio's derivative assets and liabilities, are as follows:

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

Derivatives	Assets(a) (000)	Liabilities(a) (000)
Foreign Currency Forward Exchange Contracts	$40	$—

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

The following table presents derivative financial instruments that are subject to enforceable netting arrangements as of December 31, 2013.

		Gross Amounts Not Offset in the Statement of Assets and Liabilities		
Counterparty	Gross Asset Derivatives Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than 0) (000)
State Street Bank and Trust Co.	$40	$—	$—	$40

For the year ended December 31, 2013, the approximate average monthly amount outstanding for each derivative type is as follows:

Foreign Currency Forward Exchange Contracts:

Average monthly principal amount $2,701,000

5. **Securities Lending:** The Portfolio lends securities to qualified financial institutions, such as broker-dealers, to earn additional income. Any increase or decrease in the fair value of the securities loaned that might occur and any interest earned or dividends declared on those securities during the term of the loan would remain in the Portfolio. The Portfolio 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 Portfolio'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 Portfolio has the right under the lending agreement to recover the securities from the borrower on demand.

Notes to Financial Statements (cont'd)

The following table presents financial instruments that are subject to enforceable netting arrangements as of December 31, 2013.

Gross Amounts Not Offset in the Statement of Assets and Liabilities

Gross Asset Amounts Presented in Statement of Assets and Liabilities (000)	Financial Instrument (000)	Collateral Received (000)	Net Amount (not less than 0) (000)
$3,846(a)	—	$(3,846)(b)(c)	$0

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

(b) The Portfolio received cash collateral of approximately $4,113,000, of which approximately $3,934,000 was subsequently invested in Repurchase Agreements and Morgan Stanley Institutional Liquidity Funds as reported in the Portfolio of Investments. As of December 31, 2013 there was uninvested cash of approximately $179,000, which is not reflected in the Portfolio of Investments.

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

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

7. Security Transactions, Income and Expenses: Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on the sale of investment securities are determined on the specific identified cost method. Dividend income and other distributions are recorded on the ex-dividend date (except for certain foreign dividends which may be recorded as soon as the Portfolio is informed of such dividends) net of applicable withholding taxes. Interest income is recognized on the accrual basis except where collection is in doubt. Discounts are accreted and premiums are amortized over the life of the respective securities. Most expenses of the Fund can be directly attributed to a particular Portfolio. Expenses which cannot be directly attributed are apportioned among the Portfolios 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 Portfolio 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 Portfolio to further risk of loss in the event of a failure to complete the transaction by the counterparty.

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

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

First $500 million	Next $500 million	Next $1.5 billion	Over $2.5 billion
1.25%	1.20%	1.15%	1.00%

For the year ended December 31, 2013, the advisory fee rate (net of waivers/rebate) was equivalent to an annual effective rate of 0.96% of the Portfolio's daily net assets.

The Adviser has agreed to reduce its advisory fee and/or reimburse the Portfolio so that total annual portfolio operating expenses, excluding certain investment related expenses, taxes, interest and other extraordinary expenses (including litigation), will not exceed 1.42% for Class I shares and 1.47% for Class II shares. The fee waivers and/or expense reimbursements will continue for at least one year or until such time that the Directors act to discontinue all or a portion of such waivers and/or reimbursements when it deems such action is appropriate. For the year ended December 31, 2013, approximately $1,135,000 of advisory fees were waived and/or reimbursed pursuant to this arrangement.

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

C. Administration Fees: The Adviser also serves as Administrator to the Fund and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.25% of the Portfolio's average daily net assets. Under a Sub-Administration Agreement between the Administrator and State Street, State Street provides certain administrative services to the Fund. For such

Notes to Financial Statements (cont'd)

services, the Administrator pays State Street a portion of the fee the Administrator receives from the Portfolio.

D. 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 Portfolio and provides the Portfolio'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 Portfolio is authorized to pay the Distributor a distribution fee, which is accrued daily and paid monthly, at an annual rate of 0.35% of the Portfolio's average daily net assets attributable to Class II shares. The Distributor has agreed to waive 0.30% of the 0.35% distribution fee that it may receive. This fee waiver will continue for at least one year or until such time as the Directors act to discontinue all or a portion of such waiver when it deems such action is appropriate. For the year ended December 31, 2013, this waiver amounted to approximately $339,000.

E. Dividend Disbursing and Transfer Agent: The Fund's dividend disbursing and transfer agent was Morgan Stanley Services Company Inc. ("Morgan Stanley Services"). Effective July 1, 2013, the Directors approved changing the transfer agent to Boston Financial Data Services, Inc.

F. Custodian Fees: State Street (the "Custodian") serves as Custodian for the Fund in accordance with a Custodian Agreement. The Custodian holds cash, securities, and other assets of the Fund 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.

G. Federal Income Taxes: It is the Portfolio'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 Portfolio 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 Portfolio recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other Expenses" in the Statement of Operations. The Portfolio files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2013, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal years 2013 and 2012 was as follows:

2013 Distributions Paid From:		2012 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
$4,723	—	—	—

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 differing treatments of gains (losses) related to foreign currency transactions and on certain equity securities designated as issued by passive foreign investment companies and foreign capital gain tax, resulted in the following reclassifications among the components of net assets at December 31, 2013:

Distributions in Excess of Net Investment Income (000)	Accumulated Net Realized Loss (000)	Paid-in-Capital (000)
$827	$(827)	—

At December 31, 2013, the components of distributable earnings for the Portfolio on a tax basis were as follows:

Undistributed Ordinary Income (000)	Undistributed Long-Term Capital Gain (000)
$1,403	—

At December 31, 2013, the aggregate cost for Federal income tax purposes is approximately $318,665,000. The aggregate gross unrealized appreciation is approximately $76,871,000 and the aggregate gross unrealized depreciation is approximately $18,696,000 resulting in net unrealized appreciation of approximately $58,175,000.

Notes to Financial Statements (cont'd)

At December 31, 2013, the Portfolio had available for Federal income tax purposes unused capital losses, which will expire on the indicated dates:

Amount (000)	Expiration
$31,512	December 31, 2017

To the extent that capital loss carryforwards are used to offset any future capital gains realized during the carryover period as provided by U.S. Federal income tax regulations, no capital gains tax liability will be incurred by the Portfolio for gains realized and not distributed. To the extent that capital gains are offset, such gains will not be distributed to the shareholders.

During the year ended December 31, 2013, the Portfolio utilized capital loss carryforwards for U.S. Federal income tax purposes of approximately $9,617,000.

H. Security Transactions and Transactions with Affiliates: For the year ended December 31, 2013, purchases and sales of investment securities for the Portfolio, other than long-term U.S. Government securities and short-term investments, were approximately $186,547,000 and $234,064,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the year ended December 31, 2013.

The Portfolio invests in Morgan Stanley Growth Fund, an open-end management investment company advised by an affiliate of the Adviser. Advisory fees paid by the Portfolio are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Portfolio due to its investment in the Morgan Stanley Growth Fund. For the year ended December 31, 2013, advisory fees paid were reduced by approximately $40,000 relating to the Portfolio's investment in the Morgan Stanley Growth Fund. The Morgan Stanley Growth Fund has a cost basis of approximately $239,000 at December 31, 2013.

A summary of the Portfolio's transactions in shares of the Morgan Stanley Growth Fund during the year ended December 31, 2013 is as follows:

Value December 31, 2012 (000)	Purchases at Cost (000)	Sales (000)	Realized Gain (000)	Dividend Income (000)	Value December 31, 2013 (000)
$3,028	—	$1,125	$914	—	$1,493

The Portfolio invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds – Money Market Portfolio (the "Liquidity Funds"), an open-end management investment company managed by the Adviser, both directly, and as a portion of the securities held as collateral on loaned securities. Advisory fees paid by the Portfolio are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Portfolio due to its investment in the Liquidity Funds. For the year ended December 31, 2013, advisory fees paid were reduced by approximately $7,000 relating to the Portfolio's investment in the Liquidity Funds.

A summary of the Portfolio's transactions in shares of the Liquidity Funds during the year ended December 31, 2013 is as follows:

Value December 31, 2012 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value December 31, 2013 (000)
$15,270	$96,008	$103,638	$5	$7,640

During the year ended December 31, 2013, the Portfolio incurred approximately $18,000 in brokerage commissions with Morgan Stanley & Co., LLC, an affiliate of the Adviser, Sub-Advisers, Administrator and Distributor, for portfolio transactions executed on behalf of the Portfolio.

From January 1, 2013 to June 30, 2013, the Portfolio incurred approximately $27,000 in brokerage commissions with Citigroup, Inc., and its affiliated broker-dealers, which may be deemed affiliates of the Adviser, Sub-Advisers, Administrator and Distributor under Section 17 of the Act, for portfolio transactions executed on behalf of the Portfolio. Citigroup, Inc. and its affiliated broker-dealers ceased to be affiliates of the Portfolio pursuant to Section 17 of the Act as of July 1, 2013.

I. Other (unaudited): At December 31, 2013, the Portfolio had otherwise unaffiliated record owners of 10% or greater. Investment activities of these shareholders could have a material impact on the Portfolio. The aggregate percentage of such owners was 50% and 73%, for Class I and Class II, respectively.

J. Accounting Pronouncement: In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the Portfolio, management expects that the impact of the Portfolio's adoption will be limited to additional financial statement disclosures.

Report of Independent Registered Public Accounting Firm

**To the Shareholders and Board of Directors of
The Universal Institutional Funds, Inc. —
Emerging Markets Equity Portfolio**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Emerging Markets Equity Portfolio (one of the portfolios constituting The Universal Institutional Funds, Inc.) (the "Portfolio") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Portfolio's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Emerging Markets Equity Portfolio (one of the portfolios constituting The Universal Institutional Funds, Inc.) at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
February 21, 2014

Federal Tax Notice (unaudited)

For Federal income tax purposes, the following information is furnished with respect to the Portfolio's earnings for its taxable year ended December 31, 2013.

The Portfolio intends to pass through foreign tax credits of approximately $1,355,000, and has derived net income from sources within foreign countries amounting to approximately $8,698,000.

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

Director and Officer Information (unaudited)

Independent Director:

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Frank L. Bowman (69) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since August 2006	President, Strategic Decisions, LLC (consulting) (since February 2009); Director or Trustee of various Morgan Stanley Funds (since August 2006); Chairperson of the Insurance Sub-Committee of the Compliance and Insurance Committee (since February 2007); served as President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (February 2005-November 2008); retired as Admiral, U.S. Navy after serving over 38 years on active duty including 8 years as Director of the Naval Nuclear Propulsion Program in the Department of the Navy and the U.S. Department of Energy (1996-2004); served as Chief of Naval Personnel (July 1994-September 1996); and on the Joint Staff as Director of Political Military Affairs (June 1992-July 1994); knighted as Honorary Knight Commander of the Most Excellent Order of the British Empire; awarded the Officier de l'Orde National du Mérite by the French Government; elected to the National Academy of Engineering (2009).	98	Director of BP p.l.c.; Director of Naval and Nuclear Technologies LLP; Director of the Armed Services YMCA of the USA and the U.S. Naval Submarine League; Director of the American Shipbuilding Suppliers Association; Member of the National Security Advisory Council of the Center for U.S. Global Engagement and a member of the CNA Military Advisory Board; Chairman of the Charity J Street Cup Golf; Trustee of the Fairhaven United Methodist Church.
Michael Bozic (73) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since April 1994	Private investor and a member of the advisory board of American Road Group LLC (retail) (since June 2000); Chairperson of the Compliance and Insurance Committee (since October 2006); Director or Trustee of various Morgan Stanley Funds (since April 1994); formerly, Chairperson of the Insurance Committee (July 2006-September 2006); Vice Chairman of Kmart Corporation (December 1998-October 2000); Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co.	100	Trustee and member of the Hillsdale College Board of Trustees.
Kathleen A. Dennis (60) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since August 2006	President, Cedarwood Associates (mutual fund and investment management consulting) (since July 2006); Chairperson of the Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).	98	Director of various non-profit organizations.
Dr. Manuel H. Johnson (65) c/o Johnson Smick International, Inc. 220 I Street, NE-Suite 200 Washington, D.C. 20002	Director	Since July 1991	Senior Partner, Johnson Smick International, Inc. (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since July 1991); Co-Chairman and a founder of the Group of Seven Council (G7C) (international economic commission); formerly, Chairperson of the Audit Committee (July 1991-September 2006); Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	101	Director of NVR, Inc. (home construction).
Joseph J. Kearns (71) c/o Kearns & Associates LLC PMB754 22631 Pacific Coast Highway Malibu, CA 90265	Director	Since August 1994	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 1994); formerly, Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of various Morgan Stanley Funds (since August 1994); CFO of the J. Paul Getty Trust.	101	Director of Electro Rent Corporation (equipment leasing) and The Ford Family Foundation.

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

Independent Director (cont'd):

Name, Age and Address of Independent Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Michael F. Klein (55) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since August 2006	Managing Director, Aetos Capital, LLC (since March 2000); Co-President, Aetos Alternatives Management, LLC (since January 2004) and Co-Chief Executive Officer of Aetos Capital LLC (since August 2013); Chairperson of the Fixed Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, various Morgan Stanley Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999).	98	Director of certain investment funds managed or sponsored by Aetos Capital, LLC. Director of Sanitized AG and Sanitized Marketing AG (specialty chemicals).
Michael E. Nugent (77) 522 Fifth Avenue New York, NY 10036	Chairperson of the Board and Director	Chairperson of the Boards since July 2006 and Director since July 1991	Chairperson of the Boards of various Morgan Stanley Funds (since July 2006); Chairperson of the Closed-End Fund Committee (since June 2012) and Director or Trustee of various Morgan Stanley Funds (since July 1991); formerly, Chairperson of the Insurance Committee (until July 2006); General Partner, Triumph Capital, L.P. (private investment partnership) (1988-2013).	100	None.
W. Allen Reed (66) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director	Since August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 2006); formerly, President and CEO of General Motors Asset Management; Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).	98	Director of Temple-Inland Industries (packaging and forest products); Director of Legg Mason, Inc. and Director of the Auburn University Foundation.
Fergus Reid (81) c/o Joe Pietryka, Inc. 85 Charles Colman Blvd. Pawling, NY 12564	Director	Since June 1992	Chairman, Joe Pietryka, Inc.; Chairperson of the Governance Committee and Director or Trustee of various Morgan Stanley Funds (since June 1992).	101	Through December 31, 2012, Trustee and Director of certain Investment companies in the JPMorgan Fund Complex.

Interested Director:

Name, Age and Address of Interested Director	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Interested Director**	Other Directorships Held by Interested Director***
James F. Higgins (66) One New York Plaza New York, NY 10004	Director	Since June 2000	Director or Trustee of various Morgan Stanley Funds (since June 2000); Senior Advisor of Morgan Stanley (since August 2000).	99	Formerly, Director of AXA Financial, Inc. and AXA Equitable Life Insurance Company (2002-2011) and Director of AXA MONY Life Insurance Company and AXA MONY Life Insurance Company of America (2004-2011).

* Each Director serves an indefinite term, until his or her successor is elected.

** The Fund Complex includes (as of December 31, 2013) all open-end and closed-end funds (including all of their portfolios) advised by Morgan Stanley Investment Management Inc. (the "Adviser") and any funds that have an adviser that is an affiliated person of the Adviser (including, but not limited to, Morgan Stanley AIP GP LP).

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

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

Executive Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years
John H. Gernon (50) 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer — Equity, Fixed Income and AIP Funds	Since September 2013	President and Principal Executive Officer of the Equity and Fixed Income Funds and the Morgan Stanley AIP Funds (since September 2013) in the Fund Complex. Managing Director of the Adviser.
Stefanie V. Chang Yu (47) 522 Fifth Avenue New York, NY 10036	Chief Compliance Officer	Since January 2014	Managing Director of the Adviser and various entities affiliated with the Adviser; Chief Compliance Officer of various Morgan Stanley Funds and the Adviser (since January 2014). Formerly, Vice President of various Morgan Stanley Funds (December 1997-January 2014)
Joseph C. Benedetti (48) 522 Fifth Avenue New York, NY 10036	Vice President	Since January 2014	Managing Director of the Adviser and various entities affiliated with the Adviser; Vice President of various Morgan Stanley Funds (since January 2014). Formerly, Assistant Secretary of various Morgan Stanley Funds (October 2004-January 2014).
Francis J. Smith (48) 522 Fifth Avenue New York, NY 10036	Treasurer and Principal Financial Officer	Treasurer since July 2003 and Principal Financial Officer since September 2002	Executive Director of the Adviser and various entities affiliated with the Adviser; Treasurer and Principal Financial Officer of various Morgan Stanley Funds (since July 2003).
Mary E. Mullin (46) 522 Fifth Avenue New York, NY 10036	Secretary	Since June 1999	Executive Director of the Adviser and various entities affiliated with the Adviser; Secretary of various Morgan Stanley Funds (since June 1999).

* Each officer serves an indefinite term, until his or her successor is elected.

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

Sub-Advisers
Morgan Stanley Investment Management Limited
25 Cabot Square, Canary Wharf
London, E14 4QA, England

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

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

Dividend Disbursing and Transfer Agent
Boston Financial Data Services, Inc.
2000 Crown Colony Drive
Quincy, Massachusetts 02169

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

Legal Counsel
Dechert LLP
1095 Avenue of the Americas
New York, New York 10036

Counsel to the Independent Directors
Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036

Independent Registered Public Accounting Firm
Ernst & Young LLP
200 Clarendon Street
Boston, Massachusetts 02116

Reporting to Shareholders

Each Morgan Stanley fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the fund's second and fourth fiscal quarters by filing the schedule electronically with the Securities and Exchange Commission (SEC). The semi-annual reports are filed on Form N-CSRS and the annual reports are filed on Form N-CSR. 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. Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to shareholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, www.sec.gov. You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC toll free at 1 (800) SEC-0330. 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) or by writing the Public Reference Room of the SEC, Washington, DC 20549-0102.

Proxy Voting Policies and Procedures and Proxy Voting Record

You may obtain a copy of the Fund's Proxy Voting Policy and Procedures and information regarding how the Fund 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. 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 Portfolio. For more detailed information about the Portfolio, its fees and expenses and other pertinent information, please read its Prospectus. The Fund's Statement of Additional Information contains additional information about the Portfolio, 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 Portfolio unless preceded or accompanied by an effective Prospectus. Read the Prospectus carefully before investing.

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