Liberty Life's
Spectrum Select® and Spectrum Select Plus®
Variable Life Insurance

Semiannual Report

June 30, 2012

A spectrum of choices...a lifetime of protection®
Liberty Life Assurance Company of Boston

Liberty Mutual. INSURANCE

This report may be used with the public only when preceded or accompanied by a current prospectus for Liberty Life's Spectrum Select or Spectrum Select Plus. The prospectuses contain complete information concerning charges and expenses and should be read carefully before you invest or send money.

Liberty Life Assurance Company of Boston

Liberty Mutual.
INSURANCE

Dear Policyholder,

This Semiannual Report represents the investment performance of the portfolios invested in by the sub-accounts available with Liberty Life's Spectrum Select® and Spectrum Select Plus® variable life insurance contracts.

All of us at Liberty Life thank you for your business.

Sincerely,

Elaine Dansereau

Elaine Dansereau
Liberty Life Assurance Company of Boston
Director – Policyholder Services
100 Liberty Way
Dover, NH 03820

Invesco

Invesco Van Kampen V.I. American Franchise Fund

Effective April 30, 2012, Invesco Van Kampen V.I. Capital Growth Fund was renamed Invesco Van Kampen V.I. American Franchise Fund.

Semiannual Report to Shareholders ▪ June 30, 2012

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2012, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VK-VIAMFR-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/11 to 6/30/12, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	8.56%
Series II Shares	8.39
S&P 500 Index▼ (Broad Market Index)	9.49
Russell 1000 Growth Index▼ (Style-Specific Index)	10.08
Lipper VUF Large-Cap Growth Funds Index▼ (Peer Group Index)	10.02

Source(s): ▼Lipper Inc.

The **S&P 500® Index** is an unmanaged index considered representative of the US stock market.

The **Russell 1000® Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Growth Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

The **Lipper VUF Large-Cap Growth Funds Index** is an unmanaged index considered representative of large-cap growth variable insurance underlying funds tracked by Lipper.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Average Annual Total Returns
As of 6/30/12

Series I Shares	
Inception (7/3/95)	7.68%
10 Years	4.23
5 Years	2.26
1 Year	-3.96
Series II Shares	
Inception (9/18/00)	-3.74%
10 Years	3.97
5 Years	2.01
1 Year	-4.23

Effective June 1, 2010, Class I and Class II shares of the predecessor fund, Van Kampen Life Investment Trust Capital Growth Portfolio, advised by Van Kampen Asset Management were reorganized into Series I and Series II shares, respectively, of Invesco Van Kampen V.I. Capital Growth Fund. Returns shown above for Series I and Series II shares are blended returns of the predecessor fund and Invesco Van Kampen V.I. Capital Growth Fund (renamed Invesco Van Kampen V.I. American Franchise Fund on April 30, 2012). Share class returns will differ from the predecessor fund because of different expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.90% and 1.15%, respectively.[1] The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.95% and 1.20%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco Van Kampen V.I. American Franchise Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

1 Total annual Fund operating expenses after any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least June 30, 2014. See current prospectus for more information.

Schedule of Investments[a]

June 30, 2012
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests–99.17%		
Aerospace & Defense–2.12%		
Boeing Co. (The)	115,623	$ 8,590,789
Precision Castparts Corp.	44,197	7,269,964
		15,860,753
Air Freight & Logistics–0.70%		
Expeditors International of Washington, Inc.	135,677	5,257,484
Apparel Retail–1.15%		
Gap, Inc. (The)	316,398	8,656,649
Apparel, Accessories & Luxury Goods–1.01%		
Prada S.p.A. (Italy)[b]	77,400	526,010
Prada S.p.A. (Italy)	1,037,200	7,048,799
		7,574,809
Application Software–1.16%		
Autodesk, Inc.[c]	60,914	2,131,381
Citrix Systems, Inc.[c]	46,945	3,940,563
Salesforce.com, Inc.[c]	18,954	2,620,580
		8,692,524
Biotechnology–2.35%		
Celgene Corp.[c]	82,162	5,271,514
Gilead Sciences, Inc.[c]	240,741	12,345,198
		17,616,712
Broadcasting–1.13%		
CBS Corp.–Class B	258,090	8,460,190
Cable & Satellite–3.66%		
Comcast Corp.–Class A	242,332	7,747,354
DIRECTV–Class A[c]	310,065	15,137,373
DISH Network Corp.–Class A	159,874	4,564,403
		27,449,130
Casinos & Gaming–1.86%		
Las Vegas Sands Corp.	321,002	13,960,377
Communications Equipment–3.39%		
Cisco Systems, Inc.	410,042	7,040,421
QUALCOMM, Inc.	329,910	18,369,389
		25,409,810
Computer Hardware–10.24%		
Apple Inc.	131,468	76,777,312
Computer Storage & Peripherals–4.16%		
EMC Corp.[c]	1,218,067	31,219,057
Construction & Engineering–0.96%		
Foster Wheeler AG (Switzerland)[c]	413,250	$ 7,161,623
Construction & Farm Machinery & Heavy Trucks–1.58%		
Cummins Inc.	122,531	11,874,479
Data Processing & Outsourced Services–1.91%		
Visa Inc.–Class A	115,933	14,332,797
Department Stores–1.32%		
Macy's, Inc.	288,200	9,899,670
Diversified Banks–2.37%		
Wells Fargo & Co.	531,771	17,782,422
Diversified Chemicals–1.25%		
Dow Chemical Co. (The)	297,515	9,371,723
Diversified Metals & Mining–0.11%		
Freeport-McMoRan Copper & Gold Inc.	23,108	787,290
Drug Retail–1.27%		
CVS Caremark Corp.	203,714	9,519,555
Fertilizers & Agricultural Chemicals–1.20%		
Monsanto Co.	109,059	9,027,904
General Merchandise Stores–1.08%		
Dollar General Corp.[c]	148,475	8,075,555
Health Care Equipment–0.73%		
Intuitive Surgical, Inc.[c]	9,854	5,457,047
Health Care Services–1.15%		
Express Scripts Holding Co.[c]	154,351	8,617,416
Health Care Technology–0.80%		
Cerner Corp.[c]	72,271	5,973,921
Heavy Electrical Equipment–0.51%		
ABB Ltd.–ADR (Switzerland)[c]	235,782	3,847,962
Home Improvement Retail–0.74%		
Home Depot, Inc. (The)	105,265	5,577,992
Hotels, Resorts & Cruise Lines–0.89%		
Starwood Hotels & Resorts Worldwide, Inc.	125,841	6,674,607
Industrial Conglomerates–3.81%		
Danaher Corp.	252,660	13,158,533
General Electric Co.	737,831	15,376,398
		28,534,931

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Industrial Machinery–1.03%		
Ingersoll-Rand PLC	183,625	$ 7,745,303
Integrated Oil & Gas–2.48%		
Occidental Petroleum Corp.	216,669	18,583,700
Internet Retail–3.32%		
Amazon.com, Inc.[(c)]	55,742	12,728,686
Priceline.com Inc.[(c)]	18,321	12,174,671
		24,903,357
Internet Software & Services–5.76%		
Baidu, Inc.–ADR (China)[(c)]	76,723	8,821,611
eBay Inc.[(c)]	167,391	7,032,096
Facebook Inc.–Class A[(c)]	85,126	2,649,121
Facebook Inc.–Class B (Acquired 04/04/12-04/05/12; Cost $6,622,183)[(b)(c)]	199,118	5,267,069
Google Inc.–Class A[(c)]	33,536	19,453,227
		43,223,124
Investment Banking & Brokerage–1.05%		
Goldman Sachs Group, Inc. (The)	81,912	7,852,084
IT Consulting & Other Services–2.46%		
Cognizant Technology Solutions Corp.–Class A[(c)]	306,962	18,417,720
Life Sciences Tools & Services–1.66%		
Agilent Technologies, Inc.	318,113	12,482,754
Managed Health Care–1.15%		
UnitedHealth Group Inc.	147,618	8,635,653
Movies & Entertainment–0.72%		
Walt Disney Co. (The)	111,765	5,420,603
Oil & Gas Equipment & Services–3.27%		
Cameron International Corp.[(c)]	134,465	5,743,000
Halliburton Co.	65,848	1,869,425
Weatherford International Ltd.[(c)]	1,341,307	16,940,707
		24,553,132
Other Diversified Financial Services–1.25%		
JPMorgan Chase & Co.	262,126	9,365,762
Packaged Foods & Meats–0.34%		
Mead Johnson Nutrition Co.	31,760	2,556,998
Pharmaceuticals–4.03%		
Abbott Laboratories	175,705	11,327,701
Allergan, Inc.	204,084	18,892,056
		30,219,757
Property & Casualty Insurance–0.55%		
ACE Ltd. (Switzerland)	55,482	$ 4,112,881
Railroads–1.27%		
Union Pacific Corp.	79,839	9,525,591
Restaurants–1.79%		
Starbucks Corp.	252,429	13,459,514
Semiconductors–1.81%		
Broadcom Corp.–Class A[(c)]	229,133	7,744,695
Texas Instruments Inc.	114,275	3,278,550
Xilinx, Inc.	76,181	2,557,396
		13,580,641
Soft Drinks–3.36%		
Coca-Cola Co. (The)	115,124	9,001,546
Monster Beverage Corp.[(c)]	86,112	6,131,174
PepsiCo, Inc.	142,340	10,057,744
		25,190,464
Specialized REIT's–1.27%		
American Tower Corp.	136,131	9,516,918
Systems Software–3.89%		
Check Point Software Technologies Ltd. (Israel)[(c)]	220,946	10,956,712
Microsoft Corp.	495,366	15,153,246
Rovi Corp.[(c)]	157,701	3,094,094
		29,204,052
Trucking–1.08%		
J.B. Hunt Transport Services, Inc.	135,278	8,062,569
Wireless Telecommunication Services–1.02%		
Sprint Nextel Corp.[(c)]	2,357,121	7,684,215
Total Common Stocks & Other Equity Interests (Cost $616,465,440)		743,748,493
Money Market Funds–1.09%		
Liquid Assets Portfolio–Institutional Class[(d)]	4,107,834	4,107,834
Premier Portfolio–Institutional Class[(d)]	4,107,835	4,107,835
Total Money Market Funds (Cost $8,215,669)		8,215,669
TOTAL INVESTMENTS–100.26% (Cost $624,681,109)		751,964,162
OTHER ASSETS LESS LIABILITIES–(0.26)%		(1,972,061)
NET ASSETS–100.00%		$749,992,101

Investment Abbreviations:

ADR – American Depositary Receipt
REIT – Real Estate Investment Trust

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Notes to Schedule of Investments:

[a] Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

[b] Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at June 30, 2012 was $5,793,079, which represented less than 1% of the Fund's Net Assets.

[c] Non-income producing security.

[d] The money market fund and the Fund are affiliated by having the same investment adviser.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2012

Information Technology	34.8%
Consumer Discretionary	18.7
Industrials	13.0
Health Care	11.9
Financials	6.5
Energy	5.7
Consumer Staples	5.0
Materials	2.6
Telecommunication Services	1.0
Money Market Funds Plus Other Assets Less Liabilities	0.8

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2012
(Unaudited)

Assets:	
Investments, at value (Cost $616,465,440)	$743,748,493
Investments in affiliated money market funds, at value and cost	8,215,669
Total investments, at value (Cost $624,681,109)	751,964,162
Receivable for:	
Investments sold	18,808,199
Fund shares sold	469,424
Dividends	783,682
Investment for trustee deferred compensation and retirement plans	208,236
Other assets	386
Total assets	772,234,089
Liabilities:	
Payable for:	
Investments purchased	19,906,457
Fund shares reacquired	1,236,542
Accrued fees to affiliates	537,277
Accrued other operating expenses	163,069
Trustee deferred compensation and retirement plans	398,643
Total liabilities	22,241,988
Net assets applicable to shares outstanding	$749,992,101
Net assets consist of:	
Shares of beneficial interest	$647,369,098
Undistributed net investment income	669,017
Undistributed net realized gain (loss)	(25,330,541)
Unrealized appreciation	127,284,527
	$749,992,101
Net Assets:	
Series I	$517,996,235
Series II	$231,995,866
Shares outstanding, $0.01 par value per share, with an unlimited number of shares authorized:	
Series I	14,957,921
Series II	6,828,016
Series I:	
Net asset value per share	$ 34.63
Series II:	
Net asset value per share	$ 33.98

Statement of Operations

For the six months ended June 30, 2012
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $1,772)	$ 2,576,648
Dividends from affiliated money market funds (includes securities lending income of $624)	5,376
Total investment income	2,582,024
Expenses:	
Advisory fees	1,376,592
Administrative services fees	505,285
Custodian fees	10,291
Distribution fees — Series II	174,735
Transfer agent fees	26,189
Trustees' and officers' fees and benefits	19,154
Other	45,546
Total expenses	2,157,792
Less: Fees waived	(300,085)
Net expenses	1,857,707
Net investment income	724,317
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities (includes net gains from securities sold to affiliates of $76,374)	2,914,143
Foreign currencies	999
	2,915,142
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(28,622,570)
Foreign currencies	(431)
	(28,623,001)
Net realized and unrealized gain (loss)	(25,707,859)
Net increase (decrease) in net assets resulting from operations	$(24,983,542)

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2012 and the year ended December 31, 2011
(Unaudited)

	June 30, 2012	December 31, 2011
Operations:		
Net investment income (loss)	$ 724,317	$ (583,465)
Net realized gain	2,915,142	13,210,743
Change in net unrealized appreciation (depreciation)	(28,623,001)	(34,132,830)
Net increase (decrease) in net assets resulting from operations	(24,983,542)	(21,505,552)
Share transactions–net:		
Series I	416,248,880	64,098,694
Series II	150,016,739	(18,673,081)
Net increase in net assets resulting from share transactions	566,265,619	45,425,613
Net increase in net assets	541,282,077	23,920,061
Net assets:		
Beginning of period	208,710,024	184,789,963
End of period (includes undistributed net investment income (loss) of $669,017 and $(55,300), respectively)	$749,992,101	$208,710,024

Notes to Financial Statements

June 30, 2012
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco Van Kampen V.I. American Franchise Fund, formerly Invesco Van Kampen V.I. Capital Growth Fund, (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-five separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is to seek capital growth.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Securities Lending — The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. It is the Fund's policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. Upon the failure of the borrower to return the securities, collateral may be liquidated and the securities may be purchased on the open market to replace the loaned securities. The Fund could experience delays and costs in gaining access to the collateral. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, is included in *Dividends from affiliated money market funds* on the Statement of Operations. The aggregate value of securities out on loan is shown as a footnote on the Statement of Assets and Liabilities, if any.

J. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

K. Foreign Currency Contracts — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Daily Net Assets	Rate
First $250 million	0.695%
Next $250 million	0.67%
Next $500 million	0.645%
Next $500 million	0.62%
Next $3.45 billion	0.60%
Next $250 million	0.595%
Next $2.25 billion	0.57%
Next $2.5 billion	0.545%
Over $10 billion	0.52%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide(s) discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective July 1, 2012, the Adviser has contractually agreed, through at least June 30, 2014, to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 0.90% and Series II shares to 1.15% of average daily net assets. Prior to July 1, 2012, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual operating fund expenses after fee waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 0.84% and Series II shares to 1.09% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 30, 2014. To the extent that the annualized expense ratio does not exceed the expense limitation, the Adviser will retain its ability to be reimbursed for such fee waivers or reimbursements prior to the end of each fiscal year.

Further, the Adviser has contractually agreed, through at least June 30, 2013, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the six months ended June 30, 2012, the Adviser waived advisory fees of $300,085.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2012, Invesco was paid $51,162 for accounting and fund administrative services and reimbursed $454,123 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 2012, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the six months ended June 30, 2012, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of June 30, 2012. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Equity Securities	$739,122,284	$12,841,878	$—	$751,964,162

NOTE 4—Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the six months ended June 30, 2012, the Fund engaged in securities purchases of $534,154 and securities sales of $626,133, which resulted in net realized gains of $76,374.

NOTE 5—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

NOTE 6—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption A*mount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 7—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$ 7,871,502	$—	$ 7,871,502
December 31, 2017	5,236,281	—	5,236,281
December 31, 2018	13,944,388	—	13,944,388
	$27,052,171	$—	$27,052,171

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Service. To the extent that unrealized gains as of May 2, 2011, the date of the reorganization of Invesco V.I. Large Cap Growth Fund and April 30, 2012, the date of the reorganizations of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund into the Fund are realized on securities held in each fund at such date of reorganizations, the capital loss carryforward may be further limited for up to five years from the date of the reorganizations.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2012 was $687,499,448 and $253,413,956, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$153,533,754
Aggregate unrealized (depreciation) of investment securities	(27,444,213)
Net unrealized appreciation of investment securities	$126,089,541

Cost of investments for tax purposes is $625,874,621.

NOTE 9—Share Information

Summary of Share Activity

	Six months ended June 30, 2012[a]		Year ended December 31, 2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	649,629	$ 23,743,115	148,444	$ 4,995,733
Series II	182,874	6,350,357	311,666	10,470,974
Issued in connection with acquisitions:[b][c]				
Series I	11,970,981	445,461,917	2,764,202	102,182,035
Series II	4,415,803	161,335,668	17,638	641,933
Reacquired:				
Series I	(1,518,088)	(52,956,152)	(1,259,447)	(43,079,074)
Series II	(505,466)	(17,669,286)	(876,910)	(29,785,988)
Net increase in share activity	15,195,733	$566,265,619	1,105,593	$ 45,425,613

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 21% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) As of the open of business on April 30, 2012, the Fund acquired all the net assets of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund (the "Target Funds") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 30, 2011 and by the shareholders of the Target Fund on April 2, 2012. The acquisition was accomplished by a tax-free exchange of 16,386,784 shares of the Fund for 23,847,677 shares outstanding of Invesco V.I. Capital Appreciation Fund and 2,145,577 shares outstanding of Invesco V.I. Leisure Fund as of the close of business on April 27, 2012. Each class of the Target Funds were exchanged for the like class of shares of the Fund, based on the relative net asset value of the Target Funds to the net asset value of the Fund on the close of business, April 27, 2012. Invesco V.I. Capital Appreciation Fund's net assets as of the close of business on April 27, 2012 of $586,894,436, including $120,477,190 of unrealized appreciation and Invesco V.I. Leisure Fund's net assets as of the close of business on April 27, 2012 of $19,903,149, including $5,495,250 of unrealized appreciation, were combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $226,713,532. The net assets immediately after the acquisition were $833,511,117.

The pro forma results of operations for the six months ended June 30, 2012 assuming the reorganization had been completed on January 1, 2012, the beginning of the annual reporting period are as follows:

Net investment income	$ 430,496
Net realized/unrealized gains	59,663,116
Change in net assets resulting from operations	$60,093,612

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Fund that have been included in the Fund's Statement of Operations since April 30, 2012.

(c) As of the open of business on May 2, 2011, the Fund acquired all the net assets of Invesco V.I. Large Cap Growth Fund (the "Target Fund") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 10, 2010 and by the shareholders of the Target Fund on April 1, 2011. The acquisition was accomplished by a tax-free exchange of 2,781,840 shares of the Fund for 6,596,443 shares outstanding of the Target Fund as of the close of business on April 29, 2011. Each class of the Target Fund was exchanged for the like class of shares of the Fund based on the relative net asset value of the Target Fund to the net asset value of the Fund on the close of business, April 29, 2011. The Target Fund's net assets at that date of $102,823,968, including $19,535,310 of unrealized appreciation, were combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $188,601,217. The net assets of the Fund immediately after the acquisition were $291,425,185.

The pro forma results of operations for the year ended December 31, 2011 assuming the reorganization had been completed on January 1, 2011, the beginning of the annual reporting period are as follows:

Net investment income (loss)	$ (731,640)
Net realized/unrealized gains (losses)	(13,447,533)
Change in net assets resulting from operations	$(14,179,173)

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Fund that have been included in the Fund's Statement of Operations since May 2, 2011.

NOTE 10—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income (loss)[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Return of capital distributions	Total distributions	Net asset value, end of period	Total return	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income (loss) to average net assets	Portfolio turnover[b]
Series I[c]														
Six months ended 06/30/12	$31.90	$ 0.08	$ 2.65	$ 2.73	$ —	$ —	$ —	$34.63	8.56%[d]	$517,996	0.84%[e]	0.99%[e]	0.45%[e]	104%
Year ended 12/31/11	34.00	(0.05)	(2.05)	(2.10)	—	—	—	31.90	(6.18)[d]	122,986	0.84	0.99	(0.15)	126
Year ended 12/31/10	28.37	0.03	5.60	5.63	—	—	—	34.00	19.84[d]	74,870	0.79	0.90	0.12	158
Year ended 12/31/09	17.10	0.04	11.26	11.30	(0.03)	(0.00)[f]	(0.03)	28.37	66.07	74,214	0.84	0.84	0.17	13
Year ended 12/31/08	33.68	(0.01)	(16.43)	(16.44)	(0.14)	—	(0.14)	17.10	(48.99)	48,599	0.85	0.87	(0.04)	42
Year ended 12/31/07	28.81	0.11	4.77	4.88	(0.01)	—	(0.01)	33.68	16.96	143,558	0.80	0.80	0.35	177
Series II[c]														
Six months ended 06/30/12	31.35	0.03	2.60	2.63	—	—	—	33.98	8.39[d]	231,996	1.09[e]	1.24[e]	0.20[e]	104
Year ended 12/31/11	33.49	(0.14)	(2.00)	(2.14)	—	—	—	31.35	(6.39)[d]	85,724	1.09	1.24	(0.40)	126
Year ended 12/31/10	28.01	(0.05)	5.53	5.48	—	—	—	33.49	19.56[d]	109,920	1.04	1.15	(0.18)	158
Year ended 12/31/09	16.91	(0.02)	11.12	11.10	—	—	—	28.01	65.64[g]	112,533	1.09	1.09	(0.07)	13
Year ended 12/31/08	33.29	(0.08)	(16.25)	(16.33)	(0.05)	—	(0.05)	16.91	(49.11)[g]	69,198	1.10	1.12	(0.29)	42
Year ended 12/31/07	28.54	0.03	4.72	4.75	—	—	—	33.29	16.64[g]	261,198	1.05	1.05	0.11	177

(a) Calculated using average shares outstanding.

(b) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ended June 30, 2012, the portfolio turnover calculation excludes the value of securities purchased of $14,357,093 and sold of $12,843,484 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund into the Fund. For the year ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $81,993,574 and sold of $49,870,241 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco V.I. Large Cap Growth Fund into the Fund.

(c) On June 1, 2010, the predecessor Fund's former Class I and Class II shares were reorganized into Series I and Series II shares.

(d) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

(e) Ratios are annualized and based on average daily net assets (000's) of $263,297 and $140,556 for Series I and Series II, respectively.

(f) Amount is less than $0.01 per share.

(g) These returns include combined Rule 12b-1 fees and service fees of up to 0.25%.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); 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 ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

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 also 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. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	**Beginning Account Value (01/01/12)**	**Ending Account Value (06/30/12)[1]**	**Expenses Paid During Period[2,4]**	**Ending Account Value (06/30/12)**	**Expenses Paid During Period[2,5]**	**Annualized Expense Ratio[3]**
Series I	$1,000.00	$1,085.60	$4.36	$1,020.69	$4.22	0.84%
Series II	1,000.00	1,083.90	5.65	1,019.44	5.47	1.09

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2012 through June 30, 2012, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 182/366 to reflect the most recent fiscal half year.

[3] Effective July 1, 2012, the Adviser had contractually agreed through June 30, 2014 to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expense of Series I and Series II shares to 0.90% and 1.15% of average daily net assets, respectively. The annualized expense ratios restated as if these agreements had not been in effect throughout the entire most recent fiscal half year are 0.90% and 1.15% for Series I and Series II shares, respectively.

[4] The actual expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $4.67 and $5.96 for Series I and Series II shares, respectively.

[5] The hypothetical expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $4.52 and $5.77 for Series I and Series II shares, respectively.

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco Van Kampen V.I. American Franchise Fund (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 19-20, 2012, the Board as a whole, and the disinterested or "independent" Trustees, who comprise 80% of the Board, voting separately, approved the continuance of the Fund's investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2012. In doing so, the Board considered the process that it follows in reviewing and approving the Fund's investment advisory agreement and sub-advisory contracts and the information that it is provided. The Board determined that the Fund's investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees, each of which is primarily responsible for overseeing the management of a number of the series portfolios of the funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies, limitations and investment risks of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to their assigned Invesco Funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether and on what terms to approve the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and an independent company, Lipper Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The Senior Officer's evaluation is prepared as part of his responsibility to manage the process by which the Invesco Funds' proposed management fees are negotiated during the annual contract renewal process to ensure they are negotiated in a manner that is at arms' length and reasonable. The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the Senior Officer and by independent legal counsel. In addition to meetings with Invesco Advisers and fund counsel, the independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and independent legal counsel.

In evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Trustees also considered information provided in connection with fund reorganizations approved by the Trustees. The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees previously approved by a different board that, at the time, was responsible for overseeing Morgan Stanley and Van Kampen funds, which have become Invesco Funds following the acquisition of the retail mutual fund business of Morgan Stanley. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these same arrangements throughout the year and in prior years. One Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 20, 2012, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

A. Nature, Extent and Quality of Services Provided by Invesco Advisers and the Affiliated Sub-Advisers

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' performance and investment process oversight, independent credit analysis and investment risk management.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board's knowledge of Invesco Advisers' operations, and concluded that it is beneficial to maintain the current relationship, in part because of such prior relationship and knowledge. The Board also considered services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board noted that the Affiliated Sub-Advisers have offices and personnel that are located in financial centers around the world. As a result, the Affiliated Sub-Advisers can provide research and investment analysis on the markets and economies of various countries in which the Fund invests and make recommendations on securities of companies located in such countries. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and consistent with the terms of the Fund's sub-advisory contracts.

B. Fund Performance

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement. The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory contracts for the Fund, as no Affiliated Sub-Adviser currently manages assets of the Fund.

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds – Large-Cap Growth Funds Index. The Board noted that performance of Series I shares of the Fund was in the fifth quintile of the performance universe for the one year period and the first quintile for the three and five year periods (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was below the performance of the Index for the one year period and above the performance of the Index for the three and five year periods. Invesco Advisers presented an analysis to the Board that included an explanation of reasons for differences in performance relative to that of the universe and index, including differences between the Fund's investment strategies and those of peers. The Board discussed actions that Invesco Advisers had taken or was taking to address performance issues and Invesco Adviser's resources and responsiveness to performance concerns. These explanations provided a sound basis for understanding comparative performance and monitoring and addressing it going forward, and were part of the Board's overall conclusion about the nature, extent and quality of the services provided by Invesco Advisers. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees and Fee Waivers

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual advisory fee rate for Series I shares of the Fund was below the median contractual advisory fee rate of funds in the expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

The Board also compared the Fund's effective fee rate (the advisory fee after advisory fee waivers and before expense limitations/waivers) to the advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates with investment strategies comparable to those of the Fund. The Board noted that the Fund's rate was above the rate of the other mutual fund advised by Invesco Advisers with comparable investment strategies. The Board also noted that Invesco Advisers sub-advises two other mutual funds with investment strategies comparable to those of the Fund and that the sub-advisory rate was below the effective fee fate of the Fund.

Other than the mutual funds described above, the Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not manage other mutual funds or client accounts in a manner substantially similar to the management of the Fund.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least June 30, 2014 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

Based upon the information and considerations described above, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

D. Economies of Scale and Breakpoints

The Board considered the extent to which there are economies of scale in the provision of advisory services to the Fund. The Board also considered whether the Fund benefits from economies of scale through contractual breakpoints in the Fund's advisory fee schedule and were assisted in their review by a report from the Senior Officer. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of the Invesco Funds and other clients advised by Invesco Advisers. The Board noted that Invesco Advisers proposes sharing economies of scale in administration expenses by lowering per class administrative fees.

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2011. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that although Invesco Advisers received a minimal amount of revenues from advising the Fund, Invesco Advisers and its subsidiaries did not make a profit from managing the Fund as a result of fee and expense waivers. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

The Board considered various other benefits received by Invesco Advisers and its affiliates from the relationship with the Fund, including the fees received for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Advisers and its affiliates in providing these services and the organizational structure employed to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts that are reviewed and approved on an annual basis by the Board; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. The Board noted that soft dollar arrangements shift the payment obligation for research services from Invesco Advisers and the Affiliated Sub-Advisers to the Invesco Funds and therefore may reduce Invesco Advisers' and the Affiliated Sub-Advisers' expenses. The Board also considered periodic reports from the Chief Compliance Officer of the Invesco Funds demonstrating that these arrangements are consistent with regulatory requirements. The Board did not deem the soft dollar arrangements to be inappropriate.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

The Board also considered use of an affiliated broker to execute certain trades for the Fund and that such trades are executed in compliance with rules under the Investment Company Act of 1940, as amended.

Invesco V.I. Government Securities Fund

Semiannual Report to Shareholders ▪ June 30, 2012

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2012, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VIGOV-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/11 to 6/30/12, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	1.84%
Series II Shares	1.69
Barclays U.S. Aggregate Index▼ (Broad Market Index)	2.37
Barclays U.S. Government Bond Index▼ (Style-Specific Index)	1.48
Lipper VUF General U.S. Government Funds Index▼ (Peer Group Index)	2.57

Source(s): ▼Lipper Inc.

The **Barclays U.S. Aggregate Index** is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market.

The **Barclays U.S. Government Bond Index** is an unmanaged index considered representative of fixed income obligations issued by the US Treasury, government agencies and quasi-federal corporations.

The **Lipper VUF General U.S. Government Funds Index** is an unmanaged index considered representative of general US government variable insurance underlying funds tracked by Lipper.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.70% and 0.95%, respectively.[1] The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.75% and 1.00%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. Government Securities Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

1 Total annual Fund operating expenses after any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least April 30, 2013. See current prospectus for more information.

Average Annual Total Returns

As of 6/30/12

Series I Shares	
Inception (5/5/93)	5.17%
10 Years	4.80
5 Years	6.45
1 Year	7.80
Series II Shares	
Inception (9/19/01)	4.54%
10 Years	4.53
5 Years	6.16
1 Year	7.51

Schedule of Investments

June 30, 2012
(Unaudited)

	Principal Amount	Value
U.S. Government Sponsored Mortgage-Backed Securities–68.28%		
Collateralized Mortgage Obligations–38.52%		
Fannie Mae REMICs,		
4.00%, 07/25/18 to 07/25/40	$17,070,931	$ 18,099,393
4.50%, 07/25/19 to 07/25/27	8,955,023	9,255,999
5.00%, 08/25/19 to 09/25/37	24,651,527	25,841,136
4.25%, 12/25/19 to 02/25/37	13,138,997	13,931,597
3.00%, 07/25/22 to 09/25/36	16,736,798	17,341,884
2.50%, 03/25/26	5,143,722	5,360,611
7.00%, 09/18/27	909,447	1,068,500
6.50%, 01/25/30 to 03/25/32	3,068,996	3,511,365
3.50%, 12/25/31	2,478,324	2,527,751
4.75%, 07/25/33	4,538,989	4,674,549
5.75%, 10/25/35	1,096,619	1,233,855
0.55%, 05/25/36[(a)]	11,816,215	11,838,821
0.75%, 03/25/37 to 05/25/41[(a)]	17,149,736	17,201,717
1.02%, 06/25/37[(a)]	10,182,773	10,315,125
6.58%, 06/25/39[(a)]	9,449,503	11,144,415
0.80%, 02/25/41[(a)]	9,482,138	9,533,629
0.77%, 11/25/41[(a)]	3,521,073	3,535,145
0.65%, 06/25/38	11,966,815	11,991,455
Fannie Mae Whole Loans,		
5.50%, 07/25/34	556,784	561,805
Federal Home Loan Bank,		
5.27%, 12/28/12	8,491,592	8,648,673
5.07%, 10/20/15	1,748,575	1,890,090
5.46%, 11/27/15	25,148,564	27,371,001
5.77%, 03/23/18	4,183,041	4,617,381
Freddie Mac REMICs,		
0.85%, 03/15/13	1,728,369	1,728,708
3.50%, 10/15/16 to 12/15/27	2,261,738	2,312,691
4.38%, 05/15/17	219,515	220,701
4.16%, 07/15/17	335,048	337,554
3.77%, 09/15/17	421,970	426,678
3.84%, 09/15/17	662,248	670,542
4.00%, 12/15/17 to 03/15/38	16,221,132	16,783,640
5.00%, 02/15/18 to 09/15/32	12,531,695	13,219,842
4.50%, 07/15/18 to 10/15/36	10,574,246	10,871,705
3.00%, 10/15/18 to 04/15/26	14,678,391	15,270,472
3.75%, 10/15/18	4,779,164	4,921,840
4.25%, 01/15/19	1,026,280	1,052,661
4.75%, 05/15/23	378,144	379,364
0.64%, 04/15/28 to 06/15/37[(a)]	19,477,380	19,530,316

	Principal Amount	Value
Collateralized Mortgage Obligations–(continued)		
Freddie Mac REMICs, (continued)		
5.50%, 09/15/30 to 02/15/33	$ 79,497	$ 80,052
5.25%, 08/15/32	5,938,187	6,088,979
0.74%, 12/15/35 to 03/15/40[(a)]	12,115,210	12,192,426
0.54%, 03/15/36[(a)]	11,236,082	11,271,665
5.75%, 05/15/36	908,908	950,573
0.59%, 11/15/36[(a)]	12,148,465	12,185,924
1.10%, 11/15/39[(a)]	4,690,581	4,739,342
0.69%, 11/15/41[(a)]	13,999,333	14,057,829
Ginnie Mae REMICs,		
6.00%, 01/16/25	2,441,058	2,754,449
5.00%, 09/16/27 to 08/16/35	3,536,934	3,889,572
4.50%, 01/16/31 to 11/20/34	47,842,540	50,033,468
4.75%, 09/20/32	1,720,626	1,811,325
4.00%, 04/16/33 to 02/20/38	22,597,741	23,548,087
5.76%, 08/20/34[(a)]	3,592,923	4,139,467
5.84%, 01/20/39[(a)]	10,615,377	12,209,499
1.04%, 09/16/39[(a)]	5,096,693	5,195,090
4.51%, 07/20/41[(a)]	2,978,866	3,285,858
		477,656,216
Federal Home Loan Mortgage Corp. (FHLMC)–15.38%		
Pass Through Ctfs.,		
6.50%, 10/01/12 to 12/01/35	10,811,836	12,222,406
6.00%, 09/01/13 to 07/01/38	5,757,292	6,322,110
7.00%, 07/01/14 to 12/01/37	11,042,545	12,872,435
8.00%, 07/01/15 to 09/01/36	10,811,727	13,182,762
5.00%, 07/01/18 to 01/01/40	5,972,557	6,496,974
10.50%, 08/01/19	2,547	2,847
4.50%, 09/01/20 to 08/01/41	26,689,050	29,064,367
8.50%, 09/01/20 to 08/01/31	863,783	1,043,160
10.00%, 03/01/21	51,789	61,313
9.00%, 06/01/21 to 06/01/22	367,844	424,099
7.50%, 09/01/22 to 08/01/36	4,133,990	5,000,841
5.50%, 12/01/22 to 11/01/39	3,053,222	3,334,700
3.50%, 08/01/26	2,683,198	2,869,143
7.05%, 05/20/27	262,338	301,665
6.03%, 10/20/30	1,861,424	2,154,340
Pass Through Ctfs., ARM,		
2.67%, 09/01/35[(a)]	15,623,837	16,753,700
2.82%, 07/01/36[(a)]	11,694,194	12,546,381
2.33%, 10/01/36[(a)]	5,654,353	6,041,610
2.66%, 10/01/36[(a)]	554,691	595,892

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Principal Amount	Value
Federal Home Loan Mortgage Corp. (FHLMC)–(continued)		
Pass Through Ctfs., ARM, (continued)		
5.51%, 11/01/37[a]	$ 4,340,511	$ 4,706,008
5.43%, 01/01/38[a]	309,569	332,848
Pass Through Ctfs., TBA, 3.50%, 08/01/42[b]	16,000,000	16,742,501
4.00%, 08/01/42[b]	35,500,000	37,613,361
		190,685,463
Federal National Mortgage Association (FNMA)–11.08%		
Pass Through Ctfs., 7.50%, 09/01/12 to 08/01/37	13,150,035	15,896,321
6.50%, 05/01/13 to 04/01/38	12,766,535	14,221,561
10.00%, 09/01/13	3,481	3,531
6.00%, 01/01/14 to 10/01/38	11,371,712	12,594,705
7.00%, 01/15/14 to 06/01/36	15,582,010	17,645,726
8.00%, 02/01/14 to 11/01/37	10,578,288	12,760,685
8.50%, 09/01/15 to 08/01/37	4,302,881	5,205,517
5.00%, 11/01/17 to 03/01/40	3,720,633	4,035,623
4.50%, 04/01/19 to 08/01/41	25,004,453	27,402,991
5.50%, 03/01/21 to 05/01/35	6,500,211	7,169,963
6.75%, 07/01/24	948,725	1,081,516
6.95%, 10/01/25	26,774	30,823
Pass Through Ctfs., ARM, 2.33%, 05/01/35[a]	1,058,148	1,123,018
2.49%, 10/01/34[a]	5,156,254	5,516,691
3.21%, 03/01/38[a]	206,409	220,221
Pass Through Ctfs., Balloon, 3.84%, 04/01/18	6,586,086	7,244,669
Pass Through Ctfs., TBA, 3.00%, 08/01/42	2,500,000	2,557,813
4.00%, 08/01/42	2,500,000	2,656,641
		137,368,015
Government National Mortgage Association (GNMA)–3.30%		
Pass Through Ctfs., 6.50%, 11/20/12 to 01/15/37	10,790,490	12,436,997
6.75%, 08/15/13	2,356	2,430
7.50%, 10/15/14 to 10/15/35	5,627,340	6,584,088
11.00%, 10/15/15	1,391	1,401
9.00%, 10/20/16 to 12/20/16	72,473	73,717
7.00%, 04/15/17 to 01/15/37	3,732,630	4,386,771
8.00%, 05/15/17 to 01/15/37	3,234,930	3,877,369
10.50%, 09/15/17 to 11/15/19	2,956	2,978
8.50%, 12/15/17 to 01/15/37	630,095	719,386
10.00%, 06/15/19	24,496	26,886
6.00%, 09/15/20 to 08/15/33	1,662,437	1,875,438
5.00%, 02/15/25	661,011	736,069
6.95%, 08/20/25 to 08/20/27	585,867	685,217

	Principal Amount	Value
Government National Mortgage Association (GNMA)–(continued)		
Pass Through Ctfs., (continued)		
6.38%, 10/20/27 to 04/20/28	$ 600,739	$ 677,499
6.10%, 12/20/33	7,595,092	8,796,430
		40,882,676
Total U.S. Government Sponsored Mortgage-Backed Securities (Cost $824,717,412)		846,592,370
U.S. Government Sponsored Agency Securities–18.58%		
Federal Agricultural Mortgage Corp.–2.90%		
Sec. Gtd. Notes, 5.13%, 04/19/17[c]	14,000,000	16,598,521
Sr. Unsec. Notes, 2.00%, 07/27/16	4,000,000	4,177,012
Unsec. Medium-Term Notes, 1.25%, 12/06/13	8,000,000	8,104,838
0.85%, 08/11/14	7,000,000	7,042,512
		35,922,883
Federal Deposit Insurance Co. (FDIC)–0.08%		
Series 2010-S1, Class 1A, Gtd. Floating Rate Notes, 0.80%, 02/25/48 (Acquired 03/05/10; Cost $990,507)[a][c]	958,446	959,874
Federal Farm Credit Bank (FFCB)–4.83%		
Bonds, 1.13%, 02/27/14	13,000,000	13,167,433
3.00%, 09/22/14	5,000,000	5,287,682
1.63%, 11/19/14	4,800,000	4,935,933
1.50%, 11/16/15	11,000,000	11,328,304
1.05%, 03/28/16	7,000,000	7,090,943
5.43%, 06/07/24	2,885,000	3,757,244
Global Bonds, 1.38%, 06/25/13	10,000,000	10,112,081
Medium-Term Notes, 5.75%, 12/07/28	3,100,000	4,185,172
		59,864,792
Federal Home Loan Bank (FHLB)–4.90%		
Unsec. Bonds, 2.50%, 06/13/14	13,000,000	13,526,983
3.13%, 03/11/16	20,000,000	21,781,027
1.50%, 10/12/17	4,800,000	4,896,509
4.50%, 09/13/19	5,000,000	6,018,140
3.38%, 06/12/20	6,220,000	6,964,236
Series 1, Unsec. Global Bonds, 1.00%, 06/21/17	7,500,000	7,535,547
		60,722,442
Federal Home Loan Mortgage Corp. (FHLMC)–2.20%		
Global Notes, 0.50%, 04/17/15	5,000,000	5,005,283
1.00%, 03/08/17	6,500,000	6,535,700
Unsec. Global Notes, 1.00%, 06/29/17	6,800,000	6,819,077
Series 1, Unsec. Global Notes, 1.00%, 07/28/17	8,950,000	8,966,378
		27,326,438

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Principal Amount	Value
Federal National Mortgage Association (FNMA)–1.38%		
Unsec. Global Notes, 0.50%, 05/27/15	$ 5,850,000	$ 5,852,992
2.25%, 03/15/16	5,000,000	5,282,059
2.38%, 04/11/16	2,300,000	2,446,413
1.13%, 04/27/17	3,500,000	3,536,318
		17,117,782
Financing Corp. (FICO)–0.32%		
Sec. Bonds, Sec. Bonds, 9.80%, 04/06/18	700,000	1,028,576
Series E, Sec. Bonds, 9.65%, 11/02/18	1,985,000	2,944,596
		3,973,172
Tennessee Valley Authority (TVA)–1.97%		
Global Bonds, 4.88%, 12/15/16	13,553,000	15,891,699
Global Notes, 5.50%, 07/18/17	7,042,000	8,582,811
		24,474,510
Total U.S. Government Sponsored Agency Securities (Cost $225,805,892)		230,361,893
U.S. Treasury Securities–11.89%		
U.S. Treasury Bonds–2.68%		
8.75%, 05/15/20	3,500,000	5,476,406
7.88%, 02/15/21	1,100,000	1,682,656
7.50%, 11/15/24	4,370,000	7,062,330
7.63%, 02/15/25	550,000	900,281
5.38%, 02/15/31	3,800,000	5,537,906
4.25%, 05/15/39[d]	3,685,000	4,812,380
4.38%, 11/15/39	3,000,000	3,995,625
4.63%, 02/15/40	1,700,000	2,351,844
4.75%, 02/15/41	1,000,000	1,412,656
		33,232,084
U.S. Treasury Notes–8.76%		
0.38%, 11/15/14	5,500,000	5,502,578
1.25%, 08/31/15	3,000,000	3,075,000
2.00%, 01/31/16	1,200,000	1,262,813
1.00%, 10/31/16	3,500,000	3,553,594
0.88%, 12/31/16	10,000,000	10,089,063
1.00%, 03/31/17	7,000,000	7,097,344
0.63%, 05/31/17	8,000,000	7,963,750
2.75%, 05/31/17[d]	10,000,000	10,970,312
2.38%, 07/31/17[d]	10,000,000	10,798,437
1.38%, 12/31/18	3,000,000	3,067,500
1.25%, 01/31/19	2,000,000	2,027,500
2.13%, 08/15/21	2,700,000	2,837,531
2.00%, 11/15/21	13,000,000	13,479,375

	Principal Amount	Value
U.S. Treasury Notes–(continued)		
2.00%, 02/15/22	$ 7,000,000	$ 7,235,156
1.75%, 05/15/22	19,500,000	19,664,531
		108,624,484
U.S. Treasury Inflation–Indexed Bonds–0.45%		
0.75%, 02/15/42	5,293,860[e]	5,556,072
Total U.S. Treasury Securities (Cost $138,138,148)		147,412,640
Foreign Bonds–2.59%		
Collaterized Mortgage Obligations–2.20%		
La Hipotecaria S.A. de C.V. (Panama), Series 2010-1GA, Class A, Floating Rate Pass Through Ctfs., 3.25%, 09/08/39 (Acquired 11/05/10; Cost $27,127,467)[a][c]	26,257,683	27,283,374
Sovereign Debt–0.39%		
Israel Government Agency for International Development (AID) Bond (Israel), Gtd. Bonds, 5.13%, 11/01/24	3,800,000	4,834,486
Total Foreign Bonds (Cost $30,925,519)		32,117,860
Corporate Bonds & Notes–1.74%		
Diversified Banks–0.53%		
Ally Financial, Inc., Gtd. Notes, 2.20%, 12/19/12	1,700,000	1,715,182
Citibank N.A., Sr. Unsec. Gtd. Notes, 1.75%, 12/28/12	2,500,000	2,517,831
U.S. Central Federal Credit Union, Unsec. Gtd. Notes, 1.90%, 10/19/12	2,260,000	2,271,629
		6,504,642
Industrial Conglomerates–0.23%		
General Electric Capital Corp., Series G, Sr. Unsec. Gtd. Medium-Term Global Notes, 2.63%, 12/28/12	2,800,000	2,832,409
Private Export Funding Corp.–0.98%		
Sec. Gtd. Notes, 2.13%, 07/15/16	5,000,000	5,258,666
1.38%, 02/15/17	5,000,000	5,088,251
4.30%, 12/15/21	1,540,000	1,831,914
		12,178,831
Total Corporate Bonds & Notes (Cost $20,800,375)		21,515,882

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Money Market Funds–1.70%		
Government & Agency Portfolio–Institutional Class (Cost $21,077,692)[f]	21,077,692	$ 21,077,692
TOTAL INVESTMENTS–104.78% (Cost $1,261,465,038)		1,299,078,337
OTHER ASSETS LESS LIABILITIES–(4.78)%		(59,220,171)
NET ASSETS–100.00%		$1,239,858,166

Investment Abbreviations:

ARM – Adjustable Rate Mortgage
Ctfs. – Certificates
Gtd. – Guaranteed
REMIC – Real Estate Mortgage Investment Conduits
Sec. – Secured
Sr. – Senior
TBA – To Be Announced
Unsec. – Unsecured

Notes to Schedule of Investments:

(a) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on June 30, 2012.
(b) Security purchased on a forward commitment basis. This security is subject to dollar roll transactions. See Note 1I.
(c) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at June 30, 2012 was $44,841,769, which represented 3.62% of the Fund's Net Assets.
(d) All or a portion of the value was pledged as collateral to cover margin requirements for open futures contracts. See Note 1J and Note 4.
(e) Principal amount of security and interest payments are adjusted for inflation.
(f) The money market fund and the Fund are affiliated by having the same investment adviser.

Portfolio Composition

By security type, based on Total Investments as of June 30, 2012

U.S. Government Sponsored Mortgage-Backed Securities	65.2%
U.S. Government Sponsored Agency Securities	17.7
U.S. Treasury Securities	11.3
Foreign Bonds	2.5
U.S. Dollar Denominated Bonds & Notes	1.7
Money Market Funds	1.6

Statement of Assets and Liabilities

June 30, 2012
(Unaudited)

Assets:	
Investments, at value (Cost $1,240,387,346)	$1,278,000,645
Investments in affiliated money market funds, at value and cost	21,077,692
Total investments, at value (Cost $1,261,465,038)	1,299,078,337
Cash	69,336
Receivable for:	
Investments sold	65,032,132
Fund shares sold	626,165
Dividends and interest	4,352,586
Principal paydowns	223,488
Investment for trustee deferred compensation and retirement plans	68,794
Other assets	22,914
Total assets	1,369,473,752
Liabilities:	
Payable for:	
Investments purchased	124,616,289
Fund shares reacquired	1,906,495
Variation margin	1,870,485
Accrued fees to affiliates	911,821
Accrued other operating expenses	100,271
Trustee deferred compensation and retirement plans	210,225
Total liabilities	129,615,586
Net assets applicable to shares outstanding	$1,239,858,166
Net assets consist of:	
Shares of beneficial interest	$1,151,386,650
Undistributed net investment income	45,515,777
Undistributed net realized gain	2,911,081
Unrealized appreciation	40,044,658
	$1,239,858,166
Net Assets:	
Series I	$ 950,607,802
Series II	$ 289,250,364
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	74,721,582
Series II	22,950,309
Series I:	
Net asset value per share	$ 12.72
Series II:	
Net asset value per share	$ 12.60

Statement of Operations

For the six months ended June 30, 2012
(Unaudited)

Investment income:	
Interest	$14,182,975
Dividends from affiliated money market funds	1,945
Total investment income	14,184,920
Expenses:	
Advisory fees	2,830,094
Administrative services fees	1,645,995
Custodian fees	29,560
Distribution fees — Series II	345,977
Transfer agent fees	17,784
Trustees' and officers' fees and benefits	34,673
Other	126,624
Total expenses	5,030,707
Less: Fees waived	(996,415)
Net expenses	4,034,292
Net investment income	10,150,628
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities	8,973,737
Futures contracts	4,121,947
	13,095,684
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(2,721,233)
Futures contracts	1,090,200
	(1,631,033)
Net realized and unrealized gain	11,464,651
Net increase in net assets resulting from operations	$21,615,279

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2012 and the year ended December 31, 2011
(Unaudited)

	June 30, 2012	December 31, 2011
Operations:		
Net investment income	$ 10,150,628	$ 24,664,503
Net realized gain	13,095,684	50,868,064
Change in net unrealized appreciation (depreciation)	(1,631,033)	23,149,702
Net increase in net assets resulting from operations	21,615,279	98,682,269
Distributions to shareholders from net investment income:		
Series I	—	(36,635,024)
Series II	—	(1,001,427)
Total distributions from net investment income	—	(37,636,451)
Share transactions–net:		
Series I	(36,521,795)	(145,217,239)
Series II	(10,581,891)	253,038,769
Net increase (decrease) in net assets resulting from share transactions	(47,103,686)	107,821,530
Net increase (decrease) in net assets	(25,488,407)	168,867,348
Net assets:		
Beginning of period	1,265,346,573	1,096,479,225
End of period (includes undistributed net investment income of $45,515,777 and $35,365,149, respectively)	$1,239,858,166	$1,265,346,573

Notes to Financial Statements

June 30, 2012
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Government Securities Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-five separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is total return, comprised of current income and capital appreciation.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Paydown gains and losses on mortgage and asset-backed securities are recorded as adjustments to interest income. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Dollar Rolls and Forward Commitment Transactions — The Fund may enter into dollar roll transactions to enhance the Fund's performance. The Fund executes its dollar roll transactions in the *to be announced* ("TBA") market whereby the Fund makes a forward commitment to purchase a security and, instead of accepting delivery, the position is offset by the sale of the security with a simultaneous agreement to repurchase at a future date.

The Fund accounts for dollar roll transactions as purchases and sales and realizes gains and losses on these transactions. These transactions increase the Fund's portfolio turnover rate. The Fund will segregate liquid assets in an amount equal to its dollar roll commitments. Dollar roll transactions are considered borrowings under the 1940 Act.

Dollar roll transactions involve the risk that a counter-party to the transaction may fail to complete the transaction. If this occurs, the Fund may lose the opportunity to purchase or sell the security at the agreed upon price. Dollar rolls transactions also involve the risk that the value of the securities retained by the Fund may decline below the price of the securities that the Fund has sold but is obligated to purchase under the agreement.

J. Futures Contracts — The Fund may enter into futures contracts to manage exposure to interest rate, equity and market price movements and/or currency risks. A futures contract is an agreement between two parties to purchase or sell a specified underlying security, currency or commodity (or delivery of a cash settlement price, in the case of an index future) for a fixed price at a future date. The Fund currently invests only in exchange-traded futures and they are standardized as to maturity date and underlying financial instrument. Initial margin deposits required upon entering into futures contracts are satisfied by the segregation of specific securities or cash as collateral at the futures commission merchant (broker). During the period the futures contracts are open, changes in the value of the contracts are recognized as unrealized gains or losses by recalculating the value of the contracts on a daily basis. Subsequent or variation margin payments are received or made depending upon whether unrealized gains or losses are incurred. These amounts are reflected as receivables or payables on the Statement of Assets and Liabilities. When the contracts are closed or expire, the Fund recognizes a realized gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the Fund's basis in the contract. The net realized gain (loss) and the change in unrealized gain (loss) on futures contracts held during the period is included on the Statement of Operations. The primary risks associated with futures contracts are market risk and the absence of a liquid secondary market. If the Fund were unable to liquidate a futures contract and/or enter into an offsetting closing transaction, the Fund would continue to be subject to market risk with respect to the value of the contracts and continue to be required to maintain the margin deposits on the futures contracts. Futures contracts have minimal counterparty risk since the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees the futures against default. Risks may exceed amounts recognized in the Statement of Assets and Liabilities.

K. Other Risks — The Funds may invest in obligations issued by agencies and instrumentalities of the U.S. Government that may vary in the level of support they receive from the government. The government may choose not to provide financial support to government sponsored agencies or instrumentalities if it is not legally obligated to do so. In this case, if the issuer defaulted, the underlying fund holding securities of such issuer might not be able to recover its investment from the U.S. Government. Many securities purchased by the Fund are not guaranteed by the U.S. Government.

L. Collateral — To the extent the Fund has pledged or segregated a security as collateral and that security is subsequently sold, it is the Fund's practice to replace such collateral no later than the next business day.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Daily Net Assets	Rate
First $250 million	0.50%
Over $250 million	0.45%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective July 1, 2012, the Adviser has contractually agreed, through at least April 30, 2013, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 0.70% and Series II shares to 0.95% of average daily net assets. Prior to July 1, 2012, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waivers and/or expense reimbursements (excluding certain items discussed below) of Series I to 0.60% and Series II to 0.85% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waivers and/or expense reimbursements to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on April 30, 2013. To the extent that the annualized expense ratio does not exceed the expense limitation, the adviser will retain its ability to be reimbursed for such fee waiver or reimbursement prior to the end of each fiscal year.

Further, the Adviser has contractually agreed, through at least June 30, 2013, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the six months ended June 30, 2012, the Adviser waived advisory fees of $996,415.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2012, Invesco was paid $146,445 for accounting and fund administrative services and reimbursed $1,499,550 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 2012, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the six months ended June 30, 2012, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of June 30, 2012. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Equity Securities	$21,077,692	$ —	$—	$ 21,077,692
U.S. Treasury Securities	—	147,412,640	—	147,412,640
U.S. Government Sponsored Securities	—	1,076,954,263	—	1,076,954,263
Corporate Debt Securities	—	21,515,882	—	21,515,882
Foreign Debt Securities		27,283,374		27,283,374
Foreign Sovereign Debt Securities	—	4,834,486	—	4,834,486
	$21,077,692	$1,278,000,645	$—	$1,299,078,337
Futures*	2,431,359	—	—	2,431,359
Total Investments	$23,509,051	$1,278,000,645	$—	$1,301,509,696

* Unrealized appreciation.

NOTE 4—Derivative Investments

Value of Derivative Instruments at Period-End

The table below summarizes the value of the Fund's derivative instruments, detailed by primary risk exposure, held as of June 30, 2012:

	Value	
Risk Exposure/Derivative Type	**Assets**	**Liabilities**
Interest rate risk		
Futures contracts[a]	$2,958,330	$(526,971)

[a] Includes cumulative appreciation (depreciation) of futures contracts. Only current day's variation margin receivable (payable) is reported within the Statement of Assets and Liabilities.

Effect of Derivative Instruments for the six months ended June 30, 2012

The table below summarizes the gains on derivative instruments, detailed by primary risk exposure, recognized in earnings during the period:

	Location of Gain on Statement of Operations
	Futures*
Realized Gain	
Interest rate risk	$4,121,947
Change in Unrealized Appreciation	
Interest rate risk	1,090,200
Total	$5,212,147

* The average notional value of futures outstanding during the period was $585,487,344.

Open Futures Contracts

Long Contracts	Number of Contracts	Expiration Month	Notional Value	Unrealized Appreciation (Depreciation)
U.S. Treasury 2 Year Notes	623	September-2012	$ 137,176,813	$ (44,214)
U.S. Treasury 10 Year Notes	1,209	September-2012	161,250,375	797,415
Ultra U.S. Treasury Bonds	847	September-2012	141,316,656	2,121,067
Subtotal			$ 439,743,844	$2,874,268
Short Contracts				
U.S. Treasury 5 Year Notes	164	September-2012	$ (20,330,875)	$ (37,501)
U.S. Treasury 30 Year Bonds	663	September-2012	(98,103,281)	(405,408)
Subtotal			$(118,434,156)	$ (442,909)
Total			$ 321,309,688	$2,431,359

NOTE 5—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

NOTE 6—Cash Balances

The Fund may borrow for leveraging in an amount up to 5% of the Fund's total assets (excluding the amount borrowed) at the time the borrowing is made. In doing so, the Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate. A Fund may not purchase additional securities when any borrowings from banks exceed 5% of the Fund's total assets.

NOTE 7—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2015	$3,869,214	$—	$3,869,214
December 31, 2017	4,362,785	—	4,362,785
	$8,231,999	$—	$8,231,999

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code. To the extent that unrealized gains as of May 2, 2011, the date of reorganization of Invesco Van Kampen V.I. Government Fund into the Fund are realized on securities held in each fund at such date of reorganization, the capital loss carryforward may be further limited for up to five years from the date of the reorganization.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2012 was $827,983,647 and $854,787,408, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $62,010,945 and $65,224,188, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$39,366,713
Aggregate unrealized (depreciation) of investment securities	(2,364,861)
Net unrealized appreciation of investment securities	$37,001,852

Cost of investments for tax purposes is $1,262,076,485.

NOTE 9—Share Information

	Summary of Share Activity			
	Six months ended June 30, 2012[(a)]		Year ended December 31, 2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	6,531,266	$ 81,855,334	10,663,153	$ 128,843,040
Series II	2,636,568	33,080,918	5,300,488	64,070,452
Issued as reinvestment of dividends:				
Series I	—	—	3,158,192	36,635,024
Series II	—	—	86,854	1,001,427
Issued in connection with acquisitions:[(b)]				
Series I	—	—	2,587,718	30,250,210
Series II	—	—	22,298,634	259,005,451
Reacquired:				
Series I	(9,451,283)	(118,377,129)	(28,160,963)	(340,945,513)
Series II	(3,516,001)	(43,662,809)	(5,875,436)	(71,038,561)
Net increase (decrease) in share activity	(3,799,450)	$ (47,103,686)	10,058,640	$ 107,821,530

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 86% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) As of the opening of business on May 2, 2011 the Fund acquired all the net assets of Invesco Van Kampen V.I. Government Fund (the "Target Fund") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 10, 2010 and by the shareholders of the Target Fund on April 1, 2011. The acquisition was accomplished by a tax-free exchange of 24,886,352 shares of the Fund for 32,516,244 shares outstanding of the Target Fund as of the close of business on April 29, 2011. Each class of the Target Fund was exchanged for the like class of shares of the Fund based on the relative net asset value of the Target Fund to the net asset value of the Fund as of the close of business on April 29, 2011. The Target Fund's net assets at that date of $289,255,661, including $4,992,514 of unrealized appreciation, were combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $1,059,348,706. The net assets of the Fund subsequent to the acquisition were $1,348,604,367. Assuming the reorganization had been completed on January 1, 2011, the beginning of the annual reporting period, the pro forma results of operations for the year ended December 31, 2011 are as follows:

Net investment income	$ 28,166,317
Net realized/unrealized gains	72,785,041
Change in net assets resulting from operations	$100,951,358

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, and it is not practicable to separate the amounts of revenue and earnings of the Target Fund that have been included in the Fund's Statement of Operations since May 2, 2011.

NOTE 10—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income[(a)]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return[(b)]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[(c)]
Series I														
Six months ended 06/30/12	$12.49	$0.11	$ 0.12	$ 0.23	$ —	$ —	$ —	$12.72	1.84%	$ 950,608	0.60%[(d)]	0.76%[(d)]	1.71%[(d)]	69%
Year ended 12/31/11	12.00	0.25	0.67	0.92	(0.43)	—	(0.43)	12.49	7.91	970,029	0.63	0.75	2.03	85
Year ended 12/31/10	11.95	0.24	0.41	0.65	(0.60)	—	(0.60)	12.00	5.40	1,072,405	0.73	0.75	1.98	61
Year ended 12/31/09	13.05	0.45	(0.43)	0.02	(0.65)	(0.47)	(1.12)	11.95	(0.01)	1,192,967	0.73	0.75	3.47	55
Year ended 12/31/08	12.06	0.50	0.96	1.46	(0.47)	—	(0.47)	13.05	12.22	1,591,799	0.73	0.76	3.96	109
Year ended 12/31/07	11.80	0.59	0.16	0.75	(0.49)	—	(0.49)	12.06	6.43	1,169,985	0.73	0.76	4.93	106
Series II														
Six months ended 06/30/12	12.39	0.09	0.12	0.21	—	—	—	12.60	1.69	289,250	0.85[(d)]	1.01[(d)]	1.46[(d)]	69
Year ended 12/31/11	11.92	0.21	0.67	0.88	(0.41)	—	(0.41)	12.39	7.63	295,318	0.88	1.00	1.78	85
Year ended 12/31/10	11.88	0.22	0.40	0.62	(0.58)	—	(0.58)	11.92	5.10	24,074	0.98	1.00	1.73	61
Year ended 12/31/09	12.97	0.41	(0.43)	(0.02)	(0.60)	(0.47)	(1.07)	11.88	(0.26)	14,462	0.98	1.00	3.22	55
Year ended 12/31/08	11.99	0.46	0.97	1.43	(0.45)	—	(0.45)	12.97	11.98	20,362	0.98	1.01	3.71	109
Year ended 12/31/07	11.74	0.56	0.15	0.71	(0.46)	—	(0.46)	11.99	6.11	18,770	0.98	1.01	4.68	106

(a) Calculated using average shares outstanding.

(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $309,171,077 and sold of $25,033,352 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen V.I. Government Fund into the Fund.

(d) Ratios are annualized and based on average daily net assets (000's) of $958,651 and $278,302 for Series I and Series II shares, respectively.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); 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 ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

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 also 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. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (01/01/12)	Ending Account Value (06/30/12)[1]	Expenses Paid During Period[2,3]	Ending Account Value (06/30/12)	Expenses Paid During Period[2,4]	Annualized Expense Ratio[2]
Series I	$1,000.00	$1,018.40	$3.01	$1,021.88	$3.02	0.60%
Series II	1,000.00	1,016.90	4.26	1,020.64	4.27	0.85

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2012 through June 30, 2012, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 182/366 to reflect the most recent fiscal half year. Effective July 1, 2012, the adviser has contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit Total Annual Fund Operating Expense of Series I and Series II shares to 0.70% and 0.95% of average daily net assets, respectively. The annualized expense ratios restated as if these agreements had been in effect throughout the entire most recent fiscal half year are 0.70% and 0.95% for Series I and Series II shares, respectively.

[3] The actual expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $3.51 and $4.76 for Series I and Series II shares, respectively.

[4] The hypothetical expenses paid restated as if the changes discussed above had been in effect throughout the entire most recent fiscal half year are $3.52 and $4.77 for Series I and Series II shares, respectively.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco V.I. Government Securities Fund (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 19-20, 2012, the Board as a whole, and the disinterested or "independent" Trustees, who comprise 80% of the Board, voting separately, approved the continuance of the Fund's investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2012. In doing so, the Board considered the process that it follows in reviewing and approving the Fund's investment advisory agreement and sub-advisory contracts and the information that it is provided. The Board determined that the Fund's investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees, each of which is primarily responsible for overseeing the management of a number of the series portfolios of the funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies, limitations and investment risks of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to their assigned Invesco Funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether and on what terms to approve the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and an independent company, Lipper Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The Senior Officer's evaluation is prepared as part of his responsibility to manage the process by which the Invesco Funds' proposed management fees are negotiated during the annual contract renewal process to ensure they are negotiated in a manner that is at arms' length and reasonable. The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the Senior Officer and by independent legal counsel. In addition to meetings with Invesco Advisers and fund counsel, the independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and independent legal counsel.

In evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees previously approved by a different board that, at the time, was responsible for overseeing Morgan Stanley and Van Kampen funds, which have become Invesco Funds following the acquisition of the retail mutual fund business of Morgan Stanley. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these same arrangements throughout the year and in prior years. One Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 20, 2012, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

A. Nature, Extent and Quality of Services Provided by Invesco Advisers and the Affiliated Sub-Advisers

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' performance and investment process oversight, independent credit analysis and investment risk management.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board's knowledge of Invesco Advisers' operations, and concluded that it is beneficial to maintain the current relationship, in part because of such prior relationship and knowledge. The Board also considered services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board noted that the Affiliated Sub-Advisers have offices and personnel that are located in financial centers around the world. As a result, the Affiliated Sub-Advisers can provide research and investment analysis on the markets and economies of various countries in which the Fund invests and make recommendations on securities of companies located in such countries. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and consistent with the terms of the Fund's sub-advisory contracts.

B. Fund Performance

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement. The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory contracts for the Fund, as no Affiliated Sub-Adviser currently manages assets of the Fund.

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds – General U.S. Government Funds Index. The Board noted that performance of Series I shares of the Fund was in the third quintile of its performance universe for the one year period, the fourth quintile for the three year period and the third quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was below the performance of the Index for the one and three year periods and above the Index for the five year period. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees and Fee Waivers

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual advisory fee rate for Series I shares of the Fund was below the median contractual advisory fee rate of funds in its expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

The Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not advise other mutual funds or client accounts with investment strategies comparable to those of the Fund.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least April 30, 2013 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

Based upon the information and considerations described above, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

D. Economies of Scale and Breakpoints

The Board considered the extent to which there are economies of scale in the provision of advisory services to the Fund. The Board also considered whether the Fund benefits from economies of scale through contractual breakpoints in the Fund's advisory fee schedule and were assisted in their review by a report from the Senior Officer. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of the Invesco Funds and other clients advised by Invesco Advisers. The Board noted that Invesco Advisers proposes sharing economies of scale in administration expenses by lowering per class administrative fees.

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2011. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds. The Board noted that although Invesco Advisers received a minimal amount of revenues from advising the Fund, Invesco Advisers and its subsidiaries did not make a profit from managing the Fund as a result of fee and expense waivers. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

The Board considered various other benefits received by Invesco Advisers and its affiliates from the relationship with the Fund, including the fees received for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Advisers and its affiliates in providing these services and the organizational structure employed to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts that are reviewed and approved on an annual basis by the Board; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. Invesco Advisers noted that the Fund does not execute brokerage transactions through "soft dollar" arrangements to any significant degree.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

Invesco V.I. International Growth Fund

Semiannual Report to Shareholders ▪ June 30, 2012

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2012, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VIIGR-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/11 to 6/30/12, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	4.44%
Series II Shares	4.33
MSCI EAFE Index▼ (Broad Market Index)	2.96
MSCI EAFE Growth Index▼ (Style-Specific Index)	3.86
Lipper VUF International Growth Funds Index▼ (Peer Group Index)	5.33

Source(s): ▼Lipper Inc.

The **MSCI EAFE® Index** is an unmanaged index considered representative of stocks of Europe, Australasia and the Far East.

The **MSCI EAFE® Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East.

The **Lipper VUF International Growth Funds Index** is an unmanaged index considered representative of international growth variable insurance underlying funds tracked by Lipper.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Average Annual Total Returns

As of 6/30/12

Series I Shares	
Inception (5/5/93)	7.04%
10 Years	7.51
5 Years	-2.08
1 Year	-8.66
Series II Shares	
Inception (9/19/01)	7.38%
10 Years	7.23
5 Years	-2.32
1 Year	-8.87

The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.03% and 1.28%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. International Growth Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Schedule of Investments

June 30, 2012
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests–89.47%		
Australia–5.20%		
BHP Billiton Ltd.	390,290	$ 12,725,839
Brambles Ltd.	2,829,543	17,952,138
CSL Ltd.	459,057	18,624,070
WorleyParsons Ltd.	682,879	17,742,635
		67,044,682
Belgium–2.23%		
Anheuser-Busch InBev N.V.	370,351	28,771,644
Brazil–1.64%		
Banco Bradesco S.A.–ADR	1,418,752	21,096,842
Canada–7.62%		
Agrium Inc.	135,042	11,968,215
Canadian National Railway Co.	132,235	11,183,021
Canadian Natural Resources Ltd.	258,986	6,947,164
Cenovus Energy Inc.	327,688	10,418,682
CGI Group Inc.–Class A[(a)]	506,789	12,180,657
Fairfax Financial Holdings Ltd.	29,724	11,769,898
Potash Corp. of Saskatchewan Inc.	320,458	14,006,857
Suncor Energy, Inc.	683,037	19,751,114
		98,225,608
China–1.91%		
Baidu, Inc.–ADR[(a)]	7,893	907,537
CNOOC Ltd.	5,189,000	10,467,650
Industrial & Commercial Bank of China Ltd.–Class H	23,688,000	13,245,654
		24,620,841
Denmark–1.22%		
Novo Nordisk A.S.–Class B	109,027	15,762,052
France–6.16%		
Cap Gemini S.A.	265,046	9,763,733
Cie Generale des Etablissements Michelin	107,014	6,994,240
Danone S.A.	192,391	11,925,235
Eutelsat Communications S.A.	279,671	8,581,850
L'Oreal S.A.	71,492	8,368,844
Publicis Groupe S.A.	305,520	13,961,978
Schneider Electric S.A.	231,031	12,863,599
Total S.A.	153,686	6,930,788
		79,390,267

	Shares	Value
Germany–5.75%		
Adidas AG	257,859	$ 18,481,231
Fresenius Medical Care AG & Co. KGaA	205,309	14,521,778
SAP AG	403,023	23,783,012
Volkswagen AG (Preference)	109,846	17,403,434
		74,189,455
Hong Kong–3.05%		
China Mobile Ltd.	1,473,500	16,194,414
Galaxy Entertainment Group Ltd.[(a)]	4,016,000	10,087,359
Hutchison Whampoa Ltd.	1,508,000	13,042,438
		39,324,211
Ireland–1.64%		
Shire PLC	261,358	7,511,372
WPP PLC	1,121,370	13,629,038
		21,140,410
Israel–1.54%		
Teva Pharmaceutical Industries Ltd.–ADR	504,498	19,897,401
Japan–8.35%		
Canon Inc.	480,400	19,235,340
Denso Corp.	474,700	16,162,037
Fanuc Corp.	61,100	10,037,934
Keyence Corp.	59,700	14,763,963
Komatsu Ltd.	298,337	7,150,083
Nidec Corp.	116,895	8,864,123
Toyota Motor Corp.	375,800	15,145,890
Yamada Denki Co., Ltd.	318,730	16,267,055
		107,626,425
Mexico–3.92%		
America Movil S.A.B de C.V.–Series L–ADR	796,605	20,759,526
Fomento Economico Mexicano, S.A.B. de C.V.–ADR	157,269	14,036,258
Grupo Televisa S.A.B.–ADR	735,239	15,792,934
		50,588,718
Netherlands–2.13%		
Koninklijke Ahold N.V.	724,278	8,968,434
Unilever N.V.	463,811	15,512,909
VimpelCom Ltd.–ADR	370,906	3,008,047
		27,489,390
Russia–0.56%		
Gazprom OAO–ADR	761,681	7,210,162

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Singapore–2.57%		
Keppel Corp. Ltd.	2,128,661	$ 17,441,763
United Overseas Bank Ltd.	1,052,000	15,632,695
		33,074,458
South Korea–2.43%		
Hyundai Mobis	63,177	15,292,922
NHN Corp.	73,131	16,036,992
		31,329,914
Spain–1.06%		
Amadeus IT Holding S.A.–Class A	642,919	13,605,484
Sweden–2.88%		
Investment AB Kinnevik–Class B	361,478	7,253,298
Swedbank AB–Class A	884,145	13,968,192
Telefonaktiebolaget LM Ericsson–Class B	1,037,795	9,450,033
Volvo A.B.–Class B	560,471	6,414,402
		37,085,925
Switzerland–6.96%		
ABB Ltd.[(a)]	628,759	10,255,545
Julius Baer Group Ltd.[(a)]	317,417	11,485,840
Nestle S.A.	323,613	19,292,795
Novartis AG	239,390	13,345,428
Roche Holding AG	93,068	16,056,785
Syngenta AG	56,421	19,250,027
		89,686,420
Taiwan–1.22%		
Taiwan Semiconductor Manufacturing Co. Ltd.–ADR	1,124,595	15,699,346
Turkey–0.87%		
Akbank T.A.S.	3,066,436	$ 11,261,071
United Kingdom–18.56%		
BG Group PLC	952,273	19,490,327
British American Tobacco PLC	403,817	20,552,938
British Sky Broadcasting Group PLC	989,236	10,790,474
Centrica PLC	2,351,273	11,721,140
Compass Group PLC	2,825,016	29,631,285
GlaxoSmithKline PLC	424,753	9,631,321
Imperial Tobacco Group PLC	656,346	25,253,452
Informa PLC	1,690,787	10,109,735
Kingfisher PLC	4,238,605	19,164,301
Next PLC	353,916	17,746,047
Pearson PLC	533,422	10,594,013
Reed Elsevier PLC	2,730,288	21,902,962
Royal Dutch Shell PLC–Class B	472,011	16,472,747
Smith & Nephew PLC	1,128,984	11,301,125
Tesco PLC	993,848	4,830,796
		239,192,663
Total Common Stocks & Other Equity Interests (Cost $924,425,134)		1,153,313,389
Money Market Funds–9.71%		
Liquid Assets Portfolio–Institutional Class[(b)]	62,593,574	62,593,574
Premier Portfolio–Institutional Class[(b)]	62,593,574	62,593,574
Total Money Market Funds (Cost $125,187,148)		125,187,148
TOTAL INVESTMENTS–99.18% (Cost $1,049,612,282)		1,278,500,537
OTHER ASSETS LESS LIABILITIES–0.82%		10,627,129
NET ASSETS–100.00%		$1,289,127,666

Investment Abbreviations:

ADR – American Depositary Receipt
Pfd. – Preferred

Notes to Schedule of Investments:

(a) Non-income producing security.
(b) The money market fund and the Fund are affiliated by having the same investment adviser.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2012

Consumer Discretionary	22.3%
Consumer Staples	12.2
Information Technology	10.5
Health Care	9.8
Energy	9.0
Industrials	9.0
Financials	8.2
Materials	4.5
Telecommunication Services	3.1
Utilities	0.9
Money Market Funds Plus Other Assets Less Liabilities	10.5

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2012
(Unaudited)

Assets:	
Investments, at value (Cost $924,425,134)	$1,153,313,389
Investments in affiliated money market funds, at value and cost	125,187,148
Total investments, at value (Cost $1,049,612,282)	1,278,500,537
Foreign currencies, at value (Cost $947,760)	937,035
Receivable for:	
Investments sold	6,974,433
Fund shares sold	1,401,466
Dividends	5,916,755
Investment for trustee deferred compensation and retirement plans	68,566
Other assets	190
Total assets	1,293,798,982
Liabilities:	
Payable for:	
Investments purchased	881,877
Fund shares reacquired	2,261,723
Accrued fees to affiliates	1,213,059
Accrued other operating expenses	113,753
Trustee deferred compensation and retirement plans	200,904
Total liabilities	4,671,316
Net assets applicable to shares outstanding	$1,289,127,666
Net assets consist of:	
Shares of beneficial interest	$1,272,606,598
Undistributed net investment income	31,854,941
Undistributed net realized gain (loss)	(244,479,317)
Unrealized appreciation	229,145,444
	$1,289,127,666
Net Assets:	
Series I	$ 569,263,617
Series II	$ 719,864,049
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	20,671,808
Series II	26,460,220
Series I:	
Net asset value per share	$ 27.54
Series II:	
Net asset value per share	$ 27.21

Statement of Operations

For the six months ended June 30, 2012
(Unaudited)

Investment income:	
Dividends (net of foreign withholding taxes of $1,952,198)	$20,556,359
Dividends from affiliated money market funds	81,375
Total investment income	20,637,734
Expenses:	
Advisory fees	4,473,112
Administrative services fees	1,670,578
Custodian fees	145,962
Distribution fees — Series II	854,183
Transfer agent fees	29,314
Trustees' and officers' fees and benefits	34,228
Other	(454)
Total expenses	7,206,923
Less: Fees waived	(84,344)
Net expenses	7,122,579
Net investment income	13,515,155
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities	14,275,410
Foreign currencies	(246,689)
	14,028,721
Change in net unrealized appreciation (depreciation) of:	
Investment securities (net of foreign taxes on holdings of $52,335)	20,969,569
Foreign currencies	(3,190)
	20,966,379
Net realized and unrealized gain	34,995,100
Net increase in net assets resulting from operations	$48,510,255

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2012 and the year ended December 31, 2011
(Unaudited)

	June 30, 2012	December 31, 2011
Operations:		
Net investment income	$ 13,515,155	$ 19,119,924
Net realized gain	14,028,721	53,816,330
Change in net unrealized appreciation (depreciation)	20,966,379	(159,536,857)
Net increase (decrease) in net assets resulting from operations	48,510,255	(86,600,603)
Distributions to shareholders from net investment income:		
Series I	—	(8,703,100)
Series II	—	(6,565,728)
Total distributions from net investment income	—	(15,268,828)
Share transactions–net:		
Series I	1,739,005	6,595,238
Series II	87,466,496	90,856,363
Net increase in net assets resulting from share transactions	89,205,501	97,451,601
Net increase (decrease) in net assets	137,715,756	(4,417,830)
Net assets:		
Beginning of period	1,151,411,910	1,155,829,740
End of period (includes undistributed net investment income of $31,854,941 and $18,339,786, respectively)	$1,289,127,666	$1,151,411,910

Notes to Financial Statements

June 30, 2012
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. International Growth Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-five separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is long-term growth of capital.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

J. Foreign Currency Contracts — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Net Assets	Rate
First $250 million	0.75%
Over $250 million	0.70%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective July 1, 2012, the Adviser has contractually agreed, through at least June 30, 2013, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 2.25% and Series II shares to 2.50% of average daily net assets. Prior to July 1, 2012, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses to 1.11% and 1.36% of average daily net assets for Series I and Series II shares, respectively. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 30, 2013. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

Further, the Adviser has contractually agreed, through at least June 30, 2013, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the six months ended June 30, 2012, the Adviser waived advisory fees of $84,344.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2012, Invesco was paid $149,904 for accounting and fund administrative services and reimbursed $1,520,674 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 2012, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the six months ended June 30, 2012, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of June 30, 2012. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the six months ended June 30, 2012, there were transfers from Level 1 to Level 2 of $442,750,192 due to foreign fair value adjustments.

	Level 1	Level 2	Level 3	Total
Australia	$ —	$ 67,044,682	$—	$ 67,044,682
Belgium	—	28,771,644	—	28,771,644
Brazil	21,096,842	—	—	21,096,842
Canada	98,225,608	—	—	98,225,608
China	907,537	23,713,304	—	24,620,841
Denmark	—	15,762,052	—	15,762,052
France	20,507,085	58,883,182	—	79,390,267
Germany	—	74,189,455	—	74,189,455
Hong Kong	—	39,324,211	—	39,324,211
Ireland	—	21,140,410	—	21,140,410
Israel	19,897,401	—	—	19,897,401
Japan	—	107,626,425	—	107,626,425
Mexico	50,588,718	—	—	50,588,718
Netherlands	3,008,047	24,481,343	—	27,489,390
Russia	—	7,210,162	—	7,210,162
Singapore	—	33,074,458	—	33,074,458

	Level 1	Level 2	Level 3	Total
South Korea	$ —	$ 31,329,914	$—	$ 31,329,914
Spain	—	13,605,484	—	13,605,484
Sweden	9,450,033	27,635,892	—	37,085,925
Switzerland	—	89,686,420	—	89,686,420
Taiwan	15,699,346	—	—	15,699,346
Turkey	—	11,261,071	—	11,261,071
United Kingdom	10,790,474	228,402,189	—	239,192,663
United States	125,187,148	—	—	125,187,148
Total Investments	$375,358,239	$903,142,298	$—	$1,278,500,537

NOTE 4—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

NOTE 5—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 6—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$ 55,375,763	$—	$ 55,375,763
December 31, 2017	143,189,697	—	143,189,697
December 31, 2018	37,802,555	—	37,802,555
	$236,368,015	$—	$236,368,015

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code. To the extent that unrealized gains as of May 2, 2011, the date of the reorganization of Invesco Van Kampen V.I. International Growth Equity Fund into the Fund are realized on securities held in each fund at such date of reorganization, the capital loss carryforward may be further limited for up to five years from the date of the reorganization.

NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2012 was $201,415,847 and $141,704,030, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$248,453,141
Aggregate unrealized (depreciation) of investment securities	(41,704,909)
Net unrealized appreciation of investment securities	$206,748,232

Cost of investments for tax purposes is $1,071,752,305.

NOTE 8—Share Information

Summary of Share Activity

	Six months ended June 30, 2012[a]		Year ended December 31, 2011	
	Shares	**Amount**	**Shares**	**Amount**
Sold:				
Series I	2,555,416	$ 71,767,108	4,674,557	$ 132,444,153
Series II	4,804,794	132,052,665	5,695,478	157,043,118
Issued as reinvestment of dividends:				
Series I	—	—	292,246	8,703,100
Series II	—	—	222,492	6,565,728
Issued in connection with acquisitions:[b]				
Series I	—	—	426	13,190
Series II	—	—	1,107,888	34,002,342
Reacquired:				
Series I	(2,521,112)	(70,028,103)	(4,761,021)	(134,565,205)
Series II	(1,628,672)	(44,586,169)	(3,833,060)	(106,754,825)
Net increase in share activity	3,210,426	$ 89,205,501	3,399,006	$ 97,451,601

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 37% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) As of the open of business on May 2, 2011, the Fund acquired all the net assets of Invesco Van Kampen V.I. International Growth Equity Fund (the "Target Fund") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 10, 2010 and by the shareholders of the Target Fund on April 1, 2011. The acquisition was accomplished by a tax-free exchange of 1,108,314 shares of the Fund for 3,524,810 shares outstanding of the Target Fund as of the close of business on April 29, 2011. Each class of the Target Fund was exchanged for the like class of shares of the Fund based on the relative net asset value of the Target Fund to the net asset value of the Fund on the close of business, April 29, 2011. The Target Fund's net assets at that date of $34,015,533, including $7,388,865 of unrealized appreciation, was combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $1,248,419,884. The net assets of the Fund immediately following the acquisition were $1,282,435,417.

The pro forma results of operations for the year ended December 31, 2011, assuming the reorganization had been completed on January 1, 2011, the beginning of the annual reporting period are as follows:

Net investment income	$ 19,406,572
Net realized/unrealized gains (losses)	(102,914,763)
Change in net assets resulting from operations	$ (83,508,191)

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Fund that have been included in the Fund's Statement of Operations since May 2, 2011.

NOTE 9—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[c]
Series I														
Six months ended 06/30/12	$26.37	$0.32	$ 0.85	$ 1.17	$ —	$ —	$ —	$27.54	4.44%	$ 569,264	1.00%[d]	1.01%[d]	2.28%[d]	12%
Year ended 12/31/11	28.69	0.50	(2.38)	(1.88)	(0.44)	—	(0.44)	26.37	(6.74)	544,143	1.02	1.03	1.75	26
Year ended 12/31/10	26.01	0.38	2.92	3.30	(0.62)	—	(0.62)	28.69	12.86	586,219	1.03	1.04	1.46	38
Year ended 12/31/09	19.49	0.32	6.55	6.87	(0.35)	—	(0.35)	26.01	35.24	556,883	1.02	1.04	1.47	27
Year ended 12/31/08	33.63	0.54	(14.16)	(13.62)	(0.15)	(0.37)	(0.52)	19.49	(40.38)	446,437	1.05	1.06	1.96	44
Year ended 12/31/07	29.44	0.34	3.98	4.32	(0.13)	—	(0.13)	33.63	14.68	792,779	1.06	1.07	1.06	20
Series II														
Six months ended 06/30/12	26.08	0.28	0.85	1.13	—	—	—	27.21	4.33	719,864	1.25[d]	1.26[d]	2.03[d]	12
Year ended 12/31/11	28.35	0.42	(2.36)	(1.94)	(0.33)	—	(0.33)	26.08	(6.99)	607,269	1.27	1.28	1.50	26
Year ended 12/31/10	25.63	0.31	2.89	3.20	(0.48)	—	(0.48)	28.35	12.61	569,610	1.28	1.29	1.21	38
Year ended 12/31/09	19.23	0.27	6.44	6.71	(0.31)	—	(0.31)	25.63	34.91	1,500,514	1.27	1.29	1.22	27
Year ended 12/31/08	33.24	0.45	(13.96)	(13.51)	(0.13)	(0.37)	(0.50)	19.23	(40.55)	793,365	1.30	1.31	1.71	44
Year ended 12/31/07	29.16	0.26	3.94	4.20	(0.12)	—	(0.12)	33.24	14.41	745,206	1.31	1.32	0.81	20

(a) Calculated using average shares outstanding.

(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the year ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $23,376,285 and sold of $8,831,296 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen V.I. International Growth Equity Fund into the Fund.

(d) Ratios are annualized and based on average daily net assets (000's omitted) of $580,096 and $687,101 for Series I and Series II shares, respectively.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); 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 ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

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 also 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. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (01/01/12)	Ending Account Value (06/30/12)[1]	Expenses Paid During Period[2]	Ending Account Value (06/30/12)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,044.40	$5.08	$1,019.89	$5.02	1.00%
Series II	1,000.00	1,043.30	6.35	1,018.65	6.27	1.25

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2012 through June 30, 2012, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 182/366 to reflect the most recent fiscal half year.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco V.I. International Growth Fund (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 19-20, 2012, the Board as a whole, and the disinterested or "independent" Trustees, who comprise 80% of the Board, voting separately, approved the continuance of the Fund's investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2012. In doing so, the Board considered the process that it follows in reviewing and approving the Fund's investment advisory agreement and sub-advisory contracts and the information that it is provided. The Board determined that the Fund's investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees, each of which is primarily responsible for overseeing the management of a number of the series portfolios of the funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies, limitations and investment risks of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to their assigned Invesco Funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether and on what terms to approve the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and an independent company, Lipper Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The Senior Officer's evaluation is prepared as part of his responsibility to manage the process by which the Invesco Funds' proposed management fees are negotiated during the annual contract renewal process to ensure they are negotiated in a manner that is at arms' length and reasonable. The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the Senior Officer and by independent legal counsel. In addition to meetings with Invesco Advisers and fund counsel, the independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and independent legal counsel.

In evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees previously approved by a different board that, at the time, was responsible for overseeing Morgan Stanley and Van Kampen funds, which have become Invesco Funds following the acquisition of the retail mutual fund business of Morgan Stanley. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these same arrangements throughout the year and in prior years. One Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 20, 2012, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

A. Nature, Extent and Quality of Services Provided by Invesco Advisers and the Affiliated Sub-Advisers

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' performance and investment process oversight, independent credit analysis and investment risk management.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board's knowledge of Invesco Advisers' operations, and concluded that it is beneficial to maintain the current relationship, in part because of such prior relationship and knowledge. The Board also considered services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board noted that the Affiliated Sub-Advisers have offices and personnel that are located in financial centers around the world. As a result, the Affiliated Sub-Advisers can provide research and investment analysis on the markets and economies of various countries in which the Fund invests and make recommendations on securities of companies located in such countries. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and consistent with the terms of the Fund's sub-advisory contracts.

B. Fund Performance

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement. The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory contracts for the Fund, as no Affiliated Sub-Adviser currently manages assets of the Fund.

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds – International Growth Funds Index. The Board noted that performance of Series I shares of the Fund was in the first quintile of the performance universe for the one and five year periods and the second quintile for the three year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was above the performance of the Index for the one, three and five year periods. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees and Fee Waivers

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual advisory fee rate for Series I shares of the Fund was below the median contractual advisory fee rate of funds in the expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

The Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not advise other mutual funds or client accounts with investment strategies comparable to those of the Fund.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

Based upon the information and considerations described above, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

D. Economies of Scale and Breakpoints

The Board considered the extent to which there are economies of scale in the provision of advisory services to the Fund. The Board also considered whether the Fund benefits from economies of scale through contractual breakpoints in the Fund's advisory fee schedule and were assisted in their review by a report from the Senior Officer. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of the Invesco Funds and other clients advised by Invesco Advisers. The Board noted that Invesco Advisers proposes sharing economies of scale in administration expenses by lowering per class administrative fees.

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2011. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds and the Fund. The Board did not deem the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund to be excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

The Board considered various other benefits received by Invesco Advisers and its affiliates from the relationship with the Fund, including the fees received for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Advisers and its affiliates in providing these services and the organizational structure employed to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts that are reviewed and approved on an annual basis by the Board; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. The Board noted that soft dollar arrangements shift the payment obligation for research services from Invesco Advisers and the Affiliated Sub-Advisers to the Invesco Funds and therefore may reduce Invesco Advisers' and the Affiliated Sub-Advisers' expenses. The Board also considered periodic reports from the Chief Compliance Officer of the Invesco Funds demonstrating that these arrangements are consistent with regulatory requirements. The Board did not deem the soft dollar arrangements to be inappropriate.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

The Board also considered use of an affiliated broker to execute certain trades for the Fund and that such trades are executed in compliance with rules under the Investment Company Act of 1940, as amended.

Invesco V.I. Technology Fund

Semiannual Report to Shareholders ▪ June 30, 2012

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2012, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the US distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

I-VITEC-SAR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Fund Performance

Performance summary

Fund vs. Indexes

Cumulative total returns, 12/31/11 to 6/30/12, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	9.04%
Series II Shares	8.95
S&P 500 Index▼ (Broad Market Index)	9.49
Bank of America Merrill Lynch 100 Technology Index (price only)▼ (Style-Specific Index)	2.98
Lipper VUF Science & Technology Funds Category Average▼ (Peer Group)	9.75

Source(s): ▼Lipper Inc.

The **S&P 500® Index** is an unmanaged index considered representative of the US stock market.

The **Bank of America Merrill Lynch 100 Technology Index** (price only) is a price-only equal-dollar-weighted index of 100 stocks designed to measure the performance of a cross section of large, actively traded technology stocks and American Depositary Receipts.

The Lipper VUF Science & Technology Funds Category Average represents an average of all of the variable insurance underlying funds in the Lipper Science & Technology Funds category.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Series II shares incepted on April 30, 2004. Performance shown prior to that date is that of Series I shares, restated to reflect the higher 12b-1 fees applicable to Series II. Series I performance reflects any applicable fee waivers or expense reimbursements. The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.12% and 1.37%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. Technology Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Average Annual Total Returns

As of 6/30/12

Series I Shares	
Inception (5/20/97)	3.45%
10 Years	5.05
5 Years	2.04
1 Year	-1.81
Series II Shares	
10 Years	4.77%
5 Years	1.78
1 Year	-2.02

Schedule of Investments[a]

June 30, 2012
(Unaudited)

	Shares	Value
Common Stocks & Other Equity Interests–96.29%		
Application Software–6.16%		
Autodesk, Inc.[b]	32,152	$ 1,124,999
Citrix Systems, Inc.[b]	19,989	1,677,877
Informatica Corp.[b]	10,354	438,595
Nuance Communications, Inc.[b]	19,416	462,489
Quest Software, Inc.[b]	27,444	764,315
Salesforce.com, Inc.[b]	9,984	1,380,388
TIBCO Software Inc.[b]	19,063	570,365
		6,419,028
Communications Equipment–10.67%		
ADTRAN, Inc.	23,714	715,925
Brocade Communications Systems, Inc.[b]	106,933	527,180
Ciena Corp.[b]	35,659	583,738
Cisco Systems, Inc.	106,155	1,822,681
F5 Networks, Inc.[b]	9,006	896,637
Finisar Corp.[b]	34,681	518,828
JDS Uniphase Corp.[b]	85,810	943,910
Juniper Networks, Inc.[b]	25,225	411,420
QUALCOMM, Inc.	75,604	4,209,631
Sonus Networks, Inc.[b]	170,547	366,676
Ubiquiti Networks Inc.[b]	8,291	118,147
		11,114,773
Computer Hardware–12.57%		
Apple Inc.[b]	22,422	13,094,448
Computer Storage & Peripherals–4.29%		
EMC Corp.[b]	147,065	3,769,276
Synaptics Inc.[b]	24,251	694,306
		4,463,582
Data Processing & Outsourced Services–7.77%		
Alliance Data Systems Corp.[b]	12,462	1,682,370
Genpact Ltd. (Bermuda)[b]	83,942	1,395,955
MasterCard, Inc.–Class A	4,531	1,948,828
VeriFone Systems, Inc.[b]	26,721	884,198
Visa Inc.–Class A	17,642	2,181,081
		8,092,432
Electronic Components–0.43%		
Dolby Laboratories Inc.–Class A[b]	10,824	447,031
Electronic Manufacturing Services–1.74%		
Jabil Circuit, Inc.	65,306	$ 1,327,671
Sanmina-SCI Corp.[b]	59,298	485,651
		1,813,322
Internet Retail–2.14%		
Amazon.com, Inc.[b]	6,054	1,382,431
Priceline.com Inc.[b]	1,282	851,915
		2,234,346
Internet Software & Services–7.96%		
eBay Inc.[b]	12,650	531,426
Facebook Inc.–Class A[b]	11,480	357,258
Facebook Inc.–Class B (Acquired 04/04/12-04/05/12; Cost $1,110,471)[b][c]	33,390	883,232
Google Inc.–Class A[b]	5,081	2,947,336
LogMeIn, Inc.[b]	17,933	547,315
Responsys, Inc.[b]	30,217	366,230
ValueClick, Inc.[b]	63,201	1,035,864
Velti PLC (Ireland)[b]	44,473	289,075
VeriSign, Inc.[b]	30,493	1,328,580
		8,286,316
IT Consulting & Other Services–6.87%		
Accenture PLC–Class A	28,004	1,682,760
Cognizant Technology Solutions Corp.–Class A[b]	58,621	3,517,260
International Business Machines Corp.	9,984	1,952,671
		7,152,691
Life Sciences Tools & Services–1.04%		
Agilent Technologies, Inc.	27,543	1,080,787
Other Diversified Financial Services–0.32%		
BlueStream Ventures L.P. (Acquired 08/03/00-06/13/08 Acquisition Cost $3,149,655)[c][d]	—	334,476
Research & Consulting Services–0.65%		
Acacia Research[b]	18,257	679,891
Semiconductor Equipment–1.76%		
Cymer, Inc.[b]	19,119	1,127,065
Teradyne, Inc.[b]	50,228	706,206
		1,833,271
Semiconductors–19.06%		
ARM Holdings PLC–ADR (United Kingdom)	8,918	212,159
Atmel Corp.[b]	90,140	603,938
Avago Technologies Ltd.	26,492	951,063
Broadcom Corp.–Class A[b]	57,082	1,929,372

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Semiconductors–(continued)		
Cirrus Logic, Inc.[b]	19,577	$ 584,961
Cypress Semiconductor Corp.[b]	70,135	927,185
Diodes Inc.[b]	37,726	708,117
Fairchild Semiconductor International, Inc.[b]	54,827	773,061
Intel Corp.	99,542	2,652,794
Intermolecular Inc.[b]	67,306	521,621
Lattice Semiconductor Corp.[b]	202,995	765,291
MA-COM Technology Solutions Holdings Inc.[b]	28,412	525,622
Marvell Technology Group Ltd.	73,572	829,892
Micron Technology, Inc.[b]	120,428	759,901
Microsemi Corp.[b]	133,462	2,467,712
ON Semiconductor Corp.[b]	111,087	788,718
Semtech Corp.[b]	54,789	1,332,468
Skyworks Solutions, Inc.[b]	30,383	831,583
Texas Instruments Inc.	19,653	563,845
Volterra Semiconductor Corp.[b]	27,530	645,578
Xilinx, Inc.	14,206	476,895
		19,851,776

	Shares	Value
Systems Software–12.86%		
Ariba Inc.[b]	17,310	$ 774,796
Check Point Software Technologies Ltd. (Israel)[b]	50,937	2,525,966
CommVault Systems, Inc.[b]	13,535	670,930
Fortinet Inc.[b]	50,588	1,174,653
Infoblox, Inc.[b]	9,783	224,324
Microsoft Corp.	104,990	3,211,644
Oracle Corp.	88,151	2,618,085
Red Hat, Inc.[b]	18,309	1,034,092
Rovi Corp.[b]	19,606	384,670
Symantec Corp.[b]	52,955	773,672
		13,392,832
Total Common Stocks & Other Equity Interests (Cost $82,734,030)		100,291,002
Money Market Funds–3.59%		
Liquid Assets Portfolio–Institutional Class[e]	1,871,632	1,871,632
Premier Portfolio–Institutional Class[e]	1,871,632	1,871,632
Total Money Market Funds (Cost $3,743,264)		3,743,264
TOTAL INVESTMENTS–99.88% (Cost $86,477,294)		104,034,266
OTHER ASSETS LESS LIABILITIES–0.12%		127,364
NET ASSETS–100.00%		$104,161,630

Investment Abbreviations:

ADR – American Depositary Receipt

Notes to Schedule of Investments:

(a) Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.
(b) Non-income producing security.
(c) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at June 30, 2012 was $1,217,708, which represented 1.17% of the Fund's Net Assets.
(d) The Fund has a remaining commitment of $101,250 to purchase additional interests in BlueStream Ventures L.P., which is subject to the terms of the limited partnership agreement.
(e) The money market fund and the Fund are affiliated by having the same investment adviser.

Portfolio Composition

By sector, based on Net Assets
as of June 30, 2012

Information Technology	92.1%
Consumer Discretionary	2.2
Health Care	1.0
Industrials	0.7
Financials	0.3
Money Market Funds Plus Other Assets Less Liabilities	3.7

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

June 30, 2012
(Unaudited)

Assets:	
Investments, at value (Cost $82,734,030)	$100,291,002
Investments in affiliated money market funds, at value and cost	3,743,264
Total investments, at value (Cost $86,477,294)	104,034,266
Receivable for:	
Investments sold	1,160,718
Fund shares sold	33,377
Dividends	15,366
Investment for trustee deferred compensation and retirement plans	33,635
Total assets	105,277,362
Liabilities:	
Payable for:	
Investments purchased	906,591
Fund shares reacquired	70,444
Accrued fees to affiliates	67,765
Accrued other operating expenses	17,018
Trustee deferred compensation and retirement plans	53,914
Total liabilities	1,115,732
Net assets applicable to shares outstanding	$104,161,630
Net assets consist of:	
Shares of beneficial interest	$ 80,267,831
Undistributed net investment income	1,506,337
Undistributed net realized gain	4,830,490
Unrealized appreciation	17,556,972
	$104,161,630
Net Assets:	
Series I	$102,106,455
Series II	$ 2,055,175
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	6,177,069
Series II	126,983
Series I:	
Net asset value per share	$ 16.53
Series II:	
Net asset value per share	$ 16.18

Statement of Operations

For the six months ended June 30, 2012
(Unaudited)

Investment income:	
Dividends	$ 255,212
Dividends from affiliated money market funds	1,843
Total investment income	257,055
Expenses:	
Advisory fees	414,001
Administrative services fees	159,486
Custodian fees	4,229
Distribution fees — Series II	2,461
Transfer agent fees	12,132
Trustees' and officers' fees and benefits	12,791
Other	28,777
Total expenses	633,877
Less: Fees waived	(1,794)
Net expenses	632,083
Net investment income (loss)	(375,028)
Realized and unrealized gain from:	
Net realized gain from investment securities	6,430,131
Change in net unrealized appreciation of investment securities	3,214,926
Net realized and unrealized gain	9,645,057
Net increase in net assets resulting from operations	$9,270,029

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the six months ended June 30, 2012 and the year ended December 31, 2011
(Unaudited)

	June 30, 2012	December 31, 2011
Operations:		
Net investment income (loss)	$ (375,028)	$ (756,527)
Net realized gain	6,430,131	11,675,866
Change in net unrealized appreciation (depreciation)	3,214,926	(16,912,981)
Net increase (decrease) in net assets resulting from operations	9,270,029	(5,993,642)
Distributions to shareholders from net investment income:		
Series I	—	(209,892)
Series II	—	(1,326)
Total distributions from net investment income	—	(211,218)
Share transactions–net:		
Series I	(7,626,289)	(21,625,874)
Series II	325,535	520,728
Net increase (decrease) in net assets resulting from share transactions	(7,300,754)	(21,105,146)
Net increase (decrease) in net assets	1,969,275	(27,310,006)
Net assets:		
Beginning of period	102,192,355	129,502,361
End of period (includes undistributed net investment income of $1,506,337 and $1,881,365, respectively)	$104,161,630	$102,192,355

Notes to Financial Statements

June 30, 2012
(Unaudited)

NOTE 1—Significant Accounting Policies

Invesco V.I. Technology Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-five separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is long-term growth of capital.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including corporate loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally declared and paid to separate accounts of participating insurance companies annually and recorded on the ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements, that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.

I. Other Risks — The Fund's investments are concentrated in a comparatively narrow segment of the economy, which may make the Fund more volatile.

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers in this sector.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Daily Net Assets	Rate
First $250 million	0.75%
Next $250 million	0.74%
Next $500 million	0.73%
Next $1.5 billion	0.72%
Next $2.5 billion	0.71%
Next $2.5 billion	0.70%
Next $2.5 billion	0.69%
Over $10 billion	0.68%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

The Adviser has contractually agreed, through at least April 30, 2013, to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 1.30% and Series II shares to 1.45% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on April 30, 2013. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

Further, the Adviser has contractually agreed, through at least June 30, 2013, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the six months ended June 30, 2012, the Adviser waived advisory fees of $1,794.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the six months ended June 30, 2012, Invesco was paid $24,863 for accounting and fund administrative services and reimbursed $134,623 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the six months ended June 30, 2012, expenses incurred under the agreement are shown in the Statement of Operations as *Transfer agent fees*.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the six months ended June 30, 2012, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of June 30, 2012. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1	Level 2	Level 3	Total
Equity Securities	$102,816,558	$883,232	$334,476	$104,034,266

NOTE 4—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

NOTE 5—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 6—Tax Information

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryforward) under income tax regulations. The tax character of distributions paid during the year and the tax components of net assets will be reported at the Fund's fiscal year-end.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund had a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2017	$1,524,170	$—	$1,524,170

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the six months ended June 30, 2012 was $21,051,113 and $29,725,840, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$28,111,785
Aggregate unrealized (depreciation) of investment securities	(8,699,603)
Net unrealized appreciation of investment securities	$19,412,182

Cost of investments for tax purposes is $84,622,084.

NOTE 8—Share Information

Summary of Share Activity

	Six months ended June 30, 2012[(a)]		Year ended December 31, 2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	432,458	$ 7,512,207	1,327,553	$ 22,172,590
Series II	38,678	662,175	56,016	891,686
Issued as reinvestment of dividends:				
Series I	—	—	14,376	209,892
Series II	—	—	93	1,326
Reacquired:				
Series I	(890,503)	(15,138,496)	(2,725,269)	(44,008,356)
Series II	(20,249)	(336,640)	(23,813)	(372,284)
Net increase (decrease) in share activity	(439,616)	$ (7,300,754)	(1,351,044)	$(21,105,146)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 64% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 9—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Net asset value, end of period	Total return[a]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income (loss) to average net assets	Portfolio turnover[b]
Series I												
Six months ended 06/30/12	$15.16	$(0.06)[c]	$ 1.43	$ 1.37	$ —	$16.53	9.04%	$102,106	1.14%[d]	1.14%[d]	(0.67)%[d]	20%
Year ended 12/31/11	16.00	(0.10)[c]	(0.71)	(0.81)	(0.03)	15.16	(5.05)	100,579	1.12	1.12	(0.62)	41
Year ended 12/31/10	13.19	0.02[c]	2.79	2.81	—	16.00	21.30	128,304	1.14	1.14	0.18	43
Year ended 12/31/09	8.38	(0.03)[c]	4.84	4.81	—	13.19	57.40	119,369	1.18	1.19	(0.27)	42
Year ended 12/31/08	15.10	0.01[c]	(6.73)	(6.72)	—	8.38	(44.50)	71,546	1.15	1.16	0.05	81
Year ended 12/31/07	14.02	(0.06)	1.14	1.08	—	15.10	7.70	158,739	1.10	1.10	(0.38)	59
Series II												
Six months ended 06/30/12	14.86	(0.08)[c]	1.40	1.32	—	16.18	8.88	2,055	1.39[d]	1.39[d]	(0.92)[d]	20
Year ended 12/31/11	15.71	(0.14)[c]	(0.70)	(0.84)	(0.01)	14.86	(5.32)	1,613	1.37	1.37	(0.87)	41
Year ended 12/31/10	12.98	(0.01)[c]	2.74	2.73	—	15.71	21.03	1,198	1.39	1.39	(0.07)	43
Year ended 12/31/09	8.26	(0.06)[c]	4.78	4.72	—	12.98	57.14	417	1.43	1.44	(0.52)	42
Year ended 12/31/08	14.95	(0.02)[c]	(6.67)	(6.69)	—	8.26	(44.75)	115	1.40	1.41	(0.20)	81
Year ended 12/31/07	13.91	(0.10)	1.14	1.04	—	14.95	7.48	130	1.35	1.35	(0.63)	59

(a) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

(b) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.

(c) Calculated using average shares outstanding.

(d) Ratios are annualized and based on average daily net assets (000's omitted) of $109,027, and $1,980 for Series I and Series II, respectively.

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); 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 ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

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 also 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. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	**Beginning Account Value (01/01/12)**	**Ending Account Value (06/30/12)[1]**	**Expenses Paid During Period[2]**	**Ending Account Value (06/30/12)**	**Expenses Paid During Period[2]**	**Annualized Expense Ratio**
Series I	$1,000.00	$1,090.40	$5.93	$1,019.19	$5.72	1.14%
Series II	1,000.00	1,089.50	7.22	1,017.95	6.97	1.39

[1] The actual ending account value is based on the actual total return of the Fund for the period January 1, 2012 through June 30, 2012, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 182/366 to reflect the most recent fiscal half year.

Approval of Investment Advisory and Sub-Advisory Contracts

The Board of Trustees (the Board) of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) is required under the Investment Company Act of 1940, as amended, to approve annually the renewal of the Invesco V.I. Technology Fund (the Fund) investment advisory agreement with Invesco Advisers, Inc. (Invesco Advisers) and the Master Intergroup Sub-Advisory Contract for Mutual Funds (the sub-advisory contracts) with Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers). During contract renewal meetings held on June 19-20, 2012, the Board as a whole, and the disinterested or "independent" Trustees, who comprise 80% of the Board, voting separately, approved the continuance of the Fund's investment advisory agreement and the sub-advisory contracts for another year, effective July 1, 2012. In doing so, the Board considered the process that it follows in reviewing and approving the Fund's investment advisory agreement and sub-advisory contracts and the information that it is provided. The Board determined that the Fund's investment advisory agreement and the sub-advisory contracts are in the best interests of the Fund and its shareholders and the compensation to Invesco Advisers and the Affiliated Sub-Advisers under the agreements is fair and reasonable.

The Board's Fund Evaluation Process

The Board's Investments Committee has established three Sub-Committees, each of which is primarily responsible for overseeing the management of a number of the series portfolios of the funds advised by Invesco Advisers (the Invesco Funds). The Sub-Committees meet throughout the year to review the performance of their assigned funds, including reviewing materials prepared under the direction of the independent Senior Officer, an officer of the Invesco Funds who reports directly to the independent Trustees. Over the course of each year, the Sub-Committees meet with portfolio managers for their assigned Invesco Funds and other members of management to review the performance, investment objective(s), policies, strategies, limitations and investment risks of these funds. The Sub-Committees meet regularly and at designated contract renewal meetings each year to conduct a review of the performance, fees, expenses and other matters related to their assigned Invesco Funds. Each Sub-Committee recommends to the Investments Committee, which in turn recommends to the full Board, whether and on what terms to approve the continuance of each Invesco Fund's investment advisory agreement and sub-advisory contracts for another year.

During the contract renewal process, the Trustees receive comparative performance and fee data regarding the Invesco Funds prepared by Invesco Advisers and an independent company, Lipper Inc. (Lipper). The Trustees also receive an independent written evaluation from the Senior Officer. The Senior Officer's evaluation is prepared as part of his responsibility to manage the process by which the Invesco Funds' proposed management fees are negotiated during the annual contract renewal process to ensure they are negotiated in a manner that is at arms' length and reasonable. The independent Trustees are assisted in their annual evaluation of the Fund's investment advisory agreement by the Senior Officer and by independent legal counsel. In addition to meetings with Invesco Advisers and fund counsel, the independent Trustees also discuss the continuance of the investment advisory agreement and sub-advisory contracts in private sessions with the Senior Officer and independent legal counsel.

In evaluating the fairness and reasonableness of the Fund's investment advisory agreement and sub-advisory contracts, the Board considered, among other things, the factors discussed below. The Trustees recognized that the advisory fees for the Invesco Funds include advisory fees that are the result of years of review and negotiation between the Trustees and Invesco Advisers as well as advisory fees previously approved by a different board that, at the time, was responsible for overseeing Morgan Stanley and Van Kampen funds, which have become Invesco Funds following the acquisition of the retail mutual fund business of Morgan Stanley. The Trustees' deliberations and conclusions in a particular year may be based in part on their deliberations and conclusions regarding these same arrangements throughout the year and in prior years. One Trustee may have weighed a particular piece of information or factor differently than another Trustee.

The discussion below serves as the Senior Officer's independent written evaluation with respect to the Fund's investment advisory agreement as well as a discussion of the material factors and related conclusions that formed the basis for the Board's approval of the Fund's investment advisory agreement and sub-advisory contracts. Unless otherwise stated, this information is current as of June 20, 2012, and may not reflect consideration of factors that became known to the Board after that date, including, for example, changes to the Fund's performance, advisory fees, expense limitations and/or fee waivers.

Factors and Conclusions and Summary of Independent Written Fee Evaluation

A. Nature, Extent and Quality of Services Provided by Invesco Advisers and the Affiliated Sub-Advisers

The Board reviewed the advisory services provided to the Fund by Invesco Advisers under the Fund's investment advisory agreement, the performance of Invesco Advisers in providing these services, and the credentials and experience of the officers and employees of Invesco Advisers who provide these services, including the Fund's portfolio manager or managers, with whom the Sub-Committees met during the year. The Board's review of the qualifications of Invesco Advisers to provide advisory services included the Board's consideration of Invesco Advisers' performance and investment process oversight, independent credit analysis and investment risk management.

In determining whether to continue the Fund's investment advisory agreement, the Board considered the prior relationship between Invesco Advisers and the Fund, as well as the Board's knowledge of Invesco Advisers' operations, and concluded that it is beneficial to maintain the current relationship, in part because of such prior relationship and knowledge. The Board also considered services that Invesco Advisers and its affiliates provide to the Invesco Funds such as various back office support functions, equity and fixed income trading operations, internal audit, distribution and legal and compliance. The Board concluded that the nature, extent and quality of the services provided to the Fund by Invesco Advisers are appropriate and satisfactory and consistent with the terms of the Fund's investment advisory agreement.

The Board reviewed the services provided by the Affiliated Sub-Advisers under the sub-advisory contracts and the credentials and experience of the officers and employees of the Affiliated Sub-Advisers who provide these services. The Board noted that the Affiliated Sub-Advisers have offices and personnel that are located in financial centers around the world. As a result, the Affiliated Sub-Advisers can provide research and investment analysis on the markets and economies of various countries in which the Fund invests and make recommendations on securities of companies located in such countries. The Board concluded that the sub-advisory contracts benefit the Fund and its shareholders by permitting Invesco Advisers to use the resources and talents of the Affiliated Sub-Advisers in managing the Fund. The Board concluded that the nature, extent and quality of the services provided by the Affiliated Sub-Advisers are appropriate and satisfactory and consistent with the terms of the Fund's sub-advisory contracts.

B. Fund Performance

The Board considered Fund performance as a relevant factor in considering whether to approve the investment advisory agreement. The Board did not view Fund performance as a relevant factor in considering whether to approve the sub-advisory contracts for the Fund, as no Affiliated Sub-Adviser currently manages assets of the Fund.

The Board compared the Fund's performance during the past one, three and five calendar years to the performance of funds in the Lipper performance universe and against the Lipper VA Underlying Funds – Science & Technology Funds Index. The Board noted that performance of Series I shares of the Fund was in the second quintile of the performance universe for the one and three year periods and the fourth quintile for the five year period (the first quintile being the best performing funds and the fifth quintile being the worst performing funds). The Board noted that performance of Series I shares of the Fund was above the performance of the Index for the one and three year periods and below the performance of the Index for the five year period. The Trustees also reviewed more recent Fund performance and this review did not change their conclusions.

C. Advisory and Sub-Advisory Fees and Fee Waivers

The Board compared the Fund's contractual advisory fee rate to the contractual advisory fee rates of funds in the Fund's Lipper expense group at a common asset level. The Board noted that the contractual advisory fee rate for Series I shares of the Fund was below the median contractual advisory fee rate of funds in the expense group. The Board also reviewed the methodology used by Lipper in providing expense group information, which includes using audited financial data from the most recent annual report of each fund in the expense group that was publicly available as of the end of the past calendar year and including only one fund per investment adviser. The Board noted that comparative data is as of varying dates, which may affect the comparability of data during times of market volatility.

The Board also compared the Fund's effective fee rate (the advisory fee after advisory fee waivers and before expense limitations/waivers) to the advisory fee rates of other mutual funds advised by Invesco Advisers and its affiliates with investment strategies comparable to those of the Fund. The Board noted that the Fund's effective fee rate was above the effective fee rate of the two mutual funds advised by Invesco Advisers with comparable investment strategies. The Board noted that Invesco Advisers sub-advises an off-shore fund with comparable investment strategies, which had an effective fee rate higher than the Fund's.

Other than the funds described above, the Board noted that Invesco Advisers and the Affiliated Sub-Advisers do not manage other client accounts in a manner substantially similar to the management of the Fund.

The Board noted that Invesco Advisers has contractually agreed to waive fees and/or limit expenses of the Fund through at least April 30, 2013 in an amount necessary to limit total annual operating expenses to a specified percentage of average daily net assets for each class of the Fund. The Board noted that at the current expense ratio for the Fund, this expense waiver does not have any impact.

The Board also considered the services provided by the Affiliated Sub-Advisers pursuant to the sub-advisory contracts, as well as the allocation of fees between Invesco Advisers and the Affiliated Sub-Advisers pursuant to the sub-advisory contracts. The Board noted that Invesco Advisers provides services to sub-advised Invesco Funds, including oversight of the Affiliated Sub-Advisers as well as the additional services described above other than day-to-day portfolio management. The Board also noted that the sub-advisory fees have no direct effect on the Fund or its shareholders, as they are paid by Invesco Advisers to the Affiliated Sub-Advisers.

Based upon the information and considerations described above, the Board concluded that the Fund's advisory and sub-advisory fees are fair and reasonable.

D. Economies of Scale and Breakpoints

The Board considered the extent to which there are economies of scale in the provision of advisory services to the Fund. The Board also considered whether the Fund benefits from economies of scale through contractual breakpoints in the Fund's advisory fee schedule and were assisted in their review by a report from the Senior Officer. The Board also noted that the Fund shares directly in economies of scale through lower fees charged by third party service providers based on the combined size of the Invesco Funds and other clients advised by Invesco Advisers. The Board noted that Invesco Advisers proposes sharing economies of scale in administration expenses by lowering per class administrative fees.

E. Profitability and Financial Resources

The Board reviewed information from Invesco Advisers concerning the costs of the advisory and other services that Invesco Advisers and its affiliates provide to the Fund and the profitability of Invesco Advisers and its affiliates in providing these services for the year ended December 31, 2011. The Board reviewed with Invesco Advisers the methodology used to prepare the profitability information. The Board considered the profitability of Invesco Advisers in connection with managing the Fund and the Invesco Funds. The Board noted that Invesco Advisers continues to operate at a net profit from services Invesco Advisers and its subsidiaries provide to the Invesco Funds and the Fund. The Board did not deem the level of profits realized by Invesco Advisers and its affiliates from providing services to the Fund to be excessive given the nature, quality and extent of the services provided to the Invesco Funds. The Board received and accepted information from Invesco Advisers demonstrating that Invesco Advisers and each Affiliated Sub-Adviser are financially sound and have the resources necessary to perform their obligations under the investment advisory agreement and sub-advisory contracts.

F. Collateral Benefits to Invesco Advisers and its Affiliates

The Board considered various other benefits received by Invesco Advisers and its affiliates from the relationship with the Fund, including the fees received for their provision of administrative, transfer agency and distribution services to the Fund. The Board considered the performance of Invesco Advisers and its affiliates in providing these services and the organizational structure employed to provide these services. The Board also considered that these services are provided to the Fund pursuant to written contracts that are reviewed and approved on an annual basis by the Board; that the services are required for the operation of the Fund; that Invesco Advisers and its affiliates can provide services, the nature and quality of which are at least equal to those provided by others offering the same or similar services; and that the fees for such services are fair and reasonable in light of the usual and customary charges by others for services of the same nature and quality.

The Board considered the benefits realized by Invesco Advisers and the Affiliated Sub-Advisers as a result of portfolio brokerage transactions executed through "soft dollar" arrangements. The Board noted that soft dollar arrangements shift the payment obligation for research services from Invesco Advisers and the Affiliated Sub-Advisers to the Invesco Funds and therefore may reduce Invesco Advisers' and the Affiliated Sub-Advisers' expenses. The Board also considered periodic reports from the Chief Compliance Officer of the Invesco Funds demonstrating that these arrangements are consistent with regulatory requirements. The Board did not deem the soft dollar arrangements to be inappropriate.

The Board considered that the Fund's uninvested cash and cash collateral from any securities lending arrangements may be invested in money market funds advised by Invesco Advisers pursuant to procedures approved by the Board. The Board noted that Invesco Advisers receives advisory fees from these affiliated money market funds attributable to such investments, although Invesco Advisers has contractually agreed to waive through varying periods the advisory fees payable by the Invesco Funds. The waiver is in an amount equal to 100% of the net advisory fee Invesco Advisers receives from the affiliated money market funds with respect to the Fund's investment in the affiliated money market funds of uninvested cash, but not cash collateral. The Board concluded that the Fund's investment of uninvested cash and cash collateral from any securities lending arrangements in the affiliated money market funds is in the best interests of the Fund and its shareholders.

The Board also considered use of an affiliated broker to execute certain trades for the Fund and that such trades are executed in compliance with rules under the Investment Company Act of 1940, as amended.

Semiannual Report

June 30, 2012

ColumbiaManagement®

Columbia Variable Portfolio — Small Cap Value Fund

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Small Cap Value Fund (the fund) Class 1 shares returned 3.08% for the six-month period ended June 30, 2012.

> The fund's benchmark, the Russell 2000 Value Index, returned 8.23% for the same period.

Average Annual Total Returns (%) (for period ended June 30, 2012)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	05/19/98	3.08	-6.22	0.22	7.63
Class 2	06/01/00	3.09	-6.33	0.06	7.47
Russell 2000 Value Index		8.23	-1.44	-1.05	6.50

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

The Russell 2000 Value Index tracks the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Portfolio Overview
(Unaudited)

Top Ten Holdings (%) (at June 30, 2012)	
Rent-A-Center, Inc.	1.0
OM Group, Inc.	0.9
Starwood Property Trust, Inc.	0.8
Sunstone Hotel Investors, Inc.	0.8
FirstMerit Corp.	0.8
Hancock Holding Co.	0.8
IDACORP, Inc.	0.8
Southwest Gas Corp.	0.8
Allete, Inc.	0.8
Greif, Inc.	0.8

Percentages indicated are based upon total investments (excluding Money Market Funds and Investments of Cash Collateral Received for Securities on Loan).

For further detail about these holdings, please refer to the section entitled “Portfolio of Investments.”

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security.

Portfolio Breakdown (%) (at June 30, 2012)	
Common Stocks	**99.3**
Consumer Discretionary	10.3
Consumer Staples	3.2
Energy	5.7
Financials	31.1
Health Care	8.7
Industrials	15.3
Information Technology	13.8
Materials	6.0
Telecommunication Services	1.6
Utilities	3.6
Exchange-Traded Funds	**0.4**
Other[(a)]	**0.3**

Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan). The Fund’s portfolio composition is subject to change.

(a) Includes investments in Money Market Funds.

Portfolio Management

Stephen D. Barbaro, CFA

Jeremy H. Javidi, CFA

John S. Barrett, CFA

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees, or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,031.80	1,020.49	4.44	4.42	0.88
Class 2	1,000.00	1,000.00	1,030.90	1,019.74	5.20	5.17	1.03

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments
June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Common Stocks 99.4%

Issuer	Shares	Value ($)
Consumer Discretionary 10.3%		
Auto Components 0.3%		
Amerigon, Inc.[a]	64,769	744,196
Diversified Consumer Services 0.9%		
Lincoln Educational Services Corp.	135,215	878,897
Regis Corp.	72,882	1,308,961
Universal Technical Institute, Inc.	45,461	614,178
Total		2,802,036
Hotels, Restaurants & Leisure 1.5%		
Bob Evans Farms, Inc.	50,181	2,017,276
Red Robin Gourmet Burgers, Inc.[a][b]	32,824	1,001,460
WMS Industries, Inc.[a]	76,000	1,516,200
Total		4,534,936
Household Durables 0.7%		
American Greetings Corp., Class A	78,510	1,147,816
Cavco Industries, Inc.[a]	20,714	1,062,214
Total		2,210,030
Specialty Retail 4.8%		
Aaron's, Inc.	53,180	1,505,526
Children's Place Retail Stores, Inc. (The)[a][b]	35,717	1,779,778
Finish Line, Inc., Class A (The)	83,980	1,756,022
GameStop Corp., Class A	65,926	1,210,401
hhgregg, Inc.[a][b]	85,725	969,550
Men's Wearhouse, Inc. (The)	59,191	1,665,635
Rent-A-Center, Inc.	88,146	2,974,046
Shoe Carnival, Inc.	53,395	1,147,458
Stage Stores, Inc.	68,643	1,257,540
Total		14,265,956
Textiles, Apparel & Luxury Goods 2.1%		
Columbia Sportswear Co.	23,250	1,246,665
Deckers Outdoor Corp.[a][b]	32,760	1,441,768
G-III Apparel Group Ltd.[a][b]	37,190	881,031
Jones Group, Inc. (The)	155,910	1,490,500
Warnaco Group, Inc. (The)[a]	24,890	1,059,816
Total		6,119,780
Total Consumer Discretionary		**30,676,934**

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Consumer Staples 3.2%		
Food & Staples Retailing 1.5%		
Andersons, Inc. (The)	39,790	1,697,441
Harris Teeter Supermarkets, Inc.	38,900	1,594,511
Spartan Stores, Inc.	66,937	1,213,568
Total		4,505,520
Food Products 1.5%		
Chiquita Brands International, Inc.[a]	127,750	638,750
Darling International, Inc.[a]	98,110	1,617,834
Fresh Del Monte Produce, Inc.	90,369	2,120,961
Total		4,377,545
Personal Products 0.2%		
Inter Parfums, Inc.	36,452	629,526
Total Consumer Staples		**9,512,591**
Energy 5.8%		
Energy Equipment & Services 3.0%		
Gulf Island Fabrication, Inc.	44,469	1,254,470
Matrix Service Co.[a]	96,731	1,097,897
Newpark Resources, Inc.[a]	146,717	865,630
Patterson-UTI Energy, Inc.	85,930	1,251,141
RPC, Inc.	103,994	1,236,489
Tetra Technologies, Inc.[a][b]	134,446	958,600
TGC Industries, Inc.[a]	114,455	1,111,358
Tidewater, Inc.	25,743	1,193,445
Total		8,969,030
Oil, Gas & Consumable Fuels 2.8%		
Bill Barrett Corp.[a][b]	73,350	1,571,157
Cloud Peak Energy, Inc.[a][b]	91,720	1,550,985
Forest Oil Corp.[a]	147,620	1,082,055
Stone Energy Corp.[a]	61,492	1,558,207
Swift Energy Co.[a][b]	54,208	1,008,811
VAALCO Energy, Inc.[a]	153,060	1,320,908
Total		8,092,123
Total Energy		**17,061,153**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Financials 31.1%		
Capital Markets 1.3%		
GFI Group, Inc.	256,506	913,161
INTL FCStone, Inc.[a]	59,945	1,159,936
Knight Capital Group, Inc., Class A[a]	154,130	1,840,312
Total		3,913,409
Commercial Banks 9.3%		
Ameris Bancorp[a]	118,599	1,494,347
BancFirst Corp.	32,272	1,352,520
Bryn Mawr Bank Corp.	60,821	1,281,498
Chemical Financial Corp.	74,659	1,605,169
Columbia Banking System, Inc.	88,708	1,669,485
Community Trust Bancorp, Inc.	49,749	1,666,094
First Citizens BancShares Inc., Class A	7,898	1,316,202
First Commonwealth Financial Corp.	286,918	1,930,958
First Financial Corp.	55,209	1,601,061
FirstMerit Corp.	145,300	2,400,356
Glacier Bancorp, Inc.	112,190	1,737,823
Hancock Holding Co.	77,564	2,361,048
Investors Bancorp, Inc.[a]	85,573	1,291,297
Merchants Bancshares, Inc.	43,565	1,200,216
Northrim BanCorp, Inc.	59,629	1,281,427
West Coast Bancorp[a]	59,052	1,160,372
Wintrust Financial Corp.	62,047	2,202,668
Total		27,552,541
Consumer Finance 0.9%		
Cash America International, Inc.	39,669	1,747,023
Green Dot Corp., Class A[a][b]	43,970	972,616
Total		2,719,639
Diversified Financial Services 0.3%		
Pico Holdings, Inc.[a][b]	35,471	794,905
Insurance 7.8%		
Allied World Assurance Co. Holdings AG	21,750	1,728,472
American Safety Insurance Holdings Ltd.[a]	67,496	1,265,550
Argo Group International Holdings Ltd.	66,230	1,938,552
Baldwin & Lyons, Inc., Class B	52,085	1,210,455
eHealth, Inc.[a]	32,802	528,440
EMC Insurance Group, Inc.	53,784	1,086,437
Endurance Specialty Holdings Ltd.	37,700	1,444,664

Common Stocks *(continued)*

Issuer	Shares	Value ($)
FBL Financial Group, Inc., Class A	46,699	1,308,039
Hanover Insurance Group, Inc. (The)	41,900	1,639,547
Horace Mann Educators Corp.	90,968	1,590,121
Kemper Corp.	42,755	1,314,716
National Western Life Insurance Co., Class A	5,848	829,948
Navigators Group, Inc. (The)[a]	28,630	1,432,932
Safety Insurance Group, Inc.	39,651	1,611,417
Stewart Information Services Corp.	60,952	935,613
Symetra Financial Corp.	124,795	1,574,913
United Fire Group, Inc.	84,630	1,805,158
Total		23,244,974
Real Estate Investment Trusts (REITs) 6.7%		
Campus Crest Communities, Inc.	82,860	860,915
Chesapeake Lodging Trust	102,557	1,766,032
Corporate Office Properties Trust	50,350	1,183,728
Cousins Properties, Inc.	227,260	1,761,265
DiamondRock Hospitality Co.	211,312	2,155,382
Franklin Street Properties Corp.	126,015	1,333,239
National Health Investors, Inc.	30,587	1,557,490
Potlatch Corp.	58,359	1,863,986
Starwood Property Trust, Inc.	118,089	2,516,477
Sunstone Hotel Investors, Inc.[a]	221,526	2,434,571
Terreno Realty Corp.	96,817	1,462,905
Urstadt Biddle Properties, Inc., Class A	52,253	1,033,042
Total		19,929,032
Thrifts & Mortgage Finance 4.8%		
Bank Mutual Corp.	225,909	996,259
BankFinancial Corp.	128,577	968,185
BankUnited, Inc.	39,408	929,241
Beneficial Mutual Bancorp, Inc.[a]	169,505	1,462,828
Brookline Bancorp, Inc.	178,562	1,580,274
ESSA Bancorp, Inc.	79,380	857,304
Home Federal Bancorp, Inc.	104,050	1,092,525
MGIC Investment Corp.[a][b]	299,628	862,929
Northfield Bancorp, Inc.	61,898	879,570
Provident New York Bancorp	116,340	883,021
TrustCo Bank Corp.	97,242	530,941
United Financial Bancorp, Inc.	58,912	847,154
Washington Federal, Inc.	101,430	1,713,153

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Westfield Financial, Inc.	88,357	645,006
Total		14,248,390
Total Financials		**92,402,890**
Health Care 8.7%		
Health Care Equipment & Supplies 2.8%		
Analogic Corp.	18,160	1,125,920
Angiodynamics, Inc.[(a)]	68,825	826,588
Cantel Medical Corp.	36,872	1,004,762
CONMED Corp.	56,830	1,572,486
ICU Medical, Inc.[(a)(b)]	28,531	1,522,985
Medical Action Industries, Inc.[(a)]	92,430	321,657
Orthofix International NV[(a)]	26,797	1,105,376
Quidel Corp.[(a)(b)]	60,353	946,335
Total		8,426,109
Health Care Providers & Services 3.4%		
Amsurg Corp.[(a)(b)]	58,151	1,743,367
Centene Corp.[(a)]	39,100	1,179,256
Lincare Holdings, Inc.	47,300	1,609,146
Magellan Health Services, Inc.[(a)]	44,390	2,012,199
Medcath Corp.	101,350	757,084
Molina Healthcare, Inc.[(a)(b)]	49,310	1,156,812
Triple-S Management Corp., Class B[(a)]	45,374	829,437
U.S. Physical Therapy, Inc.	31,974	813,099
Total		10,100,400
Pharmaceuticals 2.5%		
Impax Laboratories, Inc.[(a)(b)]	65,450	1,326,672
Jazz Pharmaceuticals PLC[(a)]	26,230	1,180,612
Medicis Pharmaceutical Corp., Class A	38,400	1,311,360
Par Pharmaceutical Companies, Inc.[(a)]	42,550	1,537,757
Viropharma, Inc.[(a)]	87,370	2,070,669
Total		7,427,070
Total Health Care		**25,953,579**
Industrials 15.3%		
Aerospace & Defense 1.3%		
AAR Corp.	50,775	684,447
Ceradyne, Inc.	64,596	1,656,887
Curtiss-Wright Corp.	51,640	1,603,422
Total		3,944,756

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Building Products 0.4%		
Universal Forest Products, Inc.	29,213	1,138,723
Commercial Services & Supplies 2.0%		
ABM Industries, Inc.	59,750	1,168,710
ACCO Brands Corp.[(a)]	127,471	1,318,050
Consolidated Graphics, Inc.[(a)]	27,079	786,645
Ennis, Inc.	55,992	861,157
Unifirst Corp.	28,260	1,801,575
Total		5,936,137
Construction & Engineering 1.6%		
Comfort Systems U.S.A., Inc.	82,483	826,480
Dycom Industries, Inc.[(a)]	58,350	1,085,893
KHD Humboldt Wedag International AG[(a)]	69,805	434,855
Layne Christensen Co.[(a)(b)]	42,426	877,794
Pike Electric Corp.[(a)]	95,881	740,201
Sterling Construction Co., Inc.[(a)]	61,876	632,373
Total		4,597,596
Electrical Equipment 1.7%		
Belden, Inc.	41,997	1,400,600
Brady Corp., Class A	50,230	1,381,827
GrafTech International Ltd.[(a)(b)]	142,009	1,370,387
Powell Industries, Inc.[(a)]	27,651	1,033,042
Total		5,185,856
Machinery 5.3%		
Albany International Corp., Class A	57,091	1,068,173
Astec Industries, Inc.[(a)]	38,279	1,174,400
Briggs & Stratton Corp.	74,981	1,311,418
Cascade Corp.	19,350	910,417
CIRCOR International, Inc.	33,280	1,134,515
EnPro Industries, Inc.[(a)(b)]	31,096	1,162,057
FreightCar America, Inc.	29,157	669,736
Harsco Corp.	41,384	843,406
ITT Corp.	53,450	940,720
Kadant, Inc.[(a)]	56,076	1,314,982
LB Foster Co., Class A	40,362	1,154,757
Mueller Industries, Inc.	43,731	1,862,503
Robbins & Myers, Inc.	50,069	2,093,886
Total		15,640,970

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Professional Services 0.8%		
FTI Consulting, Inc.[a]	42,600	1,224,750
Korn/Ferry International[a]	75,204	1,079,177
Total		2,303,927
Road & Rail 1.3%		
Heartland Express, Inc.	89,943	1,287,084
Ryder System, Inc.	24,770	891,968
Werner Enterprises, Inc.	73,718	1,761,123
Total		3,940,175
Trading Companies & Distributors 0.9%		
Applied Industrial Technologies, Inc.	33,018	1,216,713
Kaman Corp.	47,311	1,463,803
Total		2,680,516
Total Industrials		**45,368,656**
Information Technology 13.8%		
Communications Equipment 0.7%		
Emulex Corp.[a]	164,320	1,183,104
Symmetricom, Inc.[a]	143,218	857,876
Total		2,040,980
Computers & Peripherals 0.5%		
QLogic Corp.[a]	114,020	1,560,934
Electronic Equipment, Instruments & Components 2.5%		
Anixter International, Inc.	27,207	1,443,331
Electro Scientific Industries, Inc.	60,425	714,223
GSI Group, Inc.[a]	70,815	811,540
Littelfuse, Inc.	30,710	1,747,092
Methode Electronics, Inc.	70,986	604,091
MTS Systems Corp.	28,209	1,087,457
Nam Tai Electronics, Inc.	175,634	1,022,190
Total		7,429,924
Internet Software & Services 1.6%		
Blucora, Inc.[a]	72,025	887,348
j2 Global, Inc.	35,896	948,372
Monster Worldwide, Inc.[a][b]	124,790	1,060,715
United Online, Inc.	155,340	655,535
ValueClick, Inc.[a]	64,190	1,052,074
Total		4,604,044

Common Stocks *(continued)*

Issuer	Shares	Value ($)
IT Services 3.1%		
Acxiom Corp.[a]	113,795	1,719,442
CACI International, Inc., Class A[a][b]	21,583	1,187,497
Convergys Corp.	129,167	1,907,797
CSG Systems International, Inc.[a]	59,509	1,028,316
Global Cash Access Holdings, Inc.[a][b]	153,044	1,103,447
MoneyGram International, Inc.[a]	78,945	1,152,597
TeleTech Holdings, Inc.[a]	70,670	1,130,720
Total		9,229,816
Semiconductors & Semiconductor Equipment 3.9%		
Amkor Technology, Inc.[a][b]	129,574	632,321
ATMI, Inc.[a][b]	58,375	1,200,774
Cabot Microelectronics Corp.	33,390	975,322
Cymer, Inc.[a][b]	28,320	1,669,464
Entegris, Inc.[a][b]	212,090	1,811,249
Integrated Device Technology, Inc.[a]	158,700	891,894
MKS Instruments, Inc.	68,635	1,985,610
Teradyne, Inc.[a]	76,940	1,081,776
Tessera Technologies, Inc.	87,437	1,343,907
Total		11,592,317
Software 1.5%		
Compuware Corp.[a]	101,830	946,001
Monotype Imaging Holdings, Inc.[a][b]	59,144	991,845
Parametric Technology Corp.[a]	45,833	960,659
Progress Software Corp.[a][b]	72,991	1,523,322
Total		4,421,827
Total Information Technology		**40,879,842**
Materials 6.0%		
Chemicals 3.4%		
A. Schulman, Inc.	49,190	976,422
Chemtura Corp.[a]	97,420	1,412,590
Cytec Industries, Inc.	19,030	1,115,919
Ferro Corp.[a]	179,030	859,344
H.B. Fuller Co.	37,652	1,155,916
Minerals Technologies, Inc.	29,730	1,896,179
OM Group, Inc.[a][b]	139,264	2,646,016
Total		10,062,386

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Containers & Packaging 1.0%		
Greif, Inc., Class A	55,651	2,281,691
Greif, Inc., Class B	18,514	832,575
Total		3,114,266
Metals & Mining 1.2%		
Olympic Steel, Inc.	48,576	797,618
Thompson Creek Metals Co., Inc.[a]	239,230	763,143
Worthington Industries, Inc.	95,940	1,963,892
Total		3,524,653
Paper & Forest Products 0.4%		
Wausau Paper Corp.	114,219	1,111,351
Total Materials		**17,812,656**
Telecommunication Services 1.6%		
Diversified Telecommunication Services 1.1%		
Cbeyond, Inc.[a]	120,093	813,030
Lumos Networks Corp.	41,781	394,830
Neutral Tandem, Inc.[a]	93,000	1,225,740
Warwick Valley Telephone Co.	61,964	816,686
Total		3,250,286
Wireless Telecommunication Services 0.5%		
NTELOS Holdings Corp.	39,291	740,635
Shenandoah Telecommunications Co.	62,770	854,300
Total		1,594,935
Total Telecommunication Services		**4,845,221**
Utilities 3.6%		
Electric Utilities 2.2%		
Allete, Inc.	55,519	2,320,694
IDACORP, Inc.	56,080	2,359,847
MGE Energy, Inc.	37,287	1,763,675
Total		6,444,216
Gas Utilities 1.4%		
Laclede Group, Inc. (The)	46,931	1,868,323
Southwest Gas Corp.	53,971	2,355,834
Total		4,224,157
Total Utilities		**10,668,373**
Total Common Stocks (Cost: $306,490,024)		**295,181,895**

Exchange-Traded Funds 0.3%

Issuer	Shares	Value ($)
iShares Russell 2000 Value	14,940	1,051,626
Total Exchange-Traded Funds (Cost: $1,085,699)		**1,051,626**

Money Market Funds 0.3%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.152%[c][d]	944,994	944,994
Total Money Market Funds (Cost: $944,994)		**944,994**

Investments of Cash Collateral Received for Securities on Loan 4.5%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Certificates of Deposit 0.3%			
Sumitomo Mitsui Banking Corp. 07/03/12	0.360%	1,000,000	1,000,000
Repurchase Agreements 4.2%			
Natixis Financial Products, Inc. dated 06/29/12, matures 07/02/12, repurchase price $5,000,104[e]	0.250%	5,000,000	5,000,000
Societe Generale dated 06/29/12, matures 07/02/12, repurchase price $7,389,619[e]	0.190%	7,389,502	7,389,502
Total			12,389,502
Total Investments of Cash Collateral Received for Securities on Loan (Cost: $13,389,502)			**13,389,502**
Total Investments (Cost: $321,910,219)			**310,568,017**
Other Assets & Liabilities, Net			(13,485,804)
Net Assets			**297,082,213**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments

(a) Non-income producing.

(b) At June 30, 2012, security was partially or fully on loan.

(c) The rate shown is the seven-day current annualized yield at June 30, 2012.

(d) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the period ended June 30, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Sales Cost/ Proceeds from Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	—	22,833,605	(21,888,611)	—	944,994	1,097	944,994

(e) The table below represents securities received as collateral for repurchase agreements. This collateral is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the proper level of collateral.

Security Description	Value ($)
Natixis Financial Products, Inc. (0.250%)	
Fannie Mae Pool	762,512
Fannie Mae REMICS	1,319,164
Federal Home Loan Banks	172,979
Federal National Mortgage Association	172,941
Freddie Mac Gold Pool	442,621
Freddie Mac Non Gold Pool	164,196
Freddie Mac REMICS	784,057
Government National Mortgage Association	928,378
United States Treasury Note/Bond	353,258
Total Market Value of Collateral Securities	5,100,106

Security Description	Value ($)
Societe Generale (0.190%)	
Fannie Mae Pool	4,606,226
Freddie Mac Gold Pool	2,931,066
Total Market Value of Collateral Securities	7,537,292

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

> Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.

> Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

> Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Foreign equity securities actively traded in markets where there is a significant delay in the local close relative to the New York Stock Exchange (NYSE) are classified as Level 2. The values of these securities may include an adjustment to reflect the impact of significant market movements following the close of local trading, as described in Note 2 to the financial statements — Security Valuation.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Consumer Discretionary	30,676,934	—	—	30,676,934
Consumer Staples	9,512,591	—	—	9,512,591
Energy	17,061,153	—	—	17,061,153
Financials	92,402,890	—	—	92,402,890
Health Care	25,953,579	—	—	25,953,579
Industrials	44,933,801	434,855	—	45,368,656
Information Technology	40,879,842	—	—	40,879,842
Materials	17,812,656	—	—	17,812,656
Telecommunication Services	4,845,221	—	—	4,845,221
Utilities	10,668,373	—	—	10,668,373
Exchange-Traded Funds	1,051,626	—	—	1,051,626
Total Equity Securities	295,798,666	434,855	—	296,233,521
Other				
Money Market Funds	944,994	—	—	944,994
Investments of Cash Collateral Received for Securities on Loan	—	13,389,502	—	13,389,502
Total Other	944,994	13,389,502	—	14,334,496
Total	296,743,660	13,824,357	—	310,568,017

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets. These assets include certain foreign securities for which a third party statistical pricing service may be employed for purposes of fair market valuation. The models utilized by the third party statistical pricing service take into account a security's correlation to available market data including, but not limited to, intraday index, ADR, and ETF movements.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities

June 30, 2012 (Unaudited)

Assets	
Investments, at value*	
Unaffiliated issuers (identified cost $307,575,723)	$296,233,521
Affiliated issuers (identified cost $944,994)	944,994
Investment of cash collateral received for securities on loan	
Short-term securities (identified cost $1,000,000)	1,000,000
Repurchase agreements (identified cost $12,389,502)	12,389,502
Total investments (identified cost $321,910,219)	310,568,017
Cash	37
Receivable for:	
Investments sold	1,503,459
Capital shares sold	93,799
Dividends	373,293
Interest	11,564
Expense reimbursement due from Investment Manager	45,934
Trustees' deferred compensation plan	36,074
Total assets	312,632,177
Liabilities	
Due upon return of securities on loan	13,389,502
Payable for:	
Investments purchased	1,634,582
Capital shares purchased	178,870
Investment management fees	179,054
Distribution fees	52,673
Transfer agent fees	13,599
Administration fees	18,132
Chief compliance officer expenses	284
Other expenses	47,194
Trustees' deferred compensation plan	36,074
Total liabilities	15,549,964
Net assets applicable to outstanding capital stock	**$297,082,213**
Represented by	
Paid-in capital	$295,643,069
Undistributed net investment income	2,404,133
Accumulated net realized gain	10,377,213
Unrealized appreciation (depreciation) on:	
Investments	(11,342,202)
Total — representing net assets applicable to outstanding capital stock	**$297,082,213**
*Value of securities on loan	$13,389,552

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities *(continued)*

June 30, 2012 (Unaudited)

Class 1	
Net assets	$20,700,333
Shares outstanding	1,375,900
Net asset value per share	$15.04
Class 2	
Net assets	$276,381,880
Shares outstanding	18,440,621
Net asset value per share	$14.99

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations

Six Months Ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Dividends	$2,394,696
Interest	15
Dividends from affiliates	1,097
Income from securities lending — net	87,503
Total income	2,483,311
Expenses:	
Investment management fees	1,190,431
Distribution fees	
Class 2	346,530
Transfer agent fees	
Class 1	7,245
Class 2	83,165
Administration fees	120,550
Compensation of board members	12,918
Custodian fees	10,935
Printing and postage fees	41,448
Professional fees	17,260
Chief compliance officer expenses	308
Other	4,898
Total expenses	1,835,688
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(163,147)
Fees waived by Distributor — Class 2	(138,604)
Total net expenses	1,533,937
Net investment income	**949,374**
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	(3,396,708)
Foreign currency translations	(49)
Net realized loss	(3,396,757)
Net change in unrealized appreciation (depreciation) on:	
Investments	11,748,499
Net change in unrealized appreciation	11,748,499
Net realized and unrealized gain	8,351,742
Net increase in net assets resulting from operations	**$9,301,116**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$949,374	$1,910,727
Net realized gain (loss)	(3,396,757)	18,218,029
Net change in unrealized appreciation (depreciation)	11,748,499	(38,777,364)
Net increase (decrease) in net assets resulting from operations	9,301,116	(18,648,608)
Distributions to shareholders		
Net investment income		
Class 1	—	(273,258)
Class 2	—	(2,467,512)
Net realized gains		
Class 1	—	(2,997,112)
Class 2	—	(30,090,661)
Total distributions to shareholders	—	(35,828,543)
Increase (decrease) in net assets from share transactions	(3,449,390)	22,578,988
Total increase (decrease) in net assets	5,851,726	(31,898,163)
Net assets at beginning of period	291,230,487	323,128,650
Net assets at end of period	**$297,082,213**	**$291,230,487**
Undistributed net investment income	$2,404,133	$1,454,759

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	84,215	1,284,411	189,593	2,913,927
Distributions reinvested	—	—	210,043	3,270,370
Redemptions	(426,307)	(6,703,542)	(366,352)	(5,753,027)
Net increase (decrease)	(342,092)	(5,419,131)	33,284	431,270
Class 2 shares				
Subscriptions	1,269,461	19,420,060	2,086,024	32,820,780
Distributions reinvested	—	—	2,096,470	32,558,173
Redemptions	(1,134,252)	(17,450,319)	(2,665,419)	(43,231,235)
Net increase	135,209	1,969,741	1,517,075	22,147,718
Total net increase (decrease)	**(206,883)**	**(3,449,390)**	**1,550,359**	**22,578,988**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions, if any. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

Class 1	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$14.59	$17.53	$14.01	$11.35	$18.08	$20.67
Income from investment operations:						
Net investment income	0.06	0.12	0.13	0.12	0.17	0.13
Net realized and unrealized gain (loss)	0.39	(1.04)	3.58	2.70	(4.79)	(0.38)
Total from investment operations	0.45	(0.92)	3.71	2.82	(4.62)	(0.25)
Less distributions to shareholders:						
Net investment income	—	(0.17)	(0.19)	(0.14)	(0.12)	(0.10)
Net realized gains	—	(1.85)	—	(0.02)	(1.99)	(2.24)
Total distributions to shareholders	—	(2.02)	(0.19)	(0.16)	(2.11)	(2.34)
Net asset value, end of period	$15.04	$14.59	$17.53	$14.01	$11.35	$18.08
Total return	3.08%	(5.96%)	26.75%	25.16%	(28.02%)	(2.36%)
Ratios to average net assets[(a)]						
Expenses prior to fees waived or expenses reimbursed (including interest expense)	0.99%[(b)]	0.98%[(c)]	0.93%[(c)]	0.92%	0.89%[(c)]	0.89%[(c)]
Net expenses after fees waived or expenses reimbursed (including interest expense)[(d)]	0.88%[(b)]	0.90%[(c)]	0.93%[(c)(e)(f)]	0.92%[(e)]	0.89%[(c)(e)]	0.89%[(c)(e)]
Expenses prior to fees waived or expenses reimbursed (excluding interest expense)	0.99%[(b)]	0.98%	0.93%	0.92%	0.89%	0.89%
Net expenses after fees waived or expenses reimbursed (excluding interest expense)[(d)]	0.88%[(b)]	0.90%	0.93%[(e)]	0.92%[(e)]	0.89%[(e)]	0.89%[(e)]
Net investment income	0.83%[(b)]	0.76%	0.85%[(e)]	0.99%[(e)]	1.16%[(e)]	0.63%[(e)]
Supplemental data						
Net assets, end of period (in thousands)	$20,700	$25,058	$29,529	$23,538	$19,357	$10,598
Portfolio turnover	19%	32%	39%	43%	48%	51%

Notes to Financial Highlights

(a) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(b) Annualized.

(c) Includes interest expense which rounds to less than 0.01%.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

(f) The Investment Manager reimbursed interest expense which had an impact of less than 0.01%.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$14.54	$17.49	$13.98	$11.31	$18.01	$20.61
Income from investment operations:						
Net investment income	0.05	0.10	0.09	0.10	0.13	0.09
Net realized and unrealized gain (loss)	0.40	(1.04)	3.58	2.70	(4.77)	(0.39)
Total from investment operations	0.45	(0.94)	3.67	2.80	(4.64)	(0.30)
Less distributions to shareholders:						
Net investment income	—	(0.16)	(0.16)	(0.11)	(0.07)	(0.06)
Net realized gains	—	(1.85)	—	(0.02)	(1.99)	(2.24)
Total distributions to shareholders	—	(2.01)	(0.16)	(0.13)	(2.06)	(2.30)
Net asset value, end of period	$14.99	$14.54	$17.49	$13.98	$11.31	$18.01
Total return	3.09%	(6.13%)	26.46%	25.00%	(28.15%)	(2.58%)
Ratios to average net assets(a)						
Expenses prior to fees waived or expenses reimbursed (including interest expense)	1.24%(b)	1.23%(c)	1.18%(c)	1.17%	1.14%(c)	1.14%(c)
Net expenses after fees waived or expenses reimbursed (including interest expense)(d)	1.03%(b)	1.05%(c)	1.10%(c)(e)(f)	1.10%(e)	1.10%(c)(e)	1.10%(c)(e)
Expenses prior to fees waived or expenses reimbursed (excluding interest expense)	1.24%(b)	1.23%	1.18%	1.17%	1.14%	1.14%
Net expenses after fees waived or expenses reimbursed (excluding interest expense)(d)	1.03%(b)	1.05%	1.10%(e)	1.10%(e)	1.10%(e)	1.10%(e)
Net investment income	0.61%(b)	0.61%	0.61%(e)	0.81%(e)	0.83%(e)	0.44%(e)
Supplemental data						
Net assets, end of period (in thousands)	$276,382	$266,172	$293,600	$436,346	$314,060	$467,568
Portfolio turnover	19%	32%	39%	43%	48%	51%

Notes to Financial Highlights

(a) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(b) Annualized.

(c) Includes interest expense which rounds to less than 0.01%.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

(f) The Investment Manager reimbursed interest expense which had an impact of less than 0.01%.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio — Small Cap Value Fund (the Fund), a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board of Trustees (the Board), including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange or market, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Interest income is recorded on an accrual basis.

The Fund may receive distributions from holdings in business development companies (BDCs), exchange traded funds (ETFs) and real estate investment trusts (REITs), which report information on the character of their distributions annually. These distributions are allocated to dividend income, capital gain and return of capital based on estimates made by the Fund's management if actual information has not yet been reported. Return of capital is recorded as a reduction of the cost basis of securities held. Management's estimates are subsequently adjusted when the actual character of the distributions is disclosed by the BDCs, ETFs and REITs, which could result in a proportionate change in return of capital to shareholders.

Awards from class action litigation are recorded as a reduction of cost basis if the Fund still owns the applicable securities on the payment date. If the Fund no longer owns the applicable securities, the proceeds are recorded as realized gains.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement (IMSA), Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.79% to 0.70% as the Fund's net assets increase. The annualized effective management fee rate for the six months ended June 30, 2012 was 0.79% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.08% to 0.05% as the Fund's net assets increase. The annualized effective administration fee rate for the six months ended June 30, 2012 was 0.08% of the Fund's average daily net assets.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligations of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer

The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any overdraft charges from the Fund's custodian, do not exceed the annual rates as a percentage of the class' average daily net assets:

Class 1	0.88%
Class 2	1.03

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

In addition, the Distributor has voluntarily agreed to reimburse the Class 2 distribution fee in excess of 0.15% if the total annual Fund operating expenses applicable to Class 2 shares, including distribution fees, exceed the annual rate of 1.03% of the average daily net assets attributable to Class 2 shares. This arrangement may be modified or terminated by the Distributor at any time.

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

At June 30, 2012, the cost of investments for federal income tax purposes was approximately $321,910,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$28,627,000
Unrealized depreciation	(39,969,000)
Net unrealized depreciation	$(11,342,000)

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $56,140,092 and $59,664,615, respectively, for the six months ended June 30, 2012.

Note 6. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or securities that either are issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the six months ended June 30, 2012 is disclosed in the Statement of

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

At June 30, 2012, securities valued at $13,389,552 were on loan, secured by cash collateral of $13,389,502 (which does not reflect calls for collateral made to borrowers by JPMorgan at period end) that is partially or fully invested in short-term securities or other cash equivalents.

Note 7. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 8. Shareholder Concentration

At June 30, 2012, three unaffiliated shareholder accounts owned an aggregate of 88.8% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such accounts. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 9. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Note 10. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 11. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Board Consideration and Approval of Advisory Agreement

At meetings held on March 7, 2012 and June 6, 2012, respectively, the Board of Trustees (the “Board”) and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the “Independent Trustees”) unanimously approved the continuation of the Investment Management Services Agreement (the “Advisory Agreement”) with Columbia Management Investment Advisers, LLC (the “Investment Manager”) with respect to Columbia Variable Portfolio — Small Cap Value Fund (the “Fund”), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the “Committee”) and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve each continuation of the Advisory Agreement.

In connection with their deliberations regarding each continuation of the Advisory Agreement, the Committee and the Board requested and evaluated materials from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 6, 2012, April 25, 2012 and June 5, 2012, and at the Board meetings held on March 7, 2012 and June 6, 2012. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board’s Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with Fund counsel and with the Independent Trustees’ independent legal counsel, who advised on the legal standard for consideration by the Board and otherwise assisted the Board in its deliberations.

On March 6, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On March 7, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund. The Committee and the Board met in June 2012 to consider the continuation of the Advisory Agreement for the one-year period ending June 30, 2013, so as to permit the annual consideration of the Advisory Agreement to be conducted each June. On June 5, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 6, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of the Fund’s benchmarks and the performance of a group of comparable mutual funds, as determined by an independent third-party data provider;
- Information on the Fund’s advisory fees and total expenses, including information comparing the Fund’s expenses to those of a group of comparable mutual funds, as determined by an independent third-party data provider;
- The Investment Manager’s agreement to contractually limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined from time to time, generally annually, by an independent third-party data provider);
- The terms and conditions of the Advisory Agreement, including that the advisory fee rates payable by the Fund would not change;
- The terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement, noting in the case of the Transfer and Dividend Disbursing Agent Agreement certain proposed changes to the fee rates payable thereunder;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;

Board Consideration and Approval of Advisory Agreement *(continued)*

- Information regarding the management fees and investment performance of any comparable portfolios of other clients of the Investment Manager, including institutional separate accounts; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

Nature, Extent and Quality of Services to be Provided under the Advisory Agreement

The Committee and the Board considered the nature, extent and quality of services provided to the Fund by the Investment Manager and its affiliates under the Advisory Agreement and under separate agreements for the provision of transfer agency and administrative services, and the resources dedicated to the Fund and the other Columbia Funds by the Investment Manager and its affiliates. The Committee and the Board considered, among other things, the Investment Manager's ability to attract, motivate and retain highly qualified research, advisory and supervisory investment professionals (including personnel and other resources, compensation programs for personnel involved in fund management, reputation and other attributes), the portfolio management services provided by those investment professionals, the quality of the Investment Manager's investment research capabilities and trade execution services, and the other resources that the Investment Manager devotes to the Fund. The Committee and the Board also considered the potential benefits to shareholders of investing in a mutual fund that is part of a fund complex offering exposure to a variety of asset classes and investment disciplines and providing a variety of fund and shareholder services.

The Committee and the Board also considered the professional experience and qualifications of the senior personnel of the Investment Manager. The Committee and the Board noted the compliance programs of and the compliance-related resources provided to the Fund by the Investment Manager and its affiliates, and considered the Investment Manager's ability to provide administrative services to the Fund pursuant to a separate administrative services agreement, including the Investment Manager's ability to coordinate the activities of the Fund's other service providers. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the expected nature, extent and quality of the services to be provided to the Fund under the Advisory Agreement supported the continuation of such agreement.

Investment Performance

The Committee and the Board reviewed information about the performance of the Fund over various time periods, including performance information relative to benchmarks and information based on reports of an independent third-party data provider that compared the performance of the Fund to the performance of a group of comparable mutual funds. The Committee and the Board also reviewed a description of the third party's methodology for identifying the Fund's peer groups for purposes of performance and expense comparisons. In the case of each Fund whose performance lagged that of a relevant peer group for certain (although not necessarily all) periods, the Committee and the Board concluded that other factors relevant to performance were sufficient, in light of other considerations, to warrant continuation of the Fund's Advisory Agreement. Those factors varied from fund to fund, but included one or more of the following: (i) that the Fund's performance, although lagging in certain recent periods, was stronger over the longer term; (ii) that the underperformance was attributable, to a significant extent, to investment decisions that were reasonable and consistent with the Fund's investment strategy and policies and that the Fund was performing within a reasonable range of expectations, given those investment decisions, market conditions and the Fund's investment strategy; (iii) that the Fund's performance was competitive when compared to other relevant performance benchmarks or peer groups; and (iv) that the Investment Manager had taken or was taking steps designed to help improve the Fund's investment performance, including, but not limited to, replacing portfolio managers, enhancing the resources supporting the portfolio managers, or modifying investment strategies.

The Committee and the Board noted that, through December 31, 2011, the Fund's performance was in the sixty-second, eighty-fifth and thirty-second percentiles (where the best performance would be in the first percentile) of its category selected by an independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance and the Investment Manager's willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the

Board Consideration and Approval of Advisory Agreement *(continued)*

Board concluded, within the context of their overall conclusions regarding the Advisory Agreement, that the performance of the Fund and the Investment Manager was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees to be charged to the Fund under the Advisory Agreement as well as the total expenses to be incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its expected total expense ratio as a percentage of average daily net assets. The Committee and the Board noted that the Fund's actual management fee and total net expense ratio are ranked in the second and third quintiles, respectively, against the Fund's expense universe as determined by an independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

The Committee and the Board also considered the fact that the advisory fee rates payable by the Fund to the Investment Manager under the Advisory Agreement were the same as those currently paid by the Fund to the Investment Manager.

The Committee and the Board also received and considered information about the advisory fees charged by the Investment Manager to institutional separate accounts. In considering the fees charged to those accounts, the Committee and the Board took into account, among other things, the Investment Manager's representations about the differences between managing mutual funds as compared to other types of accounts, including differences in the services provided, differences in the risk profile of such business for the Investment Manager and the additional resources required to manage mutual funds effectively. In evaluating the Fund's advisory fees, the Committee and the Board also took into account the demands, complexity and quality of the investment management of the Fund.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund supported the continuation of the Advisory Agreement.

Costs of Services to be Provided and Profitability

The Committee and the Board also took note of the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates in connection with their relationships with the Fund. In evaluating these considerations, the Committee and the Board took note of the advisory fees charged by the Investment Manager to other clients, including fees charged by the Investment Manager to any institutional separate account clients with similar investment strategies to those of the Fund.

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates of their relationships with the Fund, and information about the allocation of expenses used to calculate profitability. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of the fund, the expense ratio of the fund, and the implementation of expense limitations with respect to the fund. The Committee and the Board also considered information provided by the Investment Manager regarding its financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the profitability to the Investment Manager and its affiliates from their relationships with the Fund supported the continuation of the Advisory Agreement.

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in

Board Consideration and Approval of Advisory Agreement *(continued)*

investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

In considering these issues, the Committee and the Board also considered the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates from their relationships with the Fund, as discussed above. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the extent to which economies of scale were expected to be shared with the Fund supported the continuation of the Advisory Agreement.

Other Benefits to the Investment Manager

The Committee and the Board received and considered information regarding "fall-out" or ancillary benefits received by the Investment Manager and its affiliates as a result of their relationships with the Fund, such as the engagement of the Investment Manager to provide administrative services to the Fund and the engagement of the Investment Manager's affiliates to provide distribution and transfer agency services to the Fund. The Committee and the Board considered that the Fund's distributor retains a portion of the distribution fees from the Fund and receives a portion of the sales charges on sales or redemptions of certain classes of shares of the Fund. The Committee and the Board also considered the benefits of research made available to the Investment Manager by reason of brokerage commissions generated by the Fund's securities transactions, and reviewed information about the Investment Manager's practices with respect to allocating portfolio brokerage for brokerage and research services. The Committee and the Board considered the possible conflicts of interest associated with certain fall-out or other ancillary benefits and the reporting, disclosure and other processes that would be in place to address such possible conflicts of interest. The Committee and the Board recognized that the Investment Manager's profitability would be somewhat lower without these benefits.

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. No single item was identified as paramount or controlling, and individual Trustees may have attributed different weights to various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Small Cap Value Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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C-1505 C (08/12)

Semiannual Report

June 30, 2012

ColumbiaManagement

Columbia Variable Portfolio — Strategic Income Fund

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview
(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Strategic Income Fund (the fund) Class 1 shares returned 5.27% for the six-month period ended June 30, 2012.

> The Barclays U.S. Government/Credit Index returned 2.65% for the same period.

> The fund's new Blended Benchmark returned 4.38% for the period while the fund's former Blended Benchmark returned 4.48% for the same time frame.

> Effective on February 29, 2012, the fund changed its Blended Benchmark because the Investment Manager believes it is more consistent with the fund's investment strategy.

Average Annual Total Returns (%) (for period ended June 30, 2012)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	07/05/94	5.27	7.49	7.45	8.23
Class 2	06/01/00	5.06	7.16	7.20	8.01
Barclays U.S. Government/Credit Index		2.65	8.78	6.90	5.79
New Blended Benchmark		4.38	6.71	8.04	8.36
Former Blended Benchmark		4.48	6.93	8.12	8.39

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

The Barclays U.S. Government/Credit Index tracks the performance of U.S. government and corporate bonds rated investment grade or better, with maturities of at least one year.

The New Blended Benchmark is a weighted custom composite, established by the Investment Manager, consisting of a 35% weighting of the Barclays U.S. Aggregate Bond Index, a 35% weighting of the BofA Merrill Lynch U.S. High Yield Cash Pay Constrained Index, a 15% weighting of the Citigroup Non-U.S. World Government Bond Index — Unhedged and a 15% weighting of the JPMorgan Emerging Markets Bond Index (EMBI) — Global. The Barclays U.S. Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs and total return performance of fixed-rate, publicly placed, dollar-denominated and non-convertible investment grade debt issues with at least $250 million par amount outstanding and with at least one year to final maturity. The BofA Merrill Lynch U.S. High Yield Cash Pay Constrained Index tracks the performance of U.S. dollar-denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the U.S. domestic market. The Citigroup Non-U.S. World Government Bond Index — Unhedged is calculated on a market-weighted basis and includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of U.S. $25 million while excluding floating or variable rate bonds, securities aimed principally at non-institutional investors and private placement-type securities. The JPMorgan EMBI — Global is based on U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities, such as Brady bonds, Eurobonds and loans, and reflects reinvestment of all distributions and changes in market prices.

The Former Blended Benchmark consists of 35% Barclays U.S. Aggregate Bond Index, 35% JPMorgan Global High Yield Index, 15% Citigroup Non- U.S. World Government Bond Index-Unhedged and 15% JPMorgan EMBI Global Diversified Index. The JPMorgan Global High Yield Index is designed to mirror the investable universe of the U.S. dollar global high yield corporate debt market, including domestic and international issues. The JPMorgan EMBI Global Diversified Index tracks total returns for traded external debt instruments in the emerging markets including U.S. dollar-denominated Brady bonds, loans and Eurobonds with an outstanding face value of at least $500 million.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Portfolio Overview
(Unaudited)

Portfolio Breakdown (%) (at June 30, 2012)	
Corporate Bonds & Notes	45.8
Residential Mortgage-Backed Securities — Agency	9.8
Residential Mortgage-Backed Securities — Non-Agency	2.0
Commercial Mortgage-Backed Securities — Non-Agency	3.1
Asset-Backed Securities — Non-Agency	0.0[a]
Inflation-Indexed Bonds	1.9
U.S. Treasury Obligations	4.6
Foreign Government Obligations	21.7
Municipal Bonds	0.0[a]
Senior Loans	3.7
Common Stocks	0.0[a]
Warrants	0.0[a]
Options Purchased Puts	0.0[a]
Other[b]	7.4

Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan). The Fund's composition is subject to change.

(a) Rounds to less than 0.1%.

(b) Includes investments in money market funds.

Quality Breakdown (%) (at June 30, 2012)	
AAA rating	27.0
AA rating	1.0
A rating	5.1
BBB rating	18.1
BB rating	18.2
B rating	23.5
Non-investment grade	5.3
Not rated	1.8

Percentages indicated are based upon total fixed income securities (excluding Money Market Funds and Investments of Cash Collateral Received for Securities on Loan).

Bond ratings apply to the underlying holdings of the Fund and not the Fund itself and are divided into categories ranging from AAA (highest) to D (lowest), and are subject to change. The ratings shown are determined by using the lower of the ratings from S&P or Moody's. When a rating from only one agency is available, that rating is used. When a bond is not rated by either of these agencies, it is designated as Not rated. Credit ratings are subjective opinions and not statements of fact.

Portfolio Management

Colin J. Lundgren, CFA

Brian Lavin, CFA

Gene R. Tannuzzo, CFA

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds. The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees, or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,052.70	1,021.83	3.11	3.07	0.61
Class 2	1,000.00	1,000.00	1,050.60	1,020.54	4.44	4.37	0.87

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes[a] 48.0%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 1.3%			
ADS Tactical, Inc. Senior Secured[b]			
04/01/18	11.000%	2,920,000	2,927,300
Huntington Ingalls Industries, Inc.			
03/15/18	6.875%	1,334,000	1,390,695
Huntington Ingalls Industries, Inc.[c]			
03/15/21	7.125%	2,146,000	2,242,570
Kratos Defense & Security Solutions, Inc. Senior Secured			
06/01/17	10.000%	3,374,000	3,635,485
Oshkosh Corp.			
03/01/17	8.250%	651,000	712,845
03/01/20	8.500%	2,086,000	2,315,460
TransDigm, Inc.			
12/15/18	7.750%	275,000	301,812
Total			13,526,167
Automotive 1.1%			
Chrysler Group LLC/Co-Issuer, Inc.[c] Secured			
06/15/19	8.000%	467,000	479,843
06/15/21	8.250%	1,748,000	1,796,070
Dana Holding Corp. Senior Unsecured			
02/15/19	6.500%	295,000	312,700
02/15/21	6.750%	199,000	214,920
Delphi Corp.			
05/15/21	6.125%	349,000	381,283
Delphi Corp.[c]			
05/15/19	5.875%	523,000	558,302
Lear Corp.			
03/15/18	7.875%	680,000	749,700
03/15/20	8.125%	3,225,000	3,620,062
Schaeffler Finance BV[b] Senior Secured			
02/15/17	7.750%	653,000	682,385
02/15/19	8.500%	735,000	779,100
Tenneco, Inc.			
08/15/18	7.750%	16,000	17,360
Visteon Corp.[c]			
04/15/19	6.750%	1,984,000	1,929,440
Total			11,521,165
Banking 1.8%			
BanColombia SA Senior Unsecured			
06/03/21	5.950%	1,200,000	1,281,000

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Banco BMG SA Senior Notes[b]			
04/15/18	8.000%	1,000,000	881,172
Banco Cruzeiro do Sul SA Senior Unsecured[b]			
01/20/16	8.250%	700,000	364,272
Bank of America Corp. Senior Unsecured			
05/13/21	5.000%	4,750,000	4,900,608
Citigroup, Inc. Senior Unsecured			
01/15/15	6.010%	460,000	494,234
01/14/22	4.500%	30,000	30,846
Goldman Sachs Group, Inc. (The) Senior Unsecured			
06/15/20	6.000%	1,815,000	1,937,638
JPMorgan Chase & Co. Senior Unsecured			
08/15/21	4.350%	3,485,000	3,678,062
Lloyds Banking Group PLC[b][d]			
11/29/49	6.267%	1,408,000	844,800
Morgan Stanley Senior Unsecured			
07/28/21	5.500%	2,865,000	2,822,761
Synovus Financial Corp. Senior Unsecured			
02/15/19	7.875%	868,000	913,570
Total			18,148,963
Brokerage 0.6%			
E*Trade Financial Corp. Senior Unsecured			
11/30/17	12.500%	3,936,000	4,511,640
Neuberger Berman Group LLC/Finance Corp.[b] Senior Unsecured			
03/15/20	5.625%	506,000	526,240
03/15/22	5.875%	760,000	792,300
Total			5,830,180
Building Materials 0.9%			
Building Materials Corp. of America Senior Notes[b]			
05/01/21	6.750%	3,790,000	4,055,300
Gibraltar Industries, Inc.[d]			
12/01/15	8.000%	1,750,000	1,789,375
Interface, Inc.			
12/01/18	7.625%	595,000	633,675
Norcraft Companies LP/Finance Corp. Secured			
12/15/15	10.500%	1,625,000	1,596,562

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Nortek, Inc.			
12/01/18	10.000%	190,000	199,500
04/15/21	8.500%	786,000	768,315
Total			9,042,727
Chemicals 1.2%			
Celanese U.S. Holdings LLC			
10/15/18	6.625%	8,000	8,700
06/15/21	5.875%	297,000	318,533
Hexion US Finance Corp.			
Senior Secured			
04/15/20	6.625%	1,089,000	1,116,225
Huntsman International LLC[c]			
03/15/21	8.625%	466,000	525,415
JM Huber Corp.			
Senior Notes[b]			
11/01/19	9.875%	1,175,000	1,263,125
LyondellBasell Industries NV[b]			
11/15/21	6.000%	4,449,000	4,882,777
Senior Notes			
04/15/24	5.750%	2,271,000	2,429,970
MacDermid, Inc.[b]			
04/15/17	9.500%	820,000	856,900
Momentive Performance Materials, Inc.			
Secured			
06/15/14	12.500%	150,000	156,375
Polypore International, Inc.			
11/15/17	7.500%	1,025,000	1,087,781
Total			12,645,801
Construction Machinery 1.3%			
Ashtead Capital, Inc.[b][e]			
07/15/22	6.500%	277,000	277,000
CNH Capital LLC[b]			
11/01/16	6.250%	1,635,000	1,749,450
Case New Holland, Inc.			
12/01/17	7.875%	2,453,000	2,833,215
Columbus McKinnon Corp.			
02/01/19	7.875%	381,000	403,860
Manitowoc Co., Inc. (The)[c]			
11/01/20	8.500%	60,000	64,800
Neff Rental LLC/Finance Corp.			
Secured[b]			
05/15/16	9.625%	1,534,000	1,534,000
UR Merger Sub Corp.			
12/15/19	9.250%	2,569,000	2,864,435
Senior Unsecured			
02/01/21	8.250%	580,000	617,700

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
UR Merger Sub Corp.[b]			
05/15/20	7.375%	643,000	671,935
04/15/22	7.625%	1,607,000	1,683,332
Secured			
07/15/18	5.750%	777,000	808,080
Total			13,507,807
Consumer Cyclical Services 0.2%			
Goodman Networks, Inc.			
Senior Secured[b]			
07/01/18	12.125%	1,035,000	1,086,750
Realogy Corp.			
Senior Secured[b][c]			
01/15/20	9.000%	812,000	836,360
Total			1,923,110
Consumer Products 0.3%			
Libbey Glass, Inc.[b]			
05/15/20	6.875%	433,000	447,073
Mead Products LLC/ACCO Brands Corp.[b][c]			
04/30/20	6.750%	444,000	468,420
Sealy Mattress Co.[c]			
06/15/14	8.250%	1,435,000	1,417,062
Spectrum Brands, Inc.[b]			
Senior Secured			
06/15/18	9.500%	528,000	596,640
Spectrum Brands, Inc.[b][c]			
03/15/20	6.750%	309,000	319,043
Total			3,248,238
Diversified Manufacturing 0.5%			
Actuant Corp.[b]			
06/15/22	5.625%	610,000	625,250
Amsted Industries, Inc.			
Senior Notes[b]			
03/15/18	8.125%	1,070,000	1,136,875
CPM Holdings, Inc.			
Senior Secured[d]			
09/01/14	10.625%	928,000	983,680
Tomkins LLC/Inc.			
Secured[d]			
10/01/18	9.000%	1,762,000	1,960,225
Total			4,706,030
Electric 3.0%			
AES Corp. (The)			
Senior Unsecured			
10/15/17	8.000%	261,000	296,888

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
AES Corp. (The)[b]			
Senior Unsecured			
07/01/21	7.375%	2,611,000	2,904,737
Calpine Corp.			
Senior Secured[b]			
02/15/21	7.500%	1,965,000	2,132,025
Carolina Power & Light Co.			
1st Mortgage			
05/15/42	4.100%	670,000	698,699
Consolidated Edison Co. of New York, Inc.			
Senior Unsecured			
04/01/38	6.750%	255,000	366,667
Dominion Resources, Inc.			
Senior Unsecured			
11/30/17	6.000%	540,000	645,467
08/15/19	5.200%	1,795,000	2,114,022
08/01/41	4.900%	515,000	578,157
Duke Energy Ohio, Inc.			
1st Mortgage			
04/01/19	5.450%	1,696,000	2,046,490
Florida Power Corp.			
1st Mortgage			
06/15/38	6.400%	530,000	722,831
GenOn Energy, Inc.			
Senior Unsecured[c]			
10/15/18	9.500%	903,000	892,841
Ipalco Enterprises, Inc.			
Senior Secured[b]			
04/01/16	7.250%	75,000	81,750
Nevada Power Co.			
01/15/15	5.875%	920,000	1,024,230
05/15/18	6.500%	4,820,000	5,932,543
04/01/36	6.650%	30,000	40,383
Oncor Electric Delivery Co. LLC			
Senior Secured[b]			
06/01/42	5.300%	1,460,000	1,537,273
Pacific Gas & Electric Co.			
Senior Unsecured			
04/15/42	4.450%	260,000	272,929
Pacific Gas & Electric Co.[c]			
Senior Unsecured			
10/01/20	3.500%	630,000	678,577
Progress Energy, Inc.			
Senior Unsecured			
04/01/22	3.150%	1,925,000	1,942,648
Sierra Pacific Power Co.			
05/15/16	6.000%	1,395,000	1,625,556
TransAlta Corp.			
Senior Unsecured			
05/15/18	6.650%	2,670,000	2,974,158

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Xcel Energy, Inc.			
Senior Unsecured			
05/15/20	4.700%	525,000	606,547
Total			30,115,418
Entertainment 0.2%			
AMC Entertainment, Inc.			
06/01/19	8.750%	820,000	879,450
12/01/20	9.750%	752,000	812,160
Six Flags, Inc.[b][f][g][h]			
06/01/14	9.625%	95,000	—
Speedway Motorsports, Inc.			
02/01/19	6.750%	32,000	33,400
Vail Resorts, Inc.			
05/01/19	6.500%	287,000	301,350
Total			2,026,360
Food and Beverage 1.3%			
ConAgra Foods, Inc.			
Senior Unsecured			
10/01/28	7.000%	440,000	537,192
Cott Beverages, Inc.			
11/15/17	8.375%	135,000	146,813
09/01/18	8.125%	1,150,000	1,254,937
Kraft Foods, Inc.			
Senior Unsecured			
02/01/18	6.125%	5,685,000	6,812,426
MHP SA[b]			
04/29/15	10.250%	1,160,000	1,114,721
SABMiller Holdings, Inc.[b]			
01/15/17	2.450%	3,280,000	3,380,821
Total			13,246,910
Gaming 1.0%			
Caesars Entertainment Operating Co., Inc.			
Senior Secured[b]			
02/15/20	8.500%	2,042,000	2,057,315
Chester Downs & Marina LLC			
Senior Secured[b][c]			
02/01/20	9.250%	812,000	846,510
MGM Resorts International			
03/01/18	11.375%	901,000	1,060,927
MGM Resorts International[c]			
07/15/15	6.625%	425,000	437,750
ROC Finance LLC/Corp.			
Secured[b]			
09/01/18	12.125%	1,705,000	1,918,125

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Seminole Indian Tribe of Florida[b]			
10/01/17	7.750%	1,663,000	1,812,670
10/01/20	7.804%	160,000	157,770
Senior Secured			
10/01/20	6.535%	65,000	66,742
Seneca Gaming Corp.[b]			
12/01/18	8.250%	1,340,000	1,373,500
Tunica-Biloxi Gaming Authority			
Senior Unsecured[b]			
11/15/15	9.000%	923,000	867,620
Total			10,598,929
Gas Pipelines 3.0%			
El Paso LLC			
Senior Unsecured			
09/15/20	6.500%	2,968,000	3,249,960
01/15/32	7.750%	3,244,000	3,647,391
El Paso LLC[c]			
Senior Unsecured			
06/15/14	6.875%	70,000	75,480
Enterprise Products Operating LLC			
06/01/15	3.700%	1,250,000	1,333,633
02/15/42	5.700%	1,055,000	1,167,192
Kinder Morgan Energy Partners LP			
Senior Unsecured			
01/15/38	6.950%	170,000	201,049
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,698,000	1,751,063
NiSource Finance Corp.			
09/15/17	5.250%	3,675,000	4,103,354
Plains All American Pipeline LP/Finance Corp.			
05/01/19	8.750%	965,000	1,272,775
Regency Energy Partners LP/Finance Corp.			
06/01/16	9.375%	376,000	413,600
12/01/18	6.875%	2,559,000	2,699,745
07/15/21	6.500%	1,813,000	1,903,650
Southern Natural Gas Co. LLC			
Senior Unsecured[b]			
04/01/17	5.900%	4,160,000	4,762,376
Southern Star Central Corp.			
Senior Unsecured			
03/01/16	6.750%	1,785,000	1,802,850
TransCanada PipeLines Ltd.			
Senior Unsecured			
01/15/39	7.625%	320,000	478,804
Transcontinental Gas Pipe Line Co. LLC			
Senior Unsecured			
08/15/41	5.400%	1,285,000	1,456,395
Total			30,319,317

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Health Care 2.9%			
American Renal Associates Holdings, Inc.			
Senior Unsecured PIK			
03/01/16	9.750%	304,378	323,402
American Renal Holdings, Inc.			
Senior Secured			
05/15/18	8.375%	1,251,000	1,322,932
CHS/Community Health Systems, Inc.			
11/15/19	8.000%	1,241,000	1,321,665
ConvaTec Healthcare E SA			
Senior Unsecured[b]			
12/15/18	10.500%	2,150,000	2,160,750
Emdeon, Inc.[b]			
12/31/19	11.000%	1,275,000	1,428,000
Fresenius Medical Care U.S. Finance II, Inc.[b]			
07/31/19	5.625%	386,000	402,405
01/31/22	5.875%	500,000	520,625
Fresenius Medical Care U.S. Finance, Inc.[b]			
09/15/18	6.500%	305,000	331,688
HCA, Inc.			
02/15/22	7.500%	1,000,000	1,090,000
Senior Secured			
02/15/20	6.500%	2,019,000	2,188,091
02/15/20	7.875%	3,389,000	3,761,790
09/15/20	7.250%	1,051,000	1,156,100
Health Management Associates, Inc.			
Senior Unsecured[b]			
01/15/20	7.375%	720,000	765,900
IASIS Healthcare LLC/Capital Corp.			
05/15/19	8.375%	455,000	450,450
Kinetic Concepts, Inc./KCI U.S.A., Inc.[b]			
11/01/19	12.500%	912,000	825,360
Kinetic Concepts, Inc./KCI U.S.A., Inc.[b][c]			
11/01/18	10.500%	1,190,000	1,249,500
LifePoint Hospitals, Inc.			
10/01/20	6.625%	425,000	451,562
Multiplan, Inc.[b]			
09/01/18	9.875%	2,093,000	2,291,835
PSS World Medical, Inc.[b]			
03/01/22	6.375%	193,000	197,825
Physio-Control International, Inc.			
Senior Secured[b]			
01/15/19	9.875%	1,001,000	1,066,065
Radnet Management, Inc.			
04/01/18	10.375%	465,000	465,000
Rural/Metro Corp.			
Senior Unsecured[b]			
07/15/19	10.125%	816,000	799,680

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes[(a)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
STHI Holding Corp.			
Secured[(b)]			
03/15/18	8.000%	403,000	426,173
Truven Health Analytics, Inc.			
Senior Unsecured[(b)]			
06/01/20	10.625%	548,000	569,920
United Surgical Partners International, Inc.			
Senior Unsecured[(b)]			
04/01/20	9.000%	680,000	720,800
Vanguard Health Holding Co. II LLC/Inc.			
02/01/18	8.000%	2,615,000	2,673,837
Vanguard Health Holding Co. II LLC/Inc.[(b)]			
02/01/19	7.750%	309,000	312,863
Vanguard Health Holding Co. II LLC/Inc.[(c)]			
02/01/19	7.750%	682,000	688,820
Total			29,963,038
Healthcare Insurance 0.2%			
AMERIGROUP Corp.			
Senior Unsecured			
11/15/19	7.500%	1,009,000	1,084,675
WellPoint, Inc.			
Senior Unsecured			
02/15/19	7.000%	505,000	627,010
Total			1,711,685
Home Construction 0.3%			
KB Home[(c)]			
03/15/20	8.000%	498,000	507,960
Meritage Homes Corp.[(b)]			
04/01/22	7.000%	462,000	475,860
Shea Homes LP/Funding Corp.			
Senior Secured			
05/15/19	8.625%	706,000	758,950
Taylor Morrison Communities, Inc./Monarch[(b)]			
04/15/20	7.750%	983,000	1,027,235
Total			2,770,005
Independent Energy 4.6%			
Anadarko Petroleum Corp.			
Senior Unsecured			
09/15/16	5.950%	3,990,000	4,527,764
Antero Resources Finance Corp.			
12/01/17	9.375%	73,000	80,665
08/01/19	7.250%	258,000	267,030
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	2,102,000	2,196,590

Corporate Bonds & Notes[(a)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Chaparral Energy, Inc.			
10/01/20	9.875%	441,000	490,061
09/01/21	8.250%	1,236,000	1,307,070
Chaparral Energy, Inc.[(b)]			
11/15/22	7.625%	462,000	467,775
Chesapeake Energy Corp.[(c)]			
08/15/20	6.625%	2,635,000	2,602,062
02/15/21	6.125%	2,441,000	2,361,667
Cimarex Energy Co.			
05/01/22	5.875%	1,480,000	1,535,500
Comstock Resources, Inc.[(c)]			
06/15/20	9.500%	1,702,000	1,676,470
Concho Resources, Inc.			
01/15/21	7.000%	875,000	936,250
01/15/22	6.500%	1,430,000	1,487,200
Continental Resources, Inc.			
10/01/19	8.250%	104,000	116,220
10/01/20	7.375%	6,000	6,690
04/01/21	7.125%	1,598,000	1,779,772
Continental Resources, Inc.[(b)]			
09/15/22	5.000%	2,304,000	2,338,560
EP Energy LLC/Finance, Inc.[(b)]			
Senior Secured			
05/01/19	6.875%	1,175,000	1,227,875
EP Energy LLC/Finance, Inc.[(b)(c)]			
Senior Unsecured			
05/01/20	9.375%	1,549,000	1,605,151
Goodrich Petroleum Corp.[(c)]			
03/15/19	8.875%	693,000	660,083
Kodiak Oil & Gas Corp.[(b)]			
12/01/19	8.125%	3,386,000	3,487,580
Laredo Petroleum, Inc.			
02/15/19	9.500%	2,975,000	3,317,125
Laredo Petroleum, Inc.[(b)]			
05/01/22	7.375%	356,000	368,460
MEG Energy Corp.[(b)]			
03/15/21	6.500%	1,185,000	1,210,181
Newfield Exploration Co.			
Senior Subordinated Notes			
02/01/20	6.875%	70,000	74,550
Senior Unsecured			
07/01/24	5.625%	1,736,000	1,775,060
Oasis Petroleum, Inc.			
02/01/19	7.250%	1,990,000	2,039,750
11/01/21	6.500%	1,254,000	1,241,460
Oasis Petroleum, Inc.[(e)]			
01/15/23	6.875%	443,000	444,661

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
QEP Resources, Inc.			
Senior Unsecured			
03/01/21	6.875%	1,145,000	1,270,950
10/01/22	5.375%	858,000	859,073
Range Resources Corp.			
05/15/19	8.000%	485,000	529,863
06/01/21	5.750%	1,450,000	1,515,250
08/15/22	5.000%	127,000	125,413
SM Energy Co.			
Senior Unsecured			
11/15/21	6.500%	621,000	631,868
SM Energy Co.[b][c]			
Senior Notes			
01/01/23	6.500%	405,000	408,038
WPX Energy, Inc.			
Senior Unsecured[b]			
01/15/22	6.000%	389,000	387,055
Whiting Petroleum Corp.			
10/01/18	6.500%	74,000	78,810
Total			47,435,602
Integrated Energy 0.2%			
Lukoil International Finance BV[b]			
11/09/20	6.125%	1,200,000	1,258,361
Marathon Petroleum Corp.			
Senior Unsecured			
03/01/41	6.500%	600,000	681,875
Total			1,940,236
Lodging —%			
Choice Hotels International, Inc.			
07/01/22	5.750%	431,000	450,645
Wyndham Worldwide Corp.			
Senior Unsecured			
12/01/16	6.000%	1,000	1,112
Total			451,757
Media Cable 1.2%			
CCO Holdings LLC/Capital Corp.			
04/30/18	7.875%	1,000,000	1,090,000
01/15/19	7.000%	650,000	702,000
04/30/20	8.125%	1,867,000	2,091,040
01/31/22	6.625%	180,000	192,600
CSC Holdings LLC			
Senior Unsecured[b]			
11/15/21	6.750%	1,953,000	2,079,945
Cablevision Systems Corp.			
Senior Unsecured[c]			
04/15/20	8.000%	535,000	577,800

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Comcast Corp.			
08/15/37	6.950%	1,135,000	1,457,812
DISH DBS Corp.			
09/01/19	7.875%	2,212,000	2,549,330
06/01/21	6.750%	1,788,000	1,931,040
Time Warner Cable, Inc.			
07/01/18	6.750%	10,000	12,182
02/01/20	5.000%	14,000	15,744
Videotron Ltee[b]			
07/15/22	5.000%	13,000	13,195
Total			12,712,688
Media Non-Cable 2.9%			
AMC Networks, Inc.[b]			
07/15/21	7.750%	2,826,000	3,115,665
Clear Channel Worldwide Holdings, Inc.[b]			
03/15/20	7.625%	398,000	381,085
03/15/20	7.625%	3,204,000	3,131,910
Hughes Satellite Systems Corp.			
06/15/21	7.625%	605,000	657,938
Senior Secured			
06/15/19	6.500%	2,203,000	2,340,687
Intelsat Jackson Holdings SA			
04/01/21	7.500%	680,000	719,100
Intelsat Luxembourg SA			
PIK			
02/04/17	11.500%	1,154,000	1,191,505
Intelsat Luxembourg SA[b]			
PIK			
02/04/17	11.500%	894,000	923,055
Lamar Media Corp.[b][c]			
02/01/22	5.875%	992,000	1,016,800
National CineMedia LLC			
Senior Secured[b]			
04/15/22	6.000%	1,075,000	1,093,813
News America, Inc.			
12/15/35	6.400%	55,000	63,413
02/15/41	6.150%	2,505,000	2,929,239
Nielsen Finance LLC/Co.			
10/15/18	7.750%	2,366,000	2,620,345
Salem Communications Corp.			
Secured			
12/15/16	9.625%	1,983,000	2,188,736
TCM Sub LLC[b]			
01/15/15	3.550%	2,650,000	2,797,317
Univision Communications, Inc.[b]			
Senior Secured			
05/15/19	6.875%	1,585,000	1,632,550
11/01/20	7.875%	1,930,000	2,065,100

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Univision Communications, Inc.[b][c]			
05/15/21	8.500%	710,000	717,100
Total			29,585,358
Metals 2.2%			
Alpha Natural Resources, Inc.[c]			
06/01/19	6.000%	1,773,000	1,515,915
06/01/21	6.250%	512,000	430,080
ArcelorMittal			
Senior Unsecured[c]			
03/01/21	5.500%	3,660,000	3,464,252
Arch Coal, Inc.[c]			
06/15/19	7.000%	1,109,000	937,105
06/15/21	7.250%	151,000	126,463
CONSOL Energy, Inc.			
04/01/20	8.250%	1,891,000	1,985,550
Calcipar SA			
Senior Secured[b]			
05/01/18	6.875%	1,709,000	1,683,365
FMG Resources August 2006 Proprietary Ltd.[b]			
02/01/18	6.875%	464,000	468,640
11/01/19	8.250%	2,718,000	2,874,285
FMG Resources August 2006 Proprietary Ltd.[b][c]			
02/01/16	6.375%	687,000	695,587
Inmet Mining Corp.			
Senior Notes[b]			
06/01/20	8.750%	2,290,000	2,267,100
JMC Steel Group			
Senior Notes[b]			
03/15/18	8.250%	1,814,000	1,800,395
Metalloinvest Finance Ltd.[b]			
07/21/16	6.500%	1,000,000	966,546
Novelis, Inc.			
12/15/20	8.750%	90,000	96,975
Peabody Energy Corp.[b]			
11/15/18	6.000%	1,204,000	1,197,980
Peabody Energy Corp.[b][c]			
11/15/21	6.250%	747,000	739,530
Rain CII Carbon LLC/Corp.			
Senior Secured[b]			
12/01/18	8.000%	1,217,000	1,229,170
Total			22,478,938
Non-Captive Consumer 0.6%			
SLM Corp.			
Senior Notes			
01/25/16	6.250%	1,033,000	1,084,650
Senior Unsecured			
03/25/20	8.000%	1,661,000	1,818,795

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
SLM Corp.[c]			
Senior Unsecured			
01/25/22	7.250%	1,331,000	1,407,533
Springleaf Finance Corp.			
Senior Unsecured			
12/15/17	6.900%	1,903,000	1,512,885
Total			5,823,863
Non-Captive Diversified 2.9%			
Ally Financial, Inc.			
02/15/17	5.500%	561,000	569,831
03/15/20	8.000%	7,659,000	8,807,850
09/15/20	7.500%	791,000	888,886
CIT Group, Inc.			
Senior Unsecured			
03/15/18	5.250%	1,374,000	1,418,655
05/15/20	5.375%	900,000	918,000
CIT Group, Inc.[b]			
Senior Secured			
04/01/18	6.625%	1,415,000	1,524,662
Senior Unsecured			
02/15/15	4.750%	845,000	870,350
02/15/19	5.500%	3,391,000	3,492,730
General Electric Capital Corp.			
Senior Unsecured			
10/17/21	4.650%	5,110,000	5,674,788
International Lease Finance Corp.			
Senior Unsecured			
09/01/17	8.875%	875,000	988,750
04/01/19	5.875%	359,000	359,348
05/15/19	6.250%	533,000	542,994
12/15/20	8.250%	1,975,000	2,261,716
01/15/22	8.625%	1,094,000	1,266,931
Total			29,585,491
Oil Field Services 1.2%			
Atwood Oceanics, Inc.			
Senior Unsecured			
02/01/20	6.500%	2,843,000	2,970,935
Green Field Energy Services, Inc.			
Senior Secured[b]			
11/15/16	13.000%	1,854,000	1,594,440
Novatek Finance Ltd.			
Senior Unsecured[b]			
02/03/21	6.604%	2,000,000	2,131,173
Offshore Group Investments Ltd.			
Senior Secured			
08/01/15	11.500%	3,360,000	3,645,600
Offshore Group Investments Ltd.[b]			
Senior Secured			
08/01/15	11.500%	683,000	741,055

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Oil States International, Inc.			
06/01/19	6.500%	1,583,000	1,646,320
Weatherford International Ltd.			
03/15/13	5.150%	4,000	4,108
Total			12,733,631
Other Industry 0.1%			
Interline Brands, Inc.			
11/15/18	7.000%	1,397,000	1,452,880
Packaging 0.9%			
Ardagh Packaging Finance PLC/MP Holdings U.S.A., Inc.			
Senior Unsecured[b]			
10/15/20	9.125%	37,000	38,850
Ardagh Packaging Finance PLC			
Senior Secured[b]			
10/15/17	7.375%	1,859,000	1,975,187
Berry Plastics Corp.			
Secured[c]			
01/15/21	9.750%	364,000	395,850
Reynolds Group Issuer, Inc./LLC[b]			
08/15/19	9.875%	615,000	638,063
08/15/19	9.875%	2,029,000	2,105,087
Senior Secured			
08/15/19	7.875%	1,686,000	1,825,095
Reynolds Group Issuer, Inc./LLC[b][d]			
Senior Secured			
10/15/16	7.750%	1,684,000	1,776,620
Total			8,754,752
Paper 0.1%			
Cascades, Inc.			
12/15/17	7.750%	615,000	619,613
Pharmaceuticals 0.6%			
Endo Health Solutions, Inc.			
01/15/22	7.250%	559,000	605,816
Grifols, Inc.			
02/01/18	8.250%	1,149,000	1,232,303
Mylan, Inc.[b]			
11/15/18	6.000%	3,017,000	3,175,392
Pharmaceutical Product Development, Inc.			
Senior Unsecured[b][c]			
12/01/19	9.500%	435,000	475,781
Warner Chilcott Co. LLC/Finance			
09/15/18	7.750%	705,000	756,113
Total			6,245,405

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Railroads 0.2%			
CSX Corp.			
Senior Unsecured			
04/15/41	5.500%	1,195,000	1,343,455
Union Pacific Corp.			
Senior Unsecured			
08/15/18	5.700%	385,000	461,137
Total			1,804,592
Refining —%			
Phillips 66[b]			
05/01/17	2.950%	275,000	282,581
Restaurants 0.2%			
Yum! Brands, Inc.			
Senior Unsecured			
09/15/19	5.300%	1,726,000	1,983,504
Retailers 1.3%			
99 Cents Only Stores[b]			
12/15/19	11.000%	627,000	680,295
AutoNation, Inc.			
02/01/20	5.500%	88,000	89,760
Best Buy Co., Inc.			
Senior Unsecured[c]			
03/15/21	5.500%	145,000	133,120
Burlington Coat Factory Warehouse Corp.[c]			
02/15/19	10.000%	1,740,000	1,844,400
Jo-Ann Stores, Inc.			
Senior Unsecured[b]			
03/15/19	8.125%	897,000	892,515
Limited Brands, Inc.			
04/01/21	6.625%	2,281,000	2,491,992
02/15/22	5.625%	811,000	835,330
Rite Aid Corp.			
Senior Unsecured			
02/15/27	7.700%	934,000	775,220
Rite Aid Corp.[b]			
03/15/20	9.250%	545,000	545,000
Rite Aid Corp.[b][c]			
03/15/20	9.250%	1,484,000	1,487,710
Rite Aid Corp.[c]			
08/15/20	8.000%	2,250,000	2,548,125
Sally Holdings LLC/Capital, Inc.			
06/01/22	5.750%	316,000	330,615
Sally Holdings LLC/Capital, Inc.[c]			
11/15/19	6.875%	585,000	636,188

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Sonic Automotive, Inc. Senior Subordinated Notes[b][e]			
07/15/22	7.000%	298,000	308,430
Total			13,598,700
Supranational 0.4%			
Asian Development Bank Senior Unsecured			
06/21/27	2.350%	JPY 120,000,000	1,707,912
European Investment Bank Senior Unsecured			
06/20/17	1.400%	JPY 189,000,000	2,494,606
International Finance Corp.			
02/28/13	7.500%	AUD 120,000	126,111
Total			4,328,629
Technology 1.9%			
Alliance Data Systems Corp.[b][c]			
04/01/20	6.375%	529,000	531,645
Amkor Technology, Inc. Senior Unsecured[c]			
06/01/21	6.625%	1,893,000	1,888,267
Anixter, Inc.			
05/01/19	5.625%	302,000	311,060
Brocade Communications Systems, Inc. Senior Secured			
01/15/20	6.875%	864,000	935,280
CDW LLC/Finance Corp.			
04/01/19	8.500%	2,440,000	2,598,600
Senior Secured			
12/15/18	8.000%	1,153,000	1,251,005
Cardtronics, Inc.			
09/01/18	8.250%	1,143,000	1,260,158
CommScope, Inc.[b]			
01/15/19	8.250%	221,000	233,708
Equinix, Inc. Senior Unsecured			
07/15/21	7.000%	510,000	563,550
First Data Corp.			
01/15/21	12.625%	1,877,000	1,879,346
First Data Corp.[b] Senior Secured			
06/15/19	7.375%	1,488,000	1,517,760
08/15/20	8.875%	1,305,000	1,412,663
Freescale Semiconductor, Inc. Senior Secured[b]			
04/15/18	9.250%	1,350,000	1,444,500
Interactive Data Corp.			
08/01/18	10.250%	1,525,000	1,696,562

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
NXP BV/Funding LLC Senior Secured[b]			
08/01/18	9.750%	1,636,000	1,873,220
Total			19,397,324
Transportation Services 0.3%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	471,000	505,147
03/15/20	9.750%	695,000	772,319
ERAC U.S.A. Finance LLC[b]			
07/01/13	2.750%	330,000	334,635
10/01/20	5.250%	305,000	341,542
Hertz Corp. (The)			
01/15/21	7.375%	872,000	933,040
Total			2,886,683
Wireless 2.4%			
Cricket Communications, Inc. Senior Secured			
05/15/16	7.750%	3,711,000	3,938,299
Cricket Communications, Inc.[c]			
10/15/20	7.750%	751,000	717,205
MetroPCS Wireless, Inc.			
11/15/20	6.625%	250,000	246,250
MetroPCS Wireless, Inc.[c]			
09/01/18	7.875%	870,000	905,887
NII Capital Corp.			
04/01/21	7.625%	1,314,000	1,126,755
Nextel Communications, Inc.[c]			
08/01/15	7.375%	650,000	650,813
SBA Telecommunications, Inc.			
08/15/19	8.250%	1,489,000	1,630,455
Sprint Capital Corp.			
11/15/28	6.875%	5,180,000	4,169,900
Sprint Nextel Corp.[b]			
11/15/18	9.000%	4,837,000	5,429,532
03/01/20	7.000%	585,000	608,400
United States Cellular Corp. Senior Unsecured			
12/15/33	6.700%	780,000	806,405
VimpelCom Holdings BV[b]			
03/01/22	7.504%	1,500,000	1,409,160
Wind Acquisition Finance SA Senior Secured[b]			
02/15/18	7.250%	3,505,000	3,066,875
Total			24,705,936

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wirelines 2.7%			
AT&T, Inc.			
Senior Unsecured			
02/15/39	6.550%	1,645,000	2,117,148
08/15/41	5.550%	1,715,000	2,044,206
Embarq Corp.			
Senior Unsecured			
06/01/36	7.995%	5,210,000	5,442,340
Frontier Communications Corp.			
Senior Unsecured			
04/15/20	8.500%	1,004,000	1,064,240
04/15/22	8.750%	449,000	471,450
Frontier Communications Corp.[c]			
Senior Unsecured			
10/01/18	8.125%	795,000	844,688
07/01/21	9.250%	329,000	353,675
Integra Telecom Holdings, Inc.			
Senior Secured[b]			
04/15/16	10.750%	538,000	523,205
Level 3 Communications, Inc.			
Senior Unsecured			
02/01/19	11.875%	1,341,000	1,485,158
Level 3 Financing, Inc.			
02/15/17	8.750%	1,058,000	1,100,320
02/01/18	10.000%	986,000	1,067,345
04/01/19	9.375%	623,000	672,840
07/01/19	8.125%	1,008,000	1,034,460
PAETEC Holding Corp.			
12/01/18	9.875%	1,845,000	2,061,787
Senior Secured			
06/30/17	8.875%	1,808,000	1,948,120
Qtel International Finance Ltd.[b]			
10/19/25	5.000%	800,000	838,924
Telefonica Emisiones SAU			
04/27/15	3.729%	2,665,000	2,426,568
Verizon New York, Inc.			
Senior Unsecured			
04/01/32	7.375%	542,000	671,146
Windstream Corp.			
09/01/18	8.125%	50,000	53,750
Zayo Escrow Corp.[b]			
Senior Secured			
01/01/20	8.125%	183,000	191,235
Senior Unsecured			
07/01/20	10.125%	788,000	837,250
Total			27,249,855
Total Corporate Bonds & Notes (Cost: $469,573,654)			**490,909,868**

Residential Mortgage-Backed Securities — Agency 10.3%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.[d][i][j]			
CMO IO Series 2957 Class SW			
04/15/35	5.758%	5,641,189	971,097
CMO IO Series 3122 Class IS			
03/15/36	6.458%	5,212,874	821,020
CMO IO Series 3550 Class EI			
07/15/39	6.158%	6,364,753	1,201,715
CMO IO Series 3761 Class KS			
06/15/40	5.758%	6,282,846	996,104
CMO IO Series 3960 Class SL			
11/15/41	6.258%	14,488,550	3,312,877
CMO IO Series 3966 Class SA			
12/15/41	5.658%	9,218,982	1,944,702
Federal Home Loan Mortgage Corp.[e][i]			
07/01/42	4.000%	6,000,000	6,366,563
Federal Home Loan Mortgage Corp.[i]			
10/01/26	8.000%	48,794	53,622
Federal National Mortgage Association[d][i][j]			
CMO IO Series 2006-5 Class N2			
02/25/35	2.131%	4,700,204	253,351
CMO IO Series 2010-135 Class MS			
12/25/40	5.705%	4,036,348	827,241
CMO IO Series 2012-74 Class AS			
03/25/39	5.807%	7,000,000	1,518,125
Federal National Mortgage Association[e][i]			
07/01/27 -			
08/01/27	2.500%	23,500,000	24,168,594
07/01/27 -			
07/01/42	3.000%	15,250,000	15,760,430
06/01/42	3.500%	11,480,917	12,155,113
06/01/42	4.000%	7,000,000	7,558,152
07/01/42	5.000%	400,000	432,875
Federal National Mortgage Association[i]			
10/01/39 -			
05/01/41	4.000%	1,351,463	1,434,099
03/01/39 -			
01/01/41	4.500%	10,097,616	10,956,813
04/01/38 -			
05/01/40	5.000%	2,164,644	2,369,046
02/01/37 -			
08/01/38	6.000%	1,066,517	1,175,003
Federal National Mortgage Association[i][k]			
04/01/38	6.000%	2,650,499	2,915,049
11/01/36	6.500%	569,630	643,129
Government National Mortgage Association[d][i][j]			
CMO IO Series 2010-108 Class PI			
02/20/38	5.856%	7,593,328	1,055,053
CMO IO Series 2012-41 Class SA			
03/20/42	6.356%	10,384,219	2,788,403
CMO IO Series 2012-48 Class SA			
04/16/42	6.407%	2,258,568	464,075

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Residential Mortgage-Backed Securities — Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Government National Mortgage Association[i]			
04/15/40	4.500%	2,474,852	2,714,590
Government National Mortgage Association[i][j] CMO IO Series 2010-167 Class GI			
02/20/38	4.000%	3,839,907	481,299
Total Residential Mortgage-Backed Securities — Agency (Cost: $103,386,742)			**105,338,140**

Residential Mortgage-Backed Securities — Non-Agency 2.1%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
BCAP LLC Trust[b][d][i] CMO Series 2010-RR7 Class 17A7			
03/26/36	5.033%	780,000	619,374
BCAP LLC Trust[b][i] CMO Series 2010-RR7 Class 8A6			
05/26/35	5.500%	1,145,000	1,132,309
Castle Peak Loan Trust[b][i] CMO Series 2011-1 Class 22A1			
05/25/52	6.250%	802,020	799,213
CMO Series 2012-1A Class A1			
05/25/52	5.000%	4,885,913	4,885,913
Citigroup Mortgage Loan Trust, Inc.[b][d][i] CMO Series 2009-3 Class 4A3			
10/25/33	2.441%	2,635,000	1,649,799
CMO Series 2009-4 Class 9A2			
03/25/36	3.630%	1,365,000	1,048,882
CMO Series 2010-6 Class 2A2			
09/25/35	2.655%	515,000	330,517
CMO Series 2010-6 Class 3A2			
07/25/36	2.629%	2,215,000	2,058,406
Credit Suisse Mortgage Capital Certificates CMO Series 2011-4R Class 4A7[b][d][i]			
08/27/37	4.000%	3,880,000	3,803,384
Deutsche Mortgage Securities, Inc. CMO Series 2003-1 Class 1A7[i]			
04/25/33	5.500%	1,494,970	1,538,083
JPMorgan Reremic CMO Series 2010-5 Class 1A6[b][d][i]			
04/26/37	4.500%	615,000	626,847
PennyMac Loan Trust Series 2011-NPL1 Class A[b][d][i]			
09/25/51	5.250%	589,592	590,499
RBSSP Resecuritization Trust CMO Series 2010-12 Class 3A4[b][d][i]			
06/27/32	4.000%	1,215,022	1,217,117

Residential Mortgage-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wells Fargo Mortgage-Backed Securities Trust CMO Series 2005-18 Class 2A6[i]			
01/25/36	5.500%	826,957	833,144
Total Residential Mortgage-Backed Securities — Non-Agency (Cost: $21,579,820)			**21,133,487**

Commercial Mortgage-Backed Securities — Non-Agency 3.3%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Bear Stearns Commercial Mortgage Securities Series 2007-T26 Class A4[d][i]			
01/12/45	5.471%	3,440,000	3,888,947
CFCRE Commercial Mortgage Trust Series 2011-C2 Class A2[i]			
12/15/47	3.061%	2,100,000	2,182,324
Commercial Mortgage Pass-Through Certificates Series 2011-THL Class A[b][i]			
06/09/28	3.376%	995,711	1,014,412
Credit Suisse Mortgage Capital Certificates Series 2006-C3 Class A3[d][i]			
06/15/38	6.008%	2,000,000	2,266,300
DBUBS Mortgage Trust Series 2011-LC2A Class A1[b][i]			
07/10/44	3.527%	1,840,437	1,966,980
GS Mortgage Securities Corp. II Series 2005-GG4 Class A4A[i]			
07/10/39	4.751%	675,000	728,704
Greenwich Capital Commercial Funding Corp.[d][i] Series 2004-GG1 Class A7			
06/10/36	5.317%	1,936,000	2,051,811
Greenwich Capital Commercial Funding Corp.[i] Series 2007-GG9 Class A4			
03/10/39	5.444%	2,350,000	2,606,923
JPMorgan Chase Commercial Mortgage Securities Corp. Series 2012-C6 Class A3[i]			
05/15/45	3.507%	1,000,000	1,021,950
Morgan Stanley Capital I, Inc.[d][i] Series 2005-IQ10 Class A4A			
09/15/42	5.230%	500,000	552,286
Morgan Stanley Capital I, Inc.[i] Series 2005-HQ5 Class A4			
01/14/42	5.168%	2,635,000	2,841,107
Series 2005-HQ6 Class A4A			
08/13/42	4.989%	175,000	191,662
Morgan Stanley Reremic Trust Series 2010-GG10 Class A4A[b][d][i]			
08/15/45	5.979%	7,050,000	7,989,166

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Commercial Mortgage-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
S2 Hospitality LLC Series 2012-LV1 Class A[b][i] 04/15/25	4.500%	2,000,000	2,000,226
Wachovia Bank Commercial Mortgage Trust[d][i] Series 2005-C21 Class A4 10/15/44	5.378%	175,000	192,697
Series 2006-C27 Class A3 07/15/45	5.765%	1,875,000	2,112,859
Total Commercial Mortgage-Backed Securities — Non-Agency (Cost: $31,868,444)			**33,608,354**

Asset-Backed Securities — Non-Agency —%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
GMAC Mortgage Corp Loan Trust Series 2004-HE5 Class A5 (FGIC)[d] 09/25/34	5.865%	250,143	188,177
Total Asset-Backed Securities — Non-Agency (Cost: $250,143)			**188,177**

Inflation-Indexed Bonds[a] 2.0%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United States 1.1%			
U.S. Treasury Inflation-Indexed Bond 02/15/41	2.125%	7,390,619	10,547,803
02/15/42	0.750%	1,018,150	1,068,023
Total			11,615,826
Uruguay 0.9%			
Uruguay Government International Bond 04/05/27	4.250%	UYU 106,418,034	5,266,655
Senior Unsecured 12/15/28	4.375%	UYU 65,906,120	3,308,154
Total			8,574,809
Total Inflation-Indexed Bonds (Cost: $17,891,691)			**20,190,635**

U.S. Treasury Obligations 4.8%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
U.S. Treasury 12/31/13	0.125%	24,150,000	24,085,858
02/15/20	3.625%	10,070,000	11,845,623
02/15/22	2.000%	1,215,000	1,255,911
11/15/41	3.125%	10,080,000	10,836,000
U.S. Treasury[c] 05/31/17	0.625%	800,000	796,313
Total U.S. Treasury Obligations (Cost: $46,423,020)			**48,819,705**

Foreign Government Obligations[a] 22.8%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Argentina 0.5%			
Argentina Boden Bonds Senior Unsecured 10/03/15	7.000%	1,595,000	1,234,530
Argentina Bonar Bonds Senior Unsecured 04/17/17	7.000%	1,436,000	990,840
Argentine Republic Government International Bond Senior Unsecured 12/31/33	8.280%	2,234,132	1,463,357
Provincia de Buenos Aires Senior Unsecured[b] 01/26/21	10.875%	1,110,000	604,950
Provincia de Cordoba Senior Unsecured[b] 08/17/17	12.375%	1,380,000	791,195
Total			5,084,872
Australia 0.7%			
Treasury Corp. of Victoria Local Government Guaranteed 11/15/16	5.750%	AUD 3,850,000	4,311,075
06/15/20	6.000%	AUD 2,315,000	2,703,605
Total			7,014,680
Brazil 1.2%			
Brazilian Government International Bond 01/20/34	8.250%	2,785,000	4,372,450
Senior Unsecured 01/05/22	12.500%	BRL 4,550,000	3,138,919
Morgan Stanley Senior Unsecured 10/22/20	11.500%	BRL 3,415,000	1,784,758
Petrobras International Finance Co. 03/15/19	7.875%	1,935,000	2,353,629
01/27/21	5.375%	600,000	644,308
Total			12,294,064
Canada 0.8%			
Canadian Government Bond 06/01/18	4.250%	CAD 500,000	570,975
06/01/19	3.750%	CAD 6,600,000	7,453,961
06/01/23	8.000%	CAD 85,000	134,350
Total			8,159,286

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Colombia 1.0%			
Colombia Government International Bond Senior Unsecured			
05/21/24	8.125%	1,085,000	1,577,048
01/18/41	6.125%	2,070,000	2,689,533
Ecopetrol SA Senior Unsecured			
07/23/19	7.625%	1,200,000	1,512,000
Empresa de Energia de Bogota SA Senior Unsecured[b]			
11/10/21	6.125%	1,050,000	1,109,115
Empresas Publicas de Medellin ESP Senior Unsecured[b]			
02/01/21	8.375%	COP 5,280,000,000	3,204,765
Transportadora de Gas Internacional SA ESP Senior Unsecured[b]			
03/20/22	5.700%	500,000	519,308
Total			10,611,769
Dominican Republic 0.3%			
Dominican Republic International Bond[b] Senior Unsecured			
05/06/21	7.500%	1,675,000	1,789,169
04/20/27	8.625%	1,300,000	1,404,000
Total			3,193,169
El Salvador 0.1%			
El Salvador Government International Bond Senior Unsecured[b]			
02/01/41	7.625%	600,000	627,000
Finland 0.2%			
Finland Government Bond Senior Unsecured			
07/04/15	4.250%	EUR 1,160,000	1,628,224
France 1.0%			
France Government Bond OAT			
04/25/17	3.750%	EUR 450,000	629,213
10/25/18	4.250%	EUR 1,000,000	1,439,758
04/25/19	4.250%	EUR 4,080,000	5,873,027
04/25/29	5.500%	EUR 1,160,000	1,863,012
Total			9,805,010
Georgia —%			
JSC Georgian Railway Senior Unsecured[b][e]			
07/11/22	7.750%	442,000	441,120

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Germany 1.5%			
Bundesrepublik Deutschland			
06/20/16	6.000%	EUR 245,000	375,613
07/04/17	4.250%	EUR 4,260,000	6,340,440
01/04/19	3.750%	EUR 5,555,000	8,249,527
Total			14,965,580
Hungary —%			
Hungary Government International Bond Senior Unsecured			
02/03/15	4.750%	80,000	76,800
Indonesia 1.6%			
Indonesia Government International Bond[b] Senior Unsecured			
04/20/15	7.250%	2,155,000	2,416,294
03/13/20	5.875%	5,630,000	6,453,387
Indonesia Treasury Bond Senior Unsecured			
09/15/19	11.500%	IDR 8,500,000,000	1,191,156
07/15/22	10.250%	IDR 10,680,000,000	1,456,611
09/15/24	10.000%	IDR 9,000,000,000	1,226,688
09/15/25	11.000%	IDR 15,190,000,000	2,223,654
Majapahit Holding BV[b]			
08/07/19	8.000%	1,000,000	1,200,000
06/29/37	7.875%	540,000	653,400
Total			16,821,190
Japan 0.4%			
Japan Government 10-Year Bond Senior Unsecured			
12/20/18	1.400%	JPY 15,000,000	199,628
Japan Government 20-Year Bond Senior Unsecured			
09/20/26	2.200%	JPY 270,000,000	3,780,463
Total			3,980,091
Kazakhstan 0.5%			
KazMunayGas National Co.[b] Senior Unsecured			
07/02/18	9.125%	2,875,000	3,557,813
04/09/21	6.375%	1,200,000	1,320,000
Total			4,877,813
Latvia 0.1%			
Republic of Latvia Senior Unsecured[b]			
06/16/21	5.250%	650,000	653,879

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Lithuania 0.3%			
Lithuania Government International Bond[b]			
Senior Unsecured			
03/09/21	6.125%	600,000	663,692
02/01/22	6.625%	1,250,000	1,426,188
Lithuania Government International Bond[b][c]			
Senior Unsecured			
09/14/17	5.125%	700,000	742,982
Total			2,832,862
Malaysia —%			
Petronas Capital Ltd.			
08/12/19	5.250%	75,000	86,186
Mexico 2.3%			
Comision Federal De Electricidad			
Senior Unsecured[b][c]			
02/14/42	5.750%	300,000	315,000
Mexican Bonos			
12/20/12	9.000%	MXN 2,300,000	1,759,372
06/16/16	6.250%	MXN 2,000,000	1,576,721
12/15/16	7.250%	MXN 500,000	410,291
12/13/18	8.500%	MXN 3,663,500	3,262,074
06/09/22	6.500%	MXN 3,500,000	2,822,470
06/03/27	7.500%	MXN 2,515,000	2,141,367
Mexico Government International Bond			
Senior Unsecured			
01/11/40	6.050%	1,930,000	2,489,700
Pemex Finance Ltd.			
Senior Unsecured			
11/15/18	9.150%	310,000	375,188
Senior Unsecured (NPFGC)			
08/15/17	10.610%	215,000	259,421
Pemex Project Funding Master Trust			
03/01/18	5.750%	3,920,000	4,429,600
01/21/21	5.500%	2,300,000	2,599,000
Petroleos Mexicanos			
06/02/41	6.500%	1,000,000	1,167,500
Total			23,607,704
Netherlands 0.3%			
Netherlands Government Bond			
07/15/16	4.000%	EUR 2,565,000	3,641,044
New Zealand 0.3%			
New Zealand Government Bond			
Senior Unsecured			
05/15/21	6.000%	NZD 2,725,000	2,622,663

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Norway 0.8%			
Norway Government Bond			
05/19/17	4.250%	NOK 40,900,000	7,745,262
Peru 0.6%			
Corp. Financiera de Desarrollo SA			
Senior Unsecured[b]			
02/08/22	4.750%	1,000,000	1,051,374
Peruvian Government International Bond			
Senior Unsecured			
05/03/16	8.375%	1,210,000	1,494,350
07/21/25	7.350%	1,210,000	1,700,050
11/21/33	8.750%	205,000	336,200
11/18/50	5.625%	700,000	848,750
Peruvian Government International Bond[b]			
Senior Unsecured			
08/12/20	7.840%	PEN 1,500,000	667,248
Total			6,097,972
Philippines 0.5%			
Philippine Government International Bond			
Senior Unsecured			
01/15/21	4.950%	PHP 14,000,000	344,980
03/30/26	5.500%	1,275,000	1,507,687
01/14/36	6.250%	PHP 46,000,000	1,164,056
Power Sector Assets & Liabilities Management Corp.[b]			
Government Guaranteed			
05/27/19	7.250%	720,000	903,600
Power Sector Assets & Liabilities Management Corp.[b][c]			
Government Guaranteed			
12/02/24	7.390%	610,000	786,399
Total			4,706,722
Poland 0.9%			
Poland Government Bond			
10/24/15	6.250%	PLN 13,600,000	4,282,899
10/25/19	5.500%	PLN 9,280,000	2,880,110
Poland Government International Bond			
Senior Unsecured			
03/23/22	5.000%	2,250,000	2,455,875
Total			9,618,884
Qatar 0.1%			
Nakilat, Inc.			
Senior Secured[b]			
12/31/33	6.067%	180,000	200,250

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Foreign Government Obligations[(a)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Qatar Government International Bond Senior Unsecured[(b)] 01/20/22	4.500%	1,000,000	1,103,500
Total			1,303,750
Republic of Namibia 0.1%			
Namibia International Bonds Senior Unsecured[(b)] 11/03/21	5.500%	800,000	832,000
Republic of the Congo —%			
Republic of Congo Senior Unsecured[(d)] 06/30/29	3.000%	617,500	466,213
Romania 0.1%			
Romanian Government International Bond Senior Unsecured[(b)] 02/07/22	6.750%	800,000	832,803
Russian Federation 1.7%			
Gazprom OAO Via Gaz Capital SA[(b)] Senior Unsecured 04/11/18	8.146%	3,115,000	3,709,099
Gazprom OAO Via Gaz Capital SA[(b)(c)] Senior Unsecured 03/07/22	6.510%	1,460,000	1,618,789
Russian Foreign Bond — Eurobond[(b)] Senior Unsecured 03/10/18	7.850%	RUB 20,000,000	649,350
Russian Foreign Bond — Eurobond[(b)(c)] Senior Unsecured 04/29/15	3.625%	1,450,000	1,499,981
Russian Foreign Bond — Eurobond[(b)(d)] Senior Unsecured 03/31/30	7.500%	5,550,475	6,663,845
Russian Foreign Bond — Eurobond[(d)] Senior Unsecured 03/31/30	7.500%	760,725	913,319
Vnesheconombank Via VEB Finance PLC Senior Unsecured[(b)] 11/22/25	6.800%	2,190,000	2,299,500
Total			17,353,883
South Africa 0.1%			
South Africa Government International Bond Senior Unsecured 03/09/20	5.500%	680,000	783,700

Foreign Government Obligations[(a)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
South Korea 0.2%			
Export-Import Bank of Korea Senior Unsecured 04/11/22	5.000%	1,800,000	1,996,474
Sweden 0.7%			
Sweden Government Bond 08/12/17	3.750%	SEK 43,765,000	7,109,145
12/01/20	5.000%	SEK 3,100,000	571,459
Total			7,680,604
Trinidad and Tobago 0.1%			
Petroleum Co. of Trinidad & Tobago Ltd. Senior Unsecured[(b)] 08/14/19	9.750%	1,290,000	1,579,157
Turkey 1.1%			
Turkey Government International Bond 01/14/41	6.000%	1,700,000	1,789,250
Senior Unsecured 09/26/16	7.000%	1,135,000	1,283,685
03/30/21	5.625%	3,050,000	3,328,313
09/26/22	6.250%	250,000	283,125
02/05/25	7.375%	3,540,000	4,354,200
Total			11,038,573
Ukraine 0.2%			
City of Kyiv Via Kyiv Finance PLC Senior Unsecured[(b)] 07/11/16	9.375%	600,000	503,625
National JSC Naftogaz of Ukraine Government Guaranteed 09/30/14	9.500%	1,635,000	1,565,727
Total			2,069,352
United Arab Emirates 0.2%			
Abu Dhabi National Energy Co. Senior Unsecured[(b)] 12/13/21	5.875%	700,000	783,176
Dolphin Energy Ltd. Senior Secured[(b)] 12/15/21	5.500%	1,000,000	1,083,539
Total			1,866,715
United Kingdom 0.8%			
United Kingdom Gilt 03/07/18	5.000%	GBP 1,400,000	2,683,691
09/07/19	3.750%	GBP 200,000	366,207
09/07/21	3.750%	GBP 500,000	921,758
03/07/25	5.000%	GBP 2,050,000	4,254,700
Total			8,226,356

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Uruguay 0.1%			
Uruguay Government International Bond Senior Unsecured PIK			
01/15/33	7.875%	935,000	1,353,413
Venezuela 1.4%			
Petroleos de Venezuela SA			
04/12/17	5.250%	4,660,000	3,308,600
11/02/17	8.500%	7,035,000	5,715,937
Petroleos de Venezuela SA[c]			
02/17/22	12.750%	760,000	714,400
Venezuela Government International Bond Senior Unsecured			
08/23/22	12.750%	510,000	489,600
05/07/23	9.000%	5,636,000	4,339,720
Total			14,568,257
Total Foreign Government Obligations (Cost: $215,902,749)			**233,145,096**

Municipal Bonds —%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Cabazon Band Mission Indians Revenue Bonds Series 2004[b][f][l][m]			
06/01/12	13.000%	350,000	210,000
Total Municipal Bonds (Cost: $350,000)			**210,000**

Senior Loans 3.9%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Aerospace & Defense —%			
Huntington Ingalls Industries, Inc. Term Loan[d][n]			
03/30/16	2.750%	95,000	94,050
Airlines 0.1%			
U.S. Airways Group, Inc. Term Loan[d][n]			
03/21/14	2.745%	486,111	462,719
United Air Lines, Inc. Tranche B Term Loan[d][n]			
02/01/14	2.250%	268,998	259,583
Total			722,302

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Automotive 0.2%			
Allison Transmission, Inc. Tranche B1 Term Loan[d][n]			
08/07/14	2.750%	527,284	520,034
Chrysler Group LLC Tranche B Term Loan[d][n]			
05/24/17	6.000%	397,497	399,981
Federal-Mogul Corp.[d][n] Tranche B Term Loan			
12/29/14	2.178%	197,829	187,938
Tranche C Term Loan			
12/28/15	2.178%	100,933	95,886
Goodyear Tire & Rubber Co. (The) 2nd Lien Term Loan[d][n]			
04/30/19	4.750%	300,000	293,625
Schaeffler AG Tranche C2 Term Loan[d][n]			
01/27/17	6.000%	250,000	249,610
Total			1,747,074
Brokerage —%			
Nuveen Investments, Inc.[d][n] 1st Lien Term Loan			
05/13/17	7.250%	125,000	125,000
2nd Lien Term Loan			
02/28/19	8.250%	200,000	200,250
Total			325,250
Building Materials 0.1%			
CPG International I, Inc. Term Loan[d][n]			
02/18/17	6.000%	344,750	330,098
Goodman Global, Inc. 1st Lien Term Loan[d][n]			
10/28/16	5.750%	349,062	348,466
Potters Holdings II LP[d][n] Tranche B 1st Lien Term Loan			
05/06/17	6.000%	272,938	269,752
Tranche B 2nd Lien Term Loan			
11/06/17	10.250%	75,000	75,187
Roofing Supply Group LLC Term Loan[d][n]			
05/31/19	6.500%	174,563	174,418
Total			1,197,921
Chemicals 0.2%			
AZ Chem U.S., Inc. Term Loan[d][n]			
12/22/17	7.250%	64,773	65,034

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Emerald Performance Materials LLC 1st Lien Term Loan[d][n] 05/18/18	6.750%	100,000	99,000
Ineos U.S. Finance LLC Term Loan[d][n] 05/04/18	6.500%	100,000	97,778
Momentive Performance Materials Tranche B3 Term Loan[d][n] 05/05/15	3.750%	74,813	70,698
Nexeo Solutions LLC Term Loan[d][n] 09/08/17	5.000%	99,496	96,760
Norit Holding BV Term Loan[d][n] 07/10/17	6.750%	124,062	124,062
Omnova Solutions, Inc. Term Loan[d][n] 05/31/17	5.500%	345,614	345,832
PQ Corp. 1st Lien Term Loan[d][n] 07/30/14	3.995%	270,459	261,139
Trinseo Materials Operating SCA Term Loan[d][n] 08/02/17	6.063%	345,997	323,725
Tronox Pigments B.V.[d][n] Delayed Draw Term Loan 02/08/18	4.250%	32,143	31,517
Term Loan 02/08/18	4.250%	117,857	115,564
Univar, Inc. Tranche B Term Loan[d][n] 06/30/17	5.000%	518,438	508,126
Total			2,139,235
Construction Machinery 0.1%			
Douglas Dynamics LLC Term Loan[d][n] 04/18/18	5.750%	295,067	288,183
Manitowoc Co., Inc. (The) Tranche B Term Loan[d][n] 11/13/17	4.250%	225,000	223,731
Terex Corp. Term Loan[d][n] 04/28/17	5.500%	272,938	273,451
Total			785,365
Consumer Cyclical Services —%			
Instant Web, Inc.[d][n] Delayed Draw Term Loan 08/07/14	3.620%	13,758	10,766

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Term Loan 08/07/14	3.620%	131,981	103,275
Sabre, Inc. Term Loan[d][n] 09/30/17	5.995%	317,107	304,343
Total			418,384
Consumer Products 0.1%			
Affinion Group, Inc. Tranche B Term Loan[d][n] 10/09/16	5.000%	297,986	271,018
Fender Musical Instruments Corp.[d][n] Delayed Draw Term Loan 06/09/14	2.500%	73,960	71,926
Term Loan 06/09/14	2.500%	146,373	142,348
Jarden Corp. Tranche B Term Loan[d][n] 03/31/18	3.245%	148,312	147,594
Total			632,886
Diversified Manufacturing 0.2%			
Acosta, Inc. Tranche B Term Loan[d][n] 03/01/18	4.750%	318,018	316,825
Colfax Corp. Tranche B Term Loan[d][n] 01/11/19	4.500%	124,375	124,103
Generac Power System, Inc. Term Loan[d][n] 05/30/18	6.250%	400,000	398,000
IMG Worldwide, Inc. Tranche B Term Loan[d][n] 06/16/16	5.500%	371,250	367,537
Tomkins LLC/Inc. Tranche B1 Term Loan[d][n] 09/29/16	4.250%	429,297	428,653
Wire Rope Corp. of America Term Loan[d][e][n] 02/10/17	5.211%	250,000	249,375
Total			1,884,493
Electric 0.2%			
Calpine Corp.[d][n] Term Loan 04/01/18	4.500%	272,746	270,548
04/01/18	4.500%	148,500	147,303

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Equipower Resources Holdings, LLC 1st Lien Term Loan(d)(n) 11/01/18	6.500%	100,000	99,906
FREIF North American Power I LLC(d)(n) Tranche B Term Loan 03/29/19	6.000%	86,420	85,988
Tranche C Term Loan 03/29/19	6.000%	13,580	13,512
GenOn Energy/Americas, Inc. Term Loan(d)(n) 12/04/17	6.000%	422,414	417,662
LSP Madison Funding LLC Term Loan(d)(e)(n) 06/28/19	5.500%	100,000	98,875
NRG Energy, Inc. Term Loan(d)(n) 07/01/18	4.000%	297,000	294,606
TPF Generation Holdings LLC 1st Lien Synthetic Letter of Credit(d)(n) 12/15/13	2.461%	45,620	45,278
Texas Competitive Electric Holdings Co. LLC Term Loan(d)(n) 10/10/14	3.741%	624,903	391,083
Total			1,864,761
Entertainment 0.1%			
24 Hour Fitness Worldwide, Inc. Tranche B Term Loan(d)(n) 04/22/16	7.500%	373,096	370,392
Alpha Topco Ltd. Tranche B Term Loan(d)(n) 04/28/17	5.750%	448,875	448,242
Six Flags Theme Parks, Inc. Tranche B Term Loan(d)(n) 12/20/18	4.250%	125,000	124,031
Total			942,665
Environmental 0.1%			
EnviroSolutions Real Property Holdings, Inc. 2nd Lien Term Loan(d)(n) 07/29/14	8.000%	628,235	618,290
WCA Waste Corp. Term Loan(d)(n) 03/23/18	5.500%	99,750	99,439
Total			717,729
Food and Beverage 0.2%			
Advantage Sales & Marketing, Inc. 1st Lien Term Loan(d)(n) 12/18/17	5.250%	73,875	73,229

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Candy Intermediate Holdings, Inc. Term Loan(d)(n) 06/18/18	7.500%	519,000	516,566
Del Monte Foods Co. Term Loan(d)(n) 03/08/18	4.500%	397,000	390,799
JBS U.S.A. LLC Term Loan(d)(n) 05/25/18	4.250%	99,000	95,535
Pierre Foods, Inc. 1st Lien Term Loan(d)(n) 09/30/16	7.000%	345,059	346,066
U.S. Foods, Inc. Term Loan(d)(n) 07/03/14	3.000%	345,466	333,979
WM. Bolthouse Farms, Inc. 1st Lien Term Loan(d)(n) 02/11/16	5.505%	288,943	289,486
Windsor Quality Food Co., Ltd. Tranche B Term Loan(d)(f)(n) 02/16/17	5.000%	381,800	374,164
Total			2,419,824
Gaming 0.1%			
Affinity Gaming LLC Term Loan(d)(n) 11/09/17	5.500%	99,750	100,124
Caesars Entertainment Operating Co., Inc. Tranche B2 Term Loan(d)(n) 01/28/15	3.245%	400,000	372,668
Caesars Octavius LLC Tranche B Term Loan(d)(n) 04/25/17	9.250%	325,000	318,500
Las Vegas Sands LLC(d)(n) Tranche B Term Loan 11/23/16	2.750%	131,566	127,675
Tranche I Delayed Draw Term Loan 11/23/16	2.750%	16,579	16,088
Pinnacle Entertainment, Inc. Tranche A Term Loan(d)(n) 03/19/19	4.000%	275,000	274,227
ROC Finance LLC Tranche B Term Loan(d)(n) 08/19/17	8.500%	75,000	75,375
Stockbridge/SBE Holdings Tranche B Term Loan(d) 05/02/17	13.000%	125,000	122,656

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Twin River Worldwide Holdings, Inc. Term Loan(d)(n) 11/05/15	8.500%	119,167	119,391
Total			1,526,704
Gas Distributors —%			
Energy Transfer Equity LP Term Loan(d)(n) 03/23/17	3.750%	100,000	98,018
Health Care 0.3%			
Alere, Inc. Tranche B Term Loan(d)(n) 06/30/17	4.750%	99,250	97,984
Bausch & Lomb, Inc. Term Loan(d)(n) 05/17/19	5.250%	200,000	198,700
ConvaTec, Inc. Term Loan(d)(n) 12/22/16	5.750%	314,601	314,208
Health Management Associates, Inc. Tranche B Term Loan(d)(n) 11/16/18	4.500%	124,688	123,623
Iasis Healthcare LLC Term Loan(d)(n) 05/03/18	5.000%	642,994	629,601
Inventiv Health, Inc. Term Loan(d)(n) 08/04/16	6.500%	197,500	184,267
Onex Carestream Finance LP Term Loan(d)(n) 02/25/17	5.000%	370,184	353,004
Quintiles Transnational Corp. Tranche B Term Loan(d)(n) 06/08/18	5.000%	471,438	465,540
RPI Finance Trust Term Loan(d)(n) 05/09/18	4.000%	398,992	394,504
Select Medical Corp. Tranche B Term Loan(d)(n) 06/01/18	5.500%	123,750	121,182
Total			2,882,613
Integrated Energy —%			
Gibson Energy ULC Tranche B Term Loan(d)(n) 06/15/18	4.750%	121,020	120,718

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Life Insurance —%			
CNO Financial Group, Inc. Tranche B1 Term Loan(d)(n) 09/30/16	6.250%	193,929	193,542
Media Cable 0.1%			
Cequel Communications LLC Term Loan(d)(n) 02/14/19	4.000%	199,500	195,161
MCC Iowa LLC Tranche F Term Loan(d)(n) 10/23/17	4.500%	320,917	317,509
Mediacom Illinois LLC Tranche E Term Loan(d)(n) 10/23/17	4.500%	492,46	487,129
San Juan Cable LLC Tranche B 1st Lien Term Loan(d)(n) 06/09/17	6.000%	74,250	73,693
WideOpenWest Finance LLC 1st Lien Term Loan(d)(n) 06/30/14	2.745%	247,408	245,552
Total			1,319,044
Media Non-Cable 0.5%			
AMC Networks, Inc. Tranche B Term Loan(d)(n) 12/31/18	4.000%	99,000	98,164
Clear Channel Communications, Inc. Tranche B Term Loan(d)(n) 01/29/16	3.895%	481,510	383,605
Cumulus Media Holdings, Inc.(d)(n)			
1st Lien Term Loan 09/17/18	5.750%	273,547	272,130
2nd Lien Term Loan 03/18/19	7.500%	350,000	351,971
Emmis Operating Co. Tranche B Term Loan(d)(n) 11/01/13	4.460%	276,324	268,725
Encompass Digital Media, Inc. Tranche B Term Loan(d)(n) 08/10/17	8.000%	448,875	445,508
Granite Broadcasting Tranche B 1st Lien Term Loan(d)(n) 05/23/18	8.500%	200,000	197,000
Gray Television, Inc Tranche B Term Loan(d)(n) 12/31/14	3.740%	492,268	486,115

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Hubbard Radio LLC 1st Lien Term Loan(d)(n) 04/28/17	5.250%	135,416	135,077
Intelsat Jackson Holdings SA Tranche B Term Loan(d)(n) 04/02/18	5.250%	298,492	297,809
NextMedia Operating, Inc. Term Loan(d)(n) 05/27/16	8.250%	448,438	433,491
Postmedia Network, Inc. Tranche C Term Loan(d)(n) 07/13/16	6.250%	236,470	233,514
Radio One, Inc. Term Loan(d)(n) 03/31/16	7.500%	392,933	386,056
Univision Communications, Inc. 1st Lien Term Loan(d)(n) 03/31/17	4.495%	594,726	562,391
Zuffa LLC Term Loan(d)(n) 06/19/15	7.500%	299,238	297,892
Total			4,849,448
Metals —%			
Novelis, Inc. Tranche B2 Term Loan(d)(n) 03/10/17	4.000%	223,313	218,916
Non-Captive Diversified —%			
iStar Financial, Inc. Tranche A2 Term Loan(d)(n) 06/30/14	7.000%	425,000	423,483
Oil Field Services —%			
Frac Tech Services Term Loan(d)(n) 05/06/16	6.250%	389,856	355,124
Other Financial Institutions 0.1%			
Alix Partners(d)(e)(n) 06/13/19	6.500%	150,000	148,050
Harland Clarke Holdings Corp. Tranche B Term Loan(d)(n) 06/30/14	2.777%	293,955	261,620
Springleaf Financial Funding Co. Term Loan(d)(n) 05/10/17	5.500%	400,000	376,216
Total			785,886

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Other Industry 0.1%			
On Assignment, Inc. Tranche B Term Loan(d)(n) 05/15/19	5.000%	124,688	123,440
Rexnord LLC/RBS Global, Inc. Tranche B Term Loan(d)(n) 04/01/18	5.000%	374,062	375,776
Sensus U.S.A., Inc. 2nd Lien Term Loan(d)(n) 05/09/18	8.500%	350,000	347,158
Total			846,374
Packaging 0.1%			
Berry Plastics Holding Corp. Tranche C Term Loan(d)(n) 04/03/15	2.245%	171,826	165,414
Reynolds Group Holdings, Inc.(d)(n) Tranche B Term Loan 02/09/18	6.500%	268,626	269,676
Tranche C Term Loan 08/09/18	6.500%	196,359	197,740
Total			632,830
Paper —%			
NewPage Corp. Debtor In Possession Term Loan(d)(n)(o) 03/08/13	8.000%	150,000	151,407
Pharmaceuticals 0.1%			
Endo Pharmaceuticals Holdings, Inc.(d)(n) Tranche A Term Loan 06/17/16	2.250%	120,312	119,153
Tranche B Term Loan 06/17/18	4.000%	41,652	41,617
Grifols, Inc. Tranche B Term Loan(d)(n) 06/01/17	4.500%	268,998	266,069
Pharmaceutical Product Development, Inc. Term Loan(d)(n) 12/05/18	6.250%	99,500	99,873
Valeant Pharmaceuticals International, Inc.(d)(e)(n) Term Loan 05/30/19	4.218%	50,000	49,281
Valeant Pharmaceuticals International, Inc.(d)(n) Tranche B Term Loan 02/13/19	4.750%	99,750	98,285
Total			674,278

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Property & Casualty 0.1%			
Asurion LLC 2nd Lien Term Loan(d)(n) 05/24/19	9.000%	500,000	508,750
REITs —%			
CB Richard Ellis Services, Inc. Tranche C Term Loan(d)(n) 03/04/18	3.495%	99,000	97,886
Retailers 0.4%			
Academy Ltd. Term Loan(d)(n) 08/03/18	6.000%	398,561	399,868
BJ's Wholesale Club, Inc. 1st Lien Term Loan(d)(n) 09/28/18	5.250%	398,561	399,143
Bass Pro Group LLC Term Loan(d)(n) 06/13/17	5.250%	303,218	303,346
Claire's Stores, Inc. Tranche B Term Loan(d)(n) 05/29/14	3.062%	301,222	285,471
General Nutrition Centers, Inc. Tranche B Term Loan(d)(n) 03/02/18	4.250%	375,000	372,938
J. Crew Group, Inc. Term Loan(d)(n) 03/07/18	4.750%	495,000	488,317
Jo-Ann Stores, Inc. Term Loan(d)(n) 03/16/18	4.750%	411,996	405,816
Leslie's Poolmart, Inc. Tranche B Term Loan(d)(n) 11/21/16	4.500%	99,495	97,588
Orchard Supply Hardware LLC Tranche B1 Term Loan(d)(n) 12/21/13	5.000%	488,422	346,779
Pantry, Inc. (The)(d)(n) Delayed Draw Term Loan 05/15/14	2.000%	33,724	33,576
Term Loan 05/15/14	2.000%	358,823	357,244
Toys 'R' Us-Delaware, Inc. Term Loan(d)(n) 09/01/16	6.000%	340,666	319,517
Total			3,809,603

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Technology 0.2%			
Aeroflex, Inc. Tranche B Term Loan(d)(n) 05/09/18	5.750%	110,582	106,988
Commscope, Inc. Tranche 1 Term Loan(d)(n) 01/14/18	4.250%	248,622	246,802
Edwards (Cayman Islands II) Ltd.(d)(n) 1st Lien Term Loan 05/31/16	5.500%	107,476	106,670
05/31/16	5.500%	172,393	171,100
Freescale Semiconductor, Inc. Tranche B1 Term Loan(d)(n) 12/01/16	4.495%	297,085	280,746
Greeneden U.S. Holdings II LLC Term Loan(d)(n) 01/31/19	6.750%	249,375	249,921
Interactive Data Corp. Tranche B Term Loan(d)(n) 02/11/18	4.500%	191,611	188,112
Kasima LLC Term Loan(d)(n) 03/31/17	5.000%	148,500	147,758
NDS Finance Ltd. Tranche B Term Loan(d)(n) 03/12/18	3.750%	74,063	73,785
Openlink International, Inc. Term Loan(d)(n) 10/30/17	7.750%	74,625	74,625
Rovi Solutions Corp./Guides, Inc. Tranche B2 Term Loan(d)(n) 03/29/19	4.000%	312,125	307,833
Syniverse Holdings, Inc. Term Loan(d)(n) 04/23/19	5.000%	400,000	396,832
Trans Union LLC Term Loan(d)(n) 02/10/18	5.500%	98,750	98,627
Verint Systems, Inc. Term Loan(d)(n) 10/27/17	4.500%	99,000	98,010
Total			2,547,809
Textile —%			
Springs Window Fashions LLC Tranche B Term Loan(d)(n) 05/31/17	6.000%	116,072	113,944

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Transportation Services —%			
Avis Budget Car Rental LLC Tranche C Term Loan[d][n] 03/15/19	4.250%	175,000	173,863
Hertz Corp. (The) Letter of Credit[d][n] 03/11/18	3.750%	250,000	239,375
Total			413,238
Wireless 0.1%			
MetroPCS Wireless, Inc. Tranche B3 Term Loan[d][n] 03/19/18	4.000%	346,188	337,696
Ntelos, Inc. Tranche B Term Loan[d][n] 08/07/15	4.000%	154,197	152,346
Telesat Canada Tranche B Term Loan[d][n] 03/28/19	4.250%	275,000	271,700
Total			761,742
Wirelines 0.1%			
Alaska Communications Systems Holdings, Inc. Term Loan[d][n] 10/21/16	5.500%	421,788	378,766
Level 3 Financing, Inc. Tranche B Term Loan[d][n] 09/01/18	5.750%	175,000	174,836
Total			553,602
Total Senior Loans (Cost: $40,378,270)			**39,776,898**

Common Stocks —%

Issuer	Shares	Value ($)
Financials —%		
Real Estate Investment Trusts (REITs) —%		
Fairlane Management Corp.[g][h][p]	2,000	—
Total Financials		**—**
Total Common Stocks (Cost: $—)		**—**

Warrants —%

Issuer	Shares	Value ($)
Energy —%		
Energy Equipment & Services —%		
Green Field Energy Services, Inc.[p]	1,854	38,934
Total Energy		**38,934**
Information Technology —%		
Communications Equipment —%		
CMP Susquehanna Corp.[b][f][h][p]	3,304	33
Total Information Technology		**33**
Total Warrants (Cost: $75,065)		**38,967**

Options Purchased Puts —%

Issuer	Contracts	Exercise Price ($)	Expiration Date	Value ($)
U.S. Treasury Note Futures, 10-year	615	132	07/20/12	153,750
Total Options Purchased Puts (Cost: $318,859)				**153,750**

Money Market Funds 7.8%

Issuer	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.152%[q][r]	79,347,809	79,347,809
Total Money Market Funds (Cost: $79,347,809)		**79,347,809**

Investments of Cash Collateral Received for Securities on Loan 4.2%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Other Short-Term Obligations 0.1%			
Natixis Financial Products LLC 07/02/12	0.450%	1,500,000	1,500,000

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Investments of Cash Collateral Received for Securities on Loan *(continued)*

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Repurchase Agreements 4.1%			
Citibank NA dated 06/29/12, matures 07/02/12, repurchase price $5,000,083[s]	0.200%	5,000,000	5,000,000
Citigroup Global Markets, Inc.[s] dated 06/29/12, matures 07/02/12, repurchase price $5,000,088	0.210%	5,000,000	5,000,000
repurchase price $5,000,088	0.210%	5,000,000	5,000,000
Deutsche Bank AG dated 06/26/12, matures 07/03/12, repurchase price $10,000,311[s]	0.160%	10,000,000	10,000,000
Nomura Securities dated 06/29/12, matures 07/02/12, repurchase price $5,000,100[s]	0.240%	5,000,000	5,000,000
Pershing LLC dated 06/29/12, matures 07/02/12, repurchase price $4,000,090[s]	0.270%	4,000,000	4,000,000
Societe Generale dated 06/29/12, matures 07/02/12, repurchase price $7,881,442[s]	0.190%	7,881,318	7,881,318
Total			41,881,318
Total Investments of Cash Collateral Received for Securities on Loan (Cost: $43,381,318)			**43,381,318**
Total Investments (Cost: $1,070,727,584)			**1,116,242,204**
Other Assets & Liabilities, Net			(94,364,306)
Net Assets			**1,021,877,898**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Investment in Derivatives

Futures Contracts Outstanding at June 30, 2012

Contract Description	Number of Contracts Long (Short)	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
U.S. Treasury Long Bond, 20-year	237	35,068,594	September 2012	88,520	—
U.S. Treasury Note, 2-year	158	34,789,625	September 2012	—	(12,580)
U.S. Treasury Note, 5-year	(77)	(9,545,594)	September 2012	—	(13,952)
U.S. Treasury Note, 10-year	(846)	(112,835,250)	September 2012	—	(284,302)
U.S. Treasury Ultra Bond, 30-year	(68)	(11,345,375)	September 2012	—	(169,336)
Total				88,520	(480,170)

Forward Foreign Currency Exchange Contracts Open at June 30, 2012

Counterparty	Exchange Date	Currency to be Delivered	Currency to be Received	Unrealized Appreciation ($)	Unrealized Depreciation ($)
J.P. Morgan Securities, Inc.	July 11, 2012	6,009,193 (USD)	470,000,000 (JPY)	—	(128,722)
UBS Securities	July 19, 2012	2,729,000 (NZD)	2,120,613 (USD)	—	(61,443)
State Street Bank & Trust Company	July 20, 2012	3,300,000 (EUR)	4,156,268 (USD)	—	(20,461)
J.P. Morgan Securities, Inc.	July 23, 2012	9,000,000 (PLN)	2,664,851 (USD)	—	(29,664)
UBS Securities	July 25, 2012	4,912,000 (CHF)	5,108,366 (USD)	—	(69,472)
Goldman, Sachs & Co.	July 25, 2012	6,136,000 (EUR)	7,659,262 (USD)	—	(107,239)
HSBC Securities (USA), Inc.	July 25, 2012	1,017,044,000 (JPY)	12,775,388 (USD)	47,872	—
Deutsche Bank	July 25, 2012	12,723,376 (USD)	12,785,000 (AUD)	333,941	—
J.P. Morgan Securities, Inc.	July 25, 2012	7,639,405 (USD)	45,994,000 (NOK)	86,149	—
Morgan Stanley	July 25, 2012	5,097,170 (USD)	6,500,000 (NZD)	97,987	—
Total				565,949	(417,001)

Credit Default Swap Contracts Outstanding at June 30, 2012
Buy Protection

Counterparty	Reference Entity	Expiration Date	Pay Fixed Rate (%)	Notional Amount ($)	Market Value ($)	Periodic Payments Receivable (Payable) ($)	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Barclays Capital	Federative Republic of Brazil	September 20, 2014	1.470	400,000	(4,632)	(1,666)	—	(6,298)
Total							—	(6,298)

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments

(a) Principal amounts are denominated in United States Dollars unless otherwise noted.

(b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2012, the value of these securities amounted to $255,520,296 or 25.00% of net assets.

(c) At June 30, 2012, security was partially or fully on loan.

(d) Variable rate security. The interest rate shown reflects the rate as of June 30, 2012.

(e) Represents a security purchased on a when-issued or delayed delivery basis.

(f) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at June 30, 2012 was $584,197, representing 0.06% of net assets. Information concerning such security holdings at June 30, 2012 was as follows:

Security Description	Acquisition Dates	Cost ($)
Cabazon Band Mission Indians Revenue Bonds Series 2004 06/01/12 13.000%	10/04/04	350,000
CMP Susquehanna Corp.	03/26/09	33
Six Flags, Inc. 06/01/14 9.625%	05/07/10	—
Windsor Quality Food Co., Ltd. Tranche B Term Loan 02/16/17 5.000%	02/14/11	378,972

(g) Negligible market value.

(h) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At June 30, 2012, the value of these securities amounted to $33, which represents less than 0.01% of net assets.

(i) The maturity dates shown represent the original maturity of the underlying obligation. Actual maturity may vary based upon prepayment activity on these obligations. Unless otherwise noted, the coupon rates presented are fixed rates.

(j) Interest Only (IO) security. The actual effective yield of this security is different than the stated coupon rate.

(k) At June 30, 2012, investments in securities included securities valued at $1,394,401 that were partially pledged as collateral to cover initial margin deposits on open interest rate futures contracts.

(l) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At June 30, 2012, the value of these securities amounted to $210,000, which represents 0.02% of net assets.

(m) Municipal obligations include debt obligations issued by or on behalf of territories, possessions, or sovereign nations within the territorial boundaries of the United States. At June 30, 2012, the value of these securities amounted to $210,000 or 0.02% of net assets.

(n) Senior loans have rates of interest that float periodically based primarily on the London Interbank Offered Rate ("LIBOR") and other short-term rates. The interest rate shown reflects the weighted average coupon as of June 30, 2012. The interest rate shown for senior loans purchased on a when-issued or delayed delivery basis, if any, reflects an estimated average coupon. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty.

(o) The borrower filed for protection under Chapter 11 of the U.S. Federal Bankruptcy Code.

(p) Non-income producing.

(q) The rate shown is the seven-day current annualized yield at June 30, 2012.

(r) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the period ended June 30, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Sales Cost/ Proceeds from Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	37,296,441	205,709,976	(163,658,608)	—	79,347,809	42,534	79,347,809

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments *(continued)*

(s) The table below represents securities received as collateral for repurchase agreements. This collateral is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the proper level of collateral.

Security Description	Value ($)
Citibank NA (0.200%)	
Fannie Mae REMICS	2,402,583
Fannie Mae-Aces	164,775
Freddie Mac REMICS	1,987,696
Government National Mortgage Association	544,946
Total market value of collateral securities	5,100,000

Security Description	Value ($)
Citigroup Global Markets, Inc. (0.210%)	
Fannie Mae REMICS	2,274,693
Fannie Mae-Aces	177,408
Freddie Mac REMICS	1,525,246
Government National Mortgage Association	1,122,653
Total market value of collateral securities	5,100,000

Security Description	Value ($)
Citigroup Global Markets, Inc. (0.210%)	
Fannie Mae REMICS	2,274,693
Fannie Mae-Aces	177,408
Freddie Mac REMICS	1,525,246
Government National Mortgage Association	1,122,653
Total market value of collateral securities	5,100,000

Security Description	Value ($)
Deutsche Bank AG (0.160%)	
Fannie Mae REMICS	3,199,421
Freddie Mac Gold Pool	1,422,370
Freddie Mac REMICS	5,578,209
Total market value of collateral securities	10,200,000

Security Description	Value ($)
Nomura Securities (0.240%)	
Fannie Mae Pool	3,462,835
Freddie Mac Gold Pool	1,637,165
Total market value of collateral securities	5,100,000

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments *(continued)*

Security Description	Value ($)
Pershing LLC (0.270%)	
Fannie Mae Pool	335,320
Fannie Mae REMICS	607,017
Fannie Mae-Aces	39,531
Freddie Mac Reference REMIC	12,208
Freddie Mac REMICS	1,483,475
Government National Mortgage Association	1,602,449
Total market value of collateral securities	4,080,000

Security Description	Value ($)
Societe Generale (0.190%)	
Fannie Mae Pool	4,912,798
Freddie Mac Gold Pool	3,126,146
Total market value of collateral securities	8,038,944

Abbreviation Legend

CMO	Collateralized Mortgage Obligation
FGIC	Financial Guaranty Insurance Company
NPFGC	National Public Finance Guarantee Corporation
PIK	Payment-in-Kind

Currency Legend

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
COP	Colombian Peso
EUR	Euro
GBP	British Pound
IDR	Indonesian Rupiah
JPY	Japanese Yen
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
PEN	Peru Nuevos Soles
PHP	Philippine Peso
PLN	Polish Zloty
RUB	Russian Rouble
SEK	Swedish Krona
USD	US Dollar
UYU	Uruguay Pesos

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Bonds				
Corporate Bonds & Notes	—	490,909,868	—	490,909,868
Residential Mortgage-Backed Securities — Agency	—	105,338,140	—	105,338,140
Residential Mortgage-Backed Securities — Non-Agency	—	15,448,361	5,685,126	21,133,487
Commercial Mortgage-Backed Securities — Non-Agency	—	33,608,354	—	33,608,354
Asset-Backed Securities — Non-Agency	—	188,177	—	188,177
Inflation-Indexed Bonds	—	20,190,635	—	20,190,635
U.S. Treasury Obligations	48,819,705	—	—	48,819,705
Foreign Government Obligations	—	233,145,096	—	233,145,096
Municipal Bonds	—	210,000	—	210,000
Total Bonds	48,819,705	899,038,631	5,685,126	953,543,462
Senior Loans				
Aerospace & Defense	—	—	94,050	94,050
Chemicals	—	1,819,413	319,822	2,139,235
Diversified Manufacturing	—	1,635,118	249,375	1,884,493
Electric	—	1,765,261	99,500	1,864,761
Food and Beverage	—	2,324,289	95,535	2,419,824
Media Non-Cable	—	4,071,863	777,585	4,849,448
Technology	—	2,325,426	222,383	2,547,809
All other industries	—	23,977,278	—	23,977,278
Total Senior Loans	—	37,918,648	1,858,250	39,776,898
Equity Securities				
Common Stocks				
Financials	—	—	—	—
Warrants				
Energy	—	38,934	—	38,934
Information Technology	—	—	33	33
Total Equity Securities	—	38,934	33	38,967

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Other				
Options Purchased Puts	153,750	—	—	153,750
Money Market Funds	79,347,809	—	—	79,347,809
Investments of Cash Collateral Received for Securities on Loan	—	43,381,318	—	43,381,318
Total Other	79,501,559	43,381,318	—	122,882,877
Investments in Securities	128,321,264	980,377,531	7,543,409	1,116,242,204
Derivatives				
Assets				
Futures Contracts	88,520	—	—	88,520
Forward Foreign Currency Exchange Contracts	—	565,949	—	565,949
Liabilities				
Futures Contracts	(480,170)	—	—	(480,170)
Forward Foreign Currency Exchange Contracts	—	(417,001)	—	(417,001)
Swap Contracts	—	(6,298)	—	(6,298)
Total	127,929,614	980,520,181	7,543,409	1,115,993,204

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances. Certain Residential Mortgage Backed Securities and Senior Loans classified as Level 3 securities are valued using the market approach and utilize single market quotations from broker dealers which may have included, but not limited to, the distressed nature of the security and observable transactions for similar assets in the market. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement.

Certain warrants classified as Level 3 are valued using a market approach. To determine fair value for these securities, management considered various factors which may have included, but were not limited to, trades of similar securities, estimated earnings of the respected company, market multiples derived from a set of comparable companies, and the position of the security within the respective company's capital structure. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in estimated earnings of the respective company may result in a change to the comparable companies and market multiples utilized.

There were no transfers of financial assets between Levels 1 and 2 during the period.

Futures contracts, forward foreign currency contracts and swap contracts are valued at unrealized appreciation (depreciation).

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a reconciliation of level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes ($)	Residential Mortgage-Backed Securities — Non-Agency ($)	Senior Loans ($)	Warrants ($)	Total ($)
Balance as of December 31, 2011	352,024	6,145,020	3,260,269	33	9,757,346
Accrued discounts/premiums	898	—	9,748	—	10,646
Realized gain (loss)	(426)	3,503	30,998	—	34,075
Change in unrealized appreciation (depreciation)[a]	(14,218)	(994)	40,032	—	24,820
Sales	(515,328)	(1,619,223)	(2,616,011)	—	(4,750,562)
Purchases	177,050	5,000,000	1,449,562	—	6,626,612
Transfers into Level 3	—	—	240,203	—	240,203
Transfers out of Level 3	—	(3,843,180)	(556,551)	—	(4,399,731)
Balance as of June 30, 2012	—	5,685,126	1,858,250	33	7,543,409

(a) Change in unrealized appreciation (depreciation) relating to securities held at June 30, 2012 was $12,129, which is comprised of Residential Mortgage-Backed Securities — Non-Agency of $(9) and Senior Loans of $12,138.

The Fund does not hold any significant investments with unobservable inputs which are categorized as Level 3.

Financial assets were transferred from Level 3 to Level 2 as observable market inputs were utilized and management's determination that there was sufficient, reliable and observable market data to value these assets as of period end.

Financial Assets were transferred from Level 2 to Level 3 due to unavailable market inputs. As a result, as of period end, management determined to fair value the security under consistently applied procedures established by and under the general supervision of the Board of Trustees.

Transfers in and/or out of Level 3 are determined based on the fair value at the beginning of the period for security positions held throughout the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities
June 30, 2012 (Unaudited)

Assets	
Investments, at value*	
Unaffiliated issuers (identified cost $947,998,457)	$993,513,077
Affiliated issuers (identified cost $79,347,809)	79,347,809
Investment of cash collateral received for securities on loan	
Short-term securities (identified cost $1,500,000)	1,500,000
Repurchase agreements (identified cost $41,881,318)	41,881,318
Total investments (identified cost $1,070,727,584)	1,116,242,204
Cash	289,947
Foreign currency (identified cost $2,107,303)	2,139,626
Unrealized appreciation on forward foreign currency exchange contracts	565,949
Receivable for:	
Investments sold	51,429,117
Capital shares sold	199,494
Dividends	9,912
Interest	13,414,931
Reclaims	136,881
Variation margin on futures contracts	273,888
Trustees' deferred compensation plan	29,231
Total assets	1,184,731,180
Liabilities	
Due upon return of securities on loan	43,381,318
Unrealized depreciation on forward foreign currency exchange contracts	417,001
Unrealized depreciation on swap contracts	6,298
Payable for:	
Investments purchased	47,854,614
Investments purchased on a delayed delivery basis	68,264,447
Capital shares purchased	2,187,323
Investment management fees	430,614
Distribution and service fees	6,652
Foreign capital gains taxes deferred	73,686
Transfer agent fees	49,013
Administration fees	54,958
Compensation of board members	8,626
Chief compliance officer expenses	303
Other expenses	89,198
Trustees' deferred compensation plan	29,231
Total liabilities	162,853,282
Net assets applicable to outstanding capital stock	**$1,021,877,898**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities *(continued)*

June 30, 2012 (Unaudited)

Represented by	
Paid-in capital	$908,668,320
Undistributed net investment income	63,594,753
Accumulated net realized gain	4,441,989
Unrealized appreciation (depreciation) on:	
Investments	45,514,620
Foreign currency translations	(19,098)
Futures contracts	(391,650)
Forward foreign currency exchange contracts	148,948
Swap contracts	(6,298)
Foreign capital gains tax	(73,686)
Total — representing net assets applicable to outstanding capital stock	**$1,021,877,898**
*Value of securities on loan	$43,563,246
Class 1	
Net assets	$987,597,317
Shares outstanding	107,435,928
Net asset value per share	$9.19
Class 2	
Net assets	$34,280,581
Shares outstanding	3,754,011
Net asset value per share	$9.13

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations

Six Months Ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Interest	$29,845,276
Dividends from affiliates	42,534
Income from securities lending — net	89,408
Foreign taxes withheld	(78,302)
Total income	29,898,916
Expenses:	
Investment management fees	2,872,367
Distribution fees	
Class 2	40,162
Transfer agent fees	
Class 1	264,631
Class 2	9,639
Administration fees	364,704
Compensation of board members	22,908
Custodian fees	33,623
Printing and postage fees	7,068
Professional fees	46,872
Chief compliance officer expenses	445
Other	39,079
Total expenses	3,701,498
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(314,453)
Total net expenses	3,387,045
Net investment income	26,511,871
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	15,817,304
Foreign currency translations	(274,555)
Forward foreign currency exchange contracts	782,435
Futures contracts	(2,708,308)
Options contracts written	126,591
Swap contracts	(2,973)
Net realized gain	13,740,494
Net change in unrealized appreciation (depreciation) on:	
Investments	14,810,066
Foreign currency translations	134,687
Forward foreign currency exchange contracts	47,159
Futures contracts	(33,687)
Swap contracts	(1,574)
Foreign capital gains tax	21,756
Net change in unrealized appreciation	14,978,407
Net realized and unrealized gain	28,718,901
Net increase in net assets resulting from operations	**$55,230,772**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$26,511,871	$38,364,548
Net realized gain	13,740,494	4,516,482
Net change in unrealized appreciation (depreciation)	14,978,407	(16,434,361)
Net increase in net assets resulting from operations	55,230,772	26,446,669
Distributions to shareholders from		
Net investment income		
Class 1	—	(2,779,236)
Class 2	—	(1,940,793)
Total distributions to shareholders	—	(4,720,029)
Increase (decrease) in net assets from share transactions	(108,796,878)	988,368,575
Total increase (decrease) in net assets	(53,566,106)	1,010,095,215
Net assets at beginning of period	1,075,444,004	65,348,789
Net assets at end of period	**$1,021,877,898**	**$1,075,444,004**
Undistributed net investment income	$63,594,753	$37,082,882

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	3,188,777	28,910,280	5,867,775	50,493,729
Fund merger	—	—	116,606,245	995,714,495
Distributions reinvested	—	—	326,585	2,779,236
Redemptions	(15,355,935)	(139,527,108)	(7,455,447)	(63,894,044)
Net increase (decrease)	(12,167,158)	(110,616,828)	115,345,158	985,093,416
Class 2 shares				
Subscriptions	670,492	6,045,793	611,156	5,234,018
Fund merger	—	—	369,809	3,147,028
Distributions reinvested	—	—	228,867	1,940,793
Redemptions	(470,063)	(4,225,843)	(814,148)	(7,046,680)
Net increase	200,429	1,819,950	395,684	3,275,159
Total net increase (decrease)	**(11,966,729)**	**(108,796,878)**	**115,740,842**	**988,368,575**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts of the Fund are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions, if any. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

Class 1	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$8.73	$8.83	$8.60	$8.01	$9.47	$9.70
Income from investment operations:						
Net investment income	0.22	0.45	0.47	0.51	0.53	0.55
Net realized and unrealized gain (loss)	0.24	0.13[a]	0.40	1.04	(1.21)	0.01
Total from investment operations	0.46	0.58	0.87	1.55	(0.68)	0.56
Less distributions to shareholders:						
Net investment income	—	(0.68)	(0.64)	(0.96)	(0.78)	(0.79)
Total distributions to shareholders	—	(0.68)	(0.64)	(0.96)	(0.78)	(0.79)
Net asset value, end of period	$9.19	$8.73	$8.83	$8.60	$8.01	$9.47
Total return	5.27%	6.80%	10.43%	20.40%	(7.81%)	6.07%
Ratios to average net assets[b]						
Expenses prior to fees waived or expenses reimbursed	0.67%[c]	0.68%	0.98%	0.90%	0.84%	0.82%
Net expenses after fees waived or expenses reimbursed[d]	0.61%[c]	0.58%[e]	0.65%[e]	0.65%[e]	0.84%[e]	0.82%[e]
Net investment income	4.87%[c]	5.22%[e]	5.34%[e]	6.11%[e]	5.89%[e]	5.69%[e]
Supplemental data						
Net assets, end of period (in thousands)	$987,597	$1,044,575	$37,602	$39,774	$37,407	$54,416
Portfolio turnover	56%[f]	95%[f]	78%	50%[g]	28%[g]	44%[g]

Notes to Financial Highlights

(a) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain (loss) on investments due to the timing of purchases and redemptions of Fund shares in relation to fluctuating market values of the investments of the Fund.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

(f) Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 43% for the six months ended June 30, 2012 and 82% for the year ended December 31, 2011.

(g) Excludes mortgage dollar rolls.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$8.69	$8.79	$8.56	$7.98	$9.43	$9.67
Income from investment operations:						
Net investment income	0.21	0.43	0.44	0.49	0.51	0.53
Net realized and unrealized gain (loss)	0.23	0.13(a)	0.41	1.03	(1.19)	—
Total from investment operations	0.44	0.56	0.85	1.52	(0.68)	0.53
Less distributions to shareholders:						
Net investment income	—	(0.66)	(0.62)	(0.94)	(0.77)	(0.77)
Total distributions to shareholders	—	(0.66)	(0.62)	(0.94)	(0.77)	(0.77)
Net asset value, end of period	$9.13	$8.69	$8.79	$8.56	$7.98	$9.43
Total return	5.06%	6.56%	10.21%	20.14%	(7.92%)	5.75%
Ratios to average net assets(b)						
Expenses prior to fees waived or expenses reimbursed	0.93%(c)	1.08%	1.23%	1.15%	1.09%	1.07%
Net expenses after fees waived or expenses reimbursed(d)	0.87%(c)	0.91%(e)	0.90%(e)	0.90%(e)	1.00%(e)	1.00%(e)
Net investment income	4.62%(c)	5.01%(e)	5.09%(e)	5.87%(e)	5.73%(e)	5.50%(e)
Supplemental data						
Net assets, end of period (in thousands)	$34,281	$30,869	$27,747	$30,755	$33,737	$52,012
Portfolio turnover	56%(f)	95%(f)	78%	50%(g)	28%(g)	44%(g)

Notes to Financial Highlights

(a) The amount shown for a share outstanding does not correspond with the aggregate net realized and unrealized gain (loss) on investments due to the timing of purchases and redemptions of Fund shares in relation to fluctuating market values of the investments of the Fund.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

(f) Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 43% for the six months ended June 30, 2012 and 82% for the year ended December 31, 2011.

(g) Excludes mortgage dollar rolls.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements
June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio — Strategic Income Fund (the Fund), a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Asset and mortgage-backed securities are generally valued by pricing services, which utilize pricing models that incorporate the securities' cash flow and loan performance data. These models also take into account available market data, including trades, market quotations, and benchmark yield curves for identical or similar securities. Factors used to identify similar securities may include, but are not limited to, issuer, collateral type, vintage, prepayment speeds, collateral performance, credit ratings, credit enhancement and expected life. Asset-backed securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange or market, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Forward foreign currency exchange contracts are marked-to-market based upon foreign currency exchange rates provided by a pricing service.

Futures and options on futures contracts are valued based upon the settlement price established each day by the board of trade or exchange on which they are traded.

Option contracts are valued at the mean of the latest quoted bid and asked prices on their primary exchanges. Option contracts, including over-the-counter (OTC) option contracts, with no readily available market value are valued using quotations obtained from independent brokers as of the close of the NYSE.

Swap transactions are valued through an independent pricing service or broker, or if neither is available, through an internal model based upon observable inputs.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Derivative Instruments

The Fund invests in certain derivative instruments, as detailed below, to meet its investment objectives. Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. Derivatives may involve various risks, including the potential inability of the counterparty to fulfill its obligation under the terms of the contract, the potential for an illiquid secondary market and the potential for market movements which may expose the Fund to gains or losses in excess of the amount shown in the Statement of Assets and Liabilities.

The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to monitor (on a daily basis) the net fair value of all derivatives entered into pursuant to the agreement between the Fund and such counterparty. If the net fair value of such derivatives between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty (as the case may be) is required to post cash and/or securities as collateral. Fair values of derivatives presented in the financial statements are not netted with the fair value of other derivatives or with any collateral amounts posted by the Fund or any counterparty.

Forward Foreign Currency Exchange Contracts

Forward foreign currency exchange contracts are agreements between two parties to buy and sell a currency at a set price on a future date. These contracts are intended to be used to minimize the exposure to foreign exchange rate fluctuations during the period between the trade and settlement dates of the contract. The Fund utilized forward foreign currency exchange contracts to hedge the currency exposure associated with some or all of the Fund's securities, to shift foreign currency exposure back to U.S. dollars and to shift investment exposure from one currency to another.

The values of forward foreign currency exchange contracts fluctuate with changes in foreign currency exchange rates. The

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Fund will record a realized gain or loss when the forward foreign currency exchange contract is closed.

The use of forward foreign currency exchange contracts does not eliminate fluctuations in the prices of the Fund's portfolio securities. The risks of forward foreign currency exchange contracts include movement in the values of the foreign currencies relative to the U.S. dollar (or other foreign currencies) and the possibility that counterparties will not complete their contractual obligations, which may be in excess of the amount reflected, if any, in the Statement of Assets and Liabilities.

Futures Contracts

Futures contracts represent commitments for the future purchase or sale of an asset at a specified price on a specified date. The Fund bought and sold futures contracts to manage the duration and yield curve exposure of the Fund versus the benchmark. Upon entering into futures contracts, the Fund bears risks which may include interest rates, exchange rates or securities prices moving unexpectedly, in which case, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. Additional risks include counterparty credit risk, the possibility of an illiquid market, and that a change in the value of the contract or option may not correlate with changes in the value of the underlying asset.

Upon entering into a futures contract, the Fund pledges cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily change in the contract value and are recorded as variation margin receivable or payable and are offset in unrealized gains or losses. The Fund recognizes a realized gain or loss when the contract is closed or expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Assets and Liabilities.

Options

Options are contracts which entitle the holder to purchase or sell securities or other identified assets at a specified price, or in the case of index option contracts, to receive or pay the difference between the index value and the strike price of the index option contract. The Fund purchased and wrote option contracts to manage the duration and yield curve exposure of the Fund versus the benchmark. Completion of transactions for option contracts traded in the OTC market depends upon the performance of the other party. Cash collateral may be collected or posted by the Fund to secure certain OTC option contract trades. Cash collateral held or posted by the Fund for such option contract trades must be returned to the counterparty or the Fund upon closure, exercise or expiration of the contract.

Option contracts purchased are recorded as investments and options contracts written are recorded as liabilities of the Fund. The Fund will realize a gain or loss when the option contract expires. When option contracts are exercised, the proceeds on sales for a written call or purchased put option contract, or the purchase cost for a written put or purchased call option contract, is adjusted by the amount of premium received or paid.

The risk in buying an option contract is that the Fund pays a premium whether or not the option contract is exercised. The Fund also has the additional risk of being unable to enter into a closing transaction if a liquid secondary market does not exist. The risk in writing a call option contract is that the Fund gives up the opportunity for profit if the market price of the security increases. The risk in writing a put option contract is that the Fund may incur a loss if the market price of the security decreases and the option contract is exercised. The Fund's maximum payout in the case of written put option contracts represents the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under the contract. For OTC options contracts, the transaction is also subject to counterparty credit risk. The maximum payout amount may be offset by the subsequent sale, if any, of assets obtained upon the exercise of the put option contracts by holders of the option contracts or proceeds received upon entering into the contracts.

Contracts and premiums associated with options contracts written for the six months ended June 30, 2012 are as follows:

	Calls	
	Contracts	Premiums ($)
Balance at December 31, 2011	—	—
Opened	380	126,591
Expired	(380)	(126,591)
Balance at June 30, 2012	—	—

Credit Default Swap Contracts

Credit default swap contracts are agreements in which one party pays fixed periodic payments to a counterparty in consideration for a guarantee from the counterparty to make a specific payment should a specified negative credit event(s) take place. The Fund entered into credit default swap contracts to increase or decrease its credit exposure to a single issuer of debt securities.

As the purchaser of a credit default swap contract, the Fund purchases protection by paying a periodic interest rate on the

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

notional amount to the counterparty. The interest amount is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized loss upon payment. If a credit event as specified in the contract occurs, the Fund may have the option either to deliver the reference obligation to the seller in exchange for a cash payment of its par amount, or to receive a net cash settlement equal to the par amount less an agreed-upon value of the reference obligation as of the date of the credit event. The difference between the value of the obligation or cash delivered and the notional amount received will be recorded as a realized gain (loss).

As the seller of a credit default swap contract, the Fund sells protection to a buyer and will generally receive a periodic interest rate on the notional amount. The interest amount is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized gain upon receipt of the payment. If a credit event as specified in the contract occurs, the Fund may either be required to accept the reference obligation from the buyer in exchange for a cash payment of its notional amount, or to pay the buyer a net cash settlement equal to the notional amount less an agreed-upon value of the reference obligation as of the date of the credit event. The difference between the value of the obligation or cash received and the notional amount paid will be recorded as a realized gain (loss). The maximum potential amount of undiscounted future payments the Fund could be required to make as the seller of protection under a credit default swap contract is equal to the notional amount of the reference obligation. Notional amounts of all credit default swap contracts outstanding for which the Fund is the seller of protection, if any, are disclosed in the Credit Default Swap Contracts Outstanding schedule following the Portfolio of Investments. These potential amounts may be partially offset by any recovery values of the respective reference obligations or premiums received upon entering into the agreement.

As a protection seller, the Fund bears the risk of loss from the credit events specified in the contract. Although specified events are contract specific, credit events are generally defined as bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium. For credit default swap contracts on credit indices, quoted market prices and resulting market values serve as an indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the reference entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the contract. Market values for credit default swap contracts in which the Fund is the seller of protection, if any, are disclosed in the Credit Default Swap Contracts Outstanding schedule following the Portfolio of Investments.

The notional amounts and market values of credit default swap contracts are not recorded in the financial statements. Any premium paid or received by the Fund upon entering into a credit default swap contract is recorded as an asset or liability, respectively, and amortized daily as a component of realized gain (loss) in the Statement of Operations. Credit default swap contracts are valued daily, and the change in value is recorded as unrealized appreciation (depreciation) until the termination of the swap, at which time a realized gain (loss) is recorded.

Credit default swap contracts can involve greater risks than if a fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to counterparty credit risk, leverage risk, hedging risk, correlation risk and liquidity risk. The Fund will enter into credit default swap transactions only with counterparties that meet certain standards of creditworthiness.

Effects of Derivative Transactions in the Financial Statements

The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund, including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

The following table is a summary of the fair value of derivative instruments at June 30, 2012:

	Asset Derivatives	
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange contracts	Unrealized appreciation on forward foreign currency exchange contracts	565,949
Interest rate contracts	Net assets — unrealized appreciation on futures contracts	88,520*
Total		654,469

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Liability Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Credit contracts	Unrealized depreciation on swap contracts	6,298
Foreign exchange contracts	Unrealized depreciation on forward foreign currency exchange contracts	417,001
Interest rate contracts	Net assets — unrealized depreciation on futures contracts	480,170*
Total		903,469

*Includes cumulative appreciation (depreciation) of futures contracts as reported in the Futures Contracts Outstanding table following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

The effect of derivative instruments in the Statement of Operations for the six months ended June 30, 2012:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income					
Risk Exposure Category	**Forward Foreign Currency Exchange Contracts ($)**	**Futures Contracts ($)**	**Options Contracts Written and Purchased ($)**	**Swap Contracts ($)**	**Total ($)**
Credit contracts	—	—	—	(2,973)	(2,973)
Foreign exchange contracts	782,435	—	—	—	782,435
Interest rate contracts	—	(2,708,308)	24,706	—	(2,683,602)
Total	782,435	(2,708,308)	24,706	(2,973)	(1,904,140)

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income					
Risk Exposure Category	**Forward Foreign Currency Exchange Contracts ($)**	**Futures Contracts ($)**	**Options Contracts Written and Purchased ($)**	**Swap Contracts ($)**	**Total ($)**
Credit contracts	—	—	—	(1,574)	(1,574)
Foreign exchange contracts	47,159	—	—	—	47,159
Interest rate contracts	—	(33,687)	(165,109)	—	(198,796)
Total	47,159	(33,687)	(165,109)	(1,574)	(153,211)

The following table is a summary of the volume of derivative instruments for the six months ended June 30, 2012:

Derivative Instrument	Contracts Opened
Forward Foreign Currency Exchange Contracts	129
Futures Contracts	3,866
Options Contracts	2,635

Derivative Instrument	Aggregate Notional Opened ($)
Credit Default Swap Contracts — Buy Protection	—

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Delayed Delivery Securities

The Fund may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-issued" basis. This may increase the risk if the other party to the transaction fails to deliver and causes the Fund to subsequently invest at less advantageous prices. The Fund designates cash or liquid securities in an amount equal to the delayed delivery commitment.

Mortgage Dollar Roll Transactions

The Fund may enter into mortgage "dollar rolls" in which the Fund sells securities for delivery in the current month and simultaneously contracts with the same counterparty to repurchase similar (same type, coupon and maturity) but not identical securities on a specified future date not exceeding 120 days. During the roll period, the Fund loses the right to receive principal and interest paid on the securities sold. However, the Fund will benefit because it receives negotiated amounts in the form of reductions of the purchase price for the future purchase plus the interest earned on the cash proceeds of the securities sold until the settlement date of the forward purchase. The Fund records the incremental difference between the forward purchase and sale of each forward roll as a realized gain or loss. Unless any realized gains exceed the income, capital appreciation, and gain or loss due to mortgage prepayments that would have been realized on the securities sold as part of the mortgage dollar roll, the use of this technique will diminish the investment performance of the Fund compared to what the performance would have been without the use of mortgage dollar rolls. All cash proceeds will be invested in instruments that are permissible investments for the Fund. The Fund identifies within its Portfolio of Investments cash or liquid securities in an amount equal to the forward purchase price.

For financial reporting and tax purposes, the Fund treats "to be announced" mortgage dollar rolls as two separate transactions, one involving the purchase of a security and a separate transaction involving a sale. This treatment may exaggerate the Fund's portfolio turnover rate. The Fund does not currently enter into mortgage dollar rolls that are accounted for as financing transactions.

Mortgage dollar rolls involve certain risks. If the broker-dealer to whom the Fund sells the securities becomes insolvent, the Fund's right to purchase or repurchase the mortgage-related securities may be restricted and the instruments which the Fund is required to repurchase may be worth less than instruments which the Fund originally held. Successful use of mortgage dollar rolls may depend upon the Investment Manager's ability to predict interest rates and mortgage prepayments. For these reasons, there is no assurance that mortgage dollar rolls can be successfully employed.

Treasury Inflation Protected Securities

The Fund may invest in treasury inflation protected securities (TIPS). The principal amount of TIPS is adjusted periodically and is increased for inflation or decreased for deflation based on a monthly published index. Interest payments are based on the adjusted principal at the time the interest is paid. These adjustments are recorded as interest income in the Statement of Operations.

Loan Participations and Commitments

The Fund may invest in loan participations. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participation (Selling Participant), but not the borrower. However, the Fund assumes the credit risk of the borrower, Selling Participant and any other persons interpositioned between the Fund and the borrower. The Fund may not directly benefit from the collateral supporting the senior loan which it has purchased from the Selling Participant.

Stripped Securities

The Fund may invest in Interest Only (IO) and Principal Only (PO) stripped mortgage-backed securities. These securities are derivative multi-class mortgage securities structured so that one class receives most, if not all, of the principal from the underlying mortgage assets, while the other class receives most, if not all, of the interest and the remainder of the principal. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment in an IO security, therefore the daily interest accrual factor is adjusted each month to reflect the paydown of principal. The market value of these securities can be extremely volatile in response to changes in interest rates. Credit risk reflects the risk that the Fund may not receive all or part of its principal because the issuer or credit enhancer has defaulted on its obligation.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Interest income is recorded on an accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any.

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

The value of additional securities received as an income payment is recorded as income and increases the cost basis of such securities.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Foreign Taxes

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement (IMSA), Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.530% to 0.353% as the Fund's net assets increase. The annualized effective management fee rate for the six months ended June 30, 2012 was 0.53% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.07% to 0.04% as the Fund's net assets increase. The annualized effective administration fee rate for the six months ended June 30, 2012 was 0.07% of the Fund's average daily net assets.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligations of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer

The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

Effective May 1, 2012, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.71%
Class 2	0.96

Prior to May 1, 2012, the Investment Manager and its affiliates contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and/or overdraft charges from the Fund's custodian, did not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.58%
Class 2	0.83

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

At June 30, 2012, the cost of investments for federal income tax purposes was approximately $1,070,728,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$54,389,000
Unrealized depreciation	(8,875,000)
Net unrealized appreciation	$45,514,000

The following capital loss carryforward, determined as of December 31, 2011 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount ($)
2016	1,918,681
2017	6,611,145
Total	8,529,826

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $591,370,766 and $655,533,977, respectively, for the six months ended June 30, 2012, of which $377,725,595 and $348,130,757, respectively, were U.S. government securities.

Note 6. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or securities that either are issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the six months ended June 30, 2012 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

At June 30, 2012, securities valued at $43,563,246 were on loan, secured by U.S. government and agency securities valued at $804,479 and by cash collateral of $43,381,318 (which does not reflect calls for collateral made to borrowers by JPMorgan at period end) that is partially or fully invested in short-term securities or other cash equivalents.

Note 7. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 8. Shareholder Concentration

At June 30, 2012, affiliated shareholder accounts owned 89.1% of the outstanding shares of the Fund. Subscription and

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 9. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Note 10. Fund Merger

At the close of business on April 29, 2011, the Fund acquired the assets and assumed the identified liabilities of RiverSource Variable Portfolio — Strategic Income Fund, a series of Columbia Funds Variable Series Trust II. The reorganization was completed after shareholders approved the plan on February 15, 2011. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $64,473,972 and the combined net assets immediately after the acquisition were $1,063,335,495.

The merger was accomplished by a tax-free exchange of 96,054,561 shares of RiverSource Variable Portfolio — Strategic Income Fund valued at $998,861,523 (including $42,951,869 of unrealized appreciation).

In exchange for RiverSource Variable Portfolio — Strategic Income Fund shares, the Fund issued the following number of shares:

	Shares
Class 1	116,606,245
Class 2	369,809

For financial reporting purposes, net assets received and shares issued by Columbia Variable Portfolio — Strategic Income Fund were recorded at fair value; however, RiverSource Variable Portfolio — Strategic Income Fund's cost of investments was carried forward.

The financial statements reflect the operations of the Fund for the period prior to the merger and the combined fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of RiverSource Variable Portfolio — Strategic Income Fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2011, the Fund's pro-forma net investment income, net gain on investments, net change in unrealized appreciation and net increase in net assets from operations for the year ended December 31, 2011 would have been approximately $54.4 million, $12.3 million, $(1.3) million and $65.4 million, respectively.

Note 11. Significant Risks

High Yield Securities Risk

Investing in high-yield fixed income securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

Foreign Securities Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities. Investing in emerging markets may accentuate these risks.

Investments in emerging market countries are subject to additional risk. The risk of foreign investments is typically increased in less developed countries. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation which could hurt their economies and securities markets.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Asset-Backed Securities Risk

The value of asset-backed securities may be affected by, among other factors, changes in interest rates, the market's assessment of the quality of underlying assets, the creditworthiness of the servicer for the underlying assets, factors concerning the interests in and structure of the issuer or the originator of the underlying assets, or the creditworthiness or rating of the entities that provide any supporting letters of credit, surety bonds, derivative instruments, or other credit enhancement. The value of asset-backed securities also will be affected by the exhaustion, termination or expiration of any credit enhancement. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility.

Mortgage-Backed Securities Risk

The value of mortgage-backed securities may be affected by, among other things, changes in interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgages, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements or the quality of underlying assets or the market's assessment thereof. Mortgage-backed securities are subject to prepayment risk, which is the possibility that the underlying mortgage may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of mortgage-backed securities may be difficult to predict and may result in greater volatility.

Note 12. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 13. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Board Consideration and Approval of Advisory Agreement

At meetings held on March 7, 2012 and June 6, 2012, respectively, the Board of Trustees (the "Board") and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the "Independent Trustees") unanimously approved the continuation of the Investment Management Services Agreement (the "Advisory Agreement") with Columbia Management Investment Advisers, LLC (the "Investment Manager") with respect to Columbia Variable Portfolio-Strategic Income Fund (the "Fund"), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the "Committee") and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve each continuation of the Advisory Agreement.

In connection with their deliberations regarding each continuation of the Advisory Agreement, the Committee and the Board requested and evaluated materials from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 6, 2012, April 25, 2012 and June 5, 2012, and at the Board meetings held on March 7, 2012 and June 6, 2012. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board's Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with Fund counsel and with the Independent Trustees' independent legal counsel, who advised on the legal standard for consideration by the Board and otherwise assisted the Board in its deliberations.

On March 6, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On March 7, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund. The Committee and the Board met in June 2012 to consider the continuation of the Advisory Agreement for the one-year period ending June 30, 2013, so as to permit the annual consideration of the Advisory Agreement to be conducted each June. On June 5, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 6, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of the Fund's benchmarks and the performance of a group of comparable mutual funds, as determined by an independent third-party data provider;
- Information on the Fund's advisory fees and total expenses, including information comparing the Fund's expenses to those of a group of comparable mutual funds, as determined by an independent third-party data provider;
- The Investment Manager's agreement to contractually limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined from time to time, generally annually, by an independent third-party data provider);
- The terms and conditions of the Advisory Agreement, including that the advisory fee rates payable by the Fund would not change;
- The terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement, noting in the case of the Transfer and Dividend Disbursing Agent Agreement certain proposed changes to the fee rates payable thereunder;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;

Board Consideration and Approval of Advisory Agreement *(continued)*

- Information regarding the management fees and investment performance of any comparable portfolios of other clients of the Investment Manager, including institutional separate accounts; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

Nature, Extent and Quality of Services to be Provided under the Advisory Agreement

The Committee and the Board considered the nature, extent and quality of services provided to the Fund by the Investment Manager and its affiliates under the Advisory Agreement and under separate agreements for the provision of transfer agency and administrative services, and the resources dedicated to the Fund and the other Columbia Funds by the Investment Manager and its affiliates. The Committee and the Board considered, among other things, the Investment Manager's ability to attract, motivate and retain highly qualified research, advisory and supervisory investment professionals (including personnel and other resources, compensation programs for personnel involved in fund management, reputation and other attributes), the portfolio management services provided by those investment professionals, the quality of the Investment Manager's investment research capabilities and trade execution services, and the other resources that the Investment Manager devotes to the Fund. The Committee and the Board also considered the potential benefits to shareholders of investing in a mutual fund that is part of a fund complex offering exposure to a variety of asset classes and investment disciplines and providing a variety of fund and shareholder services.

The Committee and the Board also considered the professional experience and qualifications of the senior personnel of the Investment Manager. The Committee and the Board noted the compliance programs of and the compliance-related resources provided to the Fund by the Investment Manager and its affiliates, and considered the Investment Manager's ability to provide administrative services to the Fund pursuant to a separate administrative services agreement, including the Investment Manager's ability to coordinate the activities of the Fund's other service providers. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the expected nature, extent and quality of the services to be provided to the Fund under the Advisory Agreement supported the continuation of such agreement.

Investment Performance

The Committee and the Board reviewed information about the performance of the Fund over various time periods, including performance information relative to benchmarks and information based on reports of an independent third-party data provider that compared the performance of the Fund to the performance of a group of comparable mutual funds. The Committee and the Board also reviewed a description of the third party's methodology for identifying the Fund's peer groups for purposes of performance and expense comparisons. In the case of each Fund whose performance lagged that of a relevant peer group for certain (although not necessarily all) periods, the Committee and the Board concluded that other factors relevant to performance were sufficient, in light of other considerations, to warrant continuation of the Fund's Advisory Agreement. Those factors varied from fund to fund, but included one or more of the following: (i) that the Fund's performance, although lagging in certain recent periods, was stronger over the longer term; (ii) that the underperformance was attributable, to a significant extent, to investment decisions that were reasonable and consistent with the Fund's investment strategy and policies and that the Fund was performing within a reasonable range of expectations, given those investment decisions, market conditions and the Fund's investment strategy; (iii) that the Fund's performance was competitive when compared to other relevant performance benchmarks or peer groups; and (iv) that the Investment Manager had taken or was taking steps designed to help improve the Fund's investment performance, including, but not limited to, replacing portfolio managers, enhancing the resources supporting the portfolio managers, or modifying investment strategies.

The Committee and the Board noted that, through December 31, 2011, the Fund's performance was in the thirty-sixth, sixty-third and thirty-second percentiles (where the best performance would be in the first percentile) of its category selected by an independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance and the Investment Manager's willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions regarding the Advisory Agreement, that the performance of

Board Consideration and Approval of Advisory Agreement *(continued)*

the Fund and the Investment Manager was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees to be charged to the Fund under the Advisory Agreement as well as the total expenses to be incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its expected total expense ratio as a percentage of average daily net assets. The Committee and the Board noted that the Fund's actual management fee and total net expense ratio are ranked in the first and second quintiles, respectively, against the Fund's expense universe as determined by an independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

The Committee and the Board also considered the fact that the advisory fee rates payable by the Fund to the Investment Manager under the Advisory Agreement were the same as those currently paid by the Fund to the Investment Manager.

The Committee and the Board also received and considered information about the advisory fees charged by the Investment Manager to institutional separate accounts. In considering the fees charged to those accounts, the Committee and the Board took into account, among other things, the Investment Manager's representations about the differences between managing mutual funds as compared to other types of accounts, including differences in the services provided, differences in the risk profile of such business for the Investment Manager and the additional resources required to manage mutual funds effectively. In evaluating the Fund's advisory fees, the Committee and the Board also took into account the demands, complexity and quality of the investment management of the Fund.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund supported the continuation of the Advisory Agreement.

Costs of Services to be Provided and Profitability

The Committee and the Board also took note of the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates in connection with their relationships with the Fund. In evaluating these considerations, the Committee and the Board took note of the advisory fees charged by the Investment Manager to other clients, including fees charged by the Investment Manager to any institutional separate account clients with similar investment strategies to those of the Fund.

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates of their relationships with the Fund, and information about the allocation of expenses used to calculate profitability. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of the fund, the expense ratio of the fund, and the implementation of expense limitations with respect to the fund. The Committee and the Board also considered information provided by the Investment Manager regarding its financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the profitability to the Investment Manager and its affiliates from their relationships with the Fund supported the continuation of the Advisory Agreement.

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

Board Consideration and Approval of Advisory Agreement *(continued)*

In considering these issues, the Committee and the Board also considered the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates from their relationships with the Fund, as discussed above. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the extent to which economies of scale were expected to be shared with the Fund supported the continuation of the Advisory Agreement.

Other Benefits to the Investment Manager

The Committee and the Board received and considered information regarding "fall-out" or ancillary benefits received by the Investment Manager and its affiliates as a result of their relationships with the Fund, such as the engagement of the Investment Manager to provide administrative services to the Fund and the engagement of the Investment Manager's affiliates to provide distribution and transfer agency services to the Fund. The Committee and the Board considered that the Fund's distributor retains a portion of the distribution fees from the Fund and receives a portion of the sales charges on sales or redemptions of certain classes of shares of the Fund. The Committee and the Board also considered the benefits of research made available to the Investment Manager by reason of brokerage commissions generated by the Fund's securities transactions, and reviewed information about the Investment Manager's practices with respect to allocating portfolio brokerage for brokerage and research services. The Committee and the Board considered the possible conflicts of interest associated with certain fall-out or other ancillary benefits and the reporting, disclosure and other processes that would be in place to address such possible conflicts of interest. The Committee and the Board recognized that the Investment Manager's profitability would be somewhat lower without these benefits.

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. No single item was identified as paramount or controlling, and individual Trustees may have attributed different weights to various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

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Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Strategic Income Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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C-1525 C (08/12)

Semiannual Report

June 30, 2012

ColumbiaManagement®

Columbia Variable Portfolio – Dividend Opportunity Fund

(formerly Columbia Variable Portfolio – Diversified Equity Income Fund)

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview
(Unaudited)

Performance Summary

> Columbia Variable Portfolio – Dividend Opportunity Fund (the fund) Class 3 shares returned 7.99% for the six months ended June 30, 2012.

> The fund underperformed its benchmark, the Russell 1000 Value Index, which increased 8.68% for the period.

> Effective on June 29, 2012, the name of the fund changed to Columbia Variable Portfolio – Dividend Opportunity Fund.

Average Annual Total Returns (%) (for period ended June 30, 2012)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1*	05/03/10	8.05	-2.09	-2.47	6.81
Class 2*	05/03/10	7.93	-2.32	-2.67	6.63
Class 3	09/15/99	7.99	-2.24	-2.54	6.77
Russell 1000 Value Index		8.68	3.01	-2.19	5.28

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

* The returns shown for periods prior to the share class inception date (including returns since inception if shown, which are since fund inception) include the returns of the fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

The Russell 1000 Value Index, an unmanaged index, measures the performance of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. The index reflects reinvestment of all distributions and changes in market prices.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Portfolio Overview

(Unaudited)

Portfolio Breakdown (%) (at June 30, 2012)	
Stocks	**98.5**
Consumer Discretionary	10.2
Consumer Staples	11.5
Energy	11.0
Financials	13.9
Health Care	12.1
Industrials	14.1
Information Technology	11.9
Materials	1.9
Telecommunication Services	6.6
Utilities	5.3
Convertible Bonds	**0.1**
Other[(a)]	**1.4**

Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan). The Fund's portfolio composition is subject to change.

(a) Includes investments in Money Market Funds.

Top Ten Holdings (%) (at June 30, 2012)	
Microsoft Corp.	2.9
AT&T, Inc.	2.8
Pfizer, Inc.	2.8
Lorillard, Inc.	2.7
Mastercard, Inc., Class A	2.6
ACE Ltd.	2.3
Merck & Co., Inc.	2.3
General Electric Co.	2.2
Target Corp.	2.2
XL Group PLC	2.1

Percentages indicated are based upon total investments (excluding Money Market Funds and Investments of Cash Collateral Received for Securities on Loan).

For further detail about these holdings, please refer to the section entitled "Portfolio of Investments."

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security.

Portfolio Management

Steve Schroll

Laton Spahr, CFA

Paul Stocking

Understanding Your Fund's Expenses
(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees, or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,080.50	1,021.38	3.62	3.52	0.70
Class 2	1,000.00	1,000.00	1,079.30	1,020.14	4.91	4.77	0.95
Class 3	1,000.00	1,000.00	1,079.90	1,020.79	4.24	4.12	0.82

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange-traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Common Stocks 97.2%

Issuer	Shares	Value ($)
Consumer Discretionary 10.2%		
Auto Components 1.0%		
Johnson Controls, Inc.	1,067,073	29,568,593
Automobiles 0.9%		
Ford Motor Co.	2,851,920	27,349,913
Hotels, Restaurants & Leisure 0.9%		
McDonald's Corp.	301,161	26,661,783
Media 2.7%		
Comcast Corp., Class A	554,525	17,728,164
Regal Entertainment Group, Class A[(a)]	1,059,678	14,581,170
Time Warner, Inc.[(a)]	276,526	10,646,251
Viacom, Inc., Class B	290,563	13,662,272
Walt Disney Co. (The)	445,096	21,587,156
Total		78,205,013
Multiline Retail 3.1%		
Macy's, Inc.	821,959	28,234,292
Target Corp.	1,094,702	63,700,709
Total		91,935,001
Specialty Retail 1.6%		
Home Depot, Inc. (The)	881,587	46,715,295
Total Consumer Discretionary		**300,435,598**
Consumer Staples 11.6%		
Beverages 0.6%		
PepsiCo, Inc.	257,667	18,206,750
Food & Staples Retailing 1.4%		
Wal-Mart Stores, Inc.	590,361	41,159,969
Food Products 2.0%		
DE Master Blenders 1753 NV[(b)]	487,526	5,497,147
Hershey Co. (The)	105,200	7,577,556
Hillshire Brands Co	97,505	2,826,676
Kraft Foods, Inc., Class A	703,884	27,184,000
Unilever NV — NY Shares	500,500	16,691,675
Total		59,777,054
Household Products 2.0%		
Kimberly-Clark Corp.	344,796	28,883,561
Procter & Gamble Co. (The)	465,358	28,503,178
Total		57,386,739
Tobacco 5.6%		
Altria Group, Inc.	1,165,477	40,267,230
Lorillard, Inc.	593,072	78,255,851
Philip Morris International, Inc.	527,213	46,004,606
Total		164,527,687
Total Consumer Staples		**341,058,199**

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Energy 11.0%		
Energy Equipment & Services 1.1%		
C&J Energy Services, Inc.[(a)(b)]	277,489	5,133,547
Halliburton Co.	587,455	16,677,847
McDermott International, Inc.[(b)]	540,009	6,015,700
National Oilwell Varco, Inc.	92,565	5,964,889
Total		33,791,983
Oil, Gas & Consumable Fuels 9.9%		
Anadarko Petroleum Corp.	487,252	32,256,083
Apache Corp.	329,910	28,995,790
Chevron Corp.	490,330	51,729,815
Enbridge, Inc.	742,870	29,655,370
Exxon Mobil Corp.	353,928	30,285,619
Occidental Petroleum Corp.	468,268	40,163,346
Royal Dutch Shell PLC, ADR	881,039	59,408,460
Total SA, ADR	292,092	13,129,535
Williams Companies, Inc. (The)	197,924	5,704,170
Total		291,328,188
Total Energy		**325,120,171**
Financials 12.5%		
Capital Markets 1.1%		
Goldman Sachs Group, Inc. (The)	350,247	33,574,677
Commercial Banks 1.0%		
Wells Fargo & Co.	897,801	30,022,466
Diversified Financial Services 3.8%		
Bank of America Corp.	5,417,287	44,313,408
Citigroup, Inc.	526,206	14,423,306
JPMorgan Chase & Co.	1,460,877	52,197,135
Total		110,933,849
Insurance 6.4%		
ACE Ltd.	901,061	66,795,652
Allstate Corp. (The)	617,036	21,651,793
Endurance Specialty Holdings Ltd.	172,717	6,618,515
MetLife, Inc.	513,210	15,832,528
PartnerRe Ltd.	34,498	2,610,464
Travelers Companies, Inc. (The)	231,132	14,755,467
XL Group PLC	2,875,794	60,506,706
Total		188,771,125
Real Estate Investment Trusts (REITs) 0.2%		
ProLogis, Inc.[(a)]	173,981	5,781,389
Total Financials		**369,083,506**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Health Care 12.1%		
Health Care Providers & Services 2.0%		
UnitedHealth Group, Inc.	988,099	57,803,791
Life Sciences Tools & Services 1.0%		
Agilent Technologies, Inc.	372,291	14,608,699
Thermo Fisher Scientific, Inc.	284,689	14,778,206
Total		29,386,905
Pharmaceuticals 9.1%		
AstraZeneca PLC, ADR	172,606	7,724,119
Bristol-Myers Squibb Co.	1,031,095	37,067,865
Johnson & Johnson	668,123	45,138,390
Merck & Co., Inc.	1,594,161	66,556,222
Novartis AG, ADR	568,367	31,771,715
Pfizer, Inc.	3,546,006	81,558,138
Total		269,816,449
Total Health Care		**357,007,145**
Industrials 14.1%		
Aerospace & Defense 2.6%		
Boeing Co. (The)	503,631	37,419,783
Honeywell International, Inc.	278,322	15,541,500
Lockheed Martin Corp.[a]	280,470	24,423,328
Total		77,384,611
Air Freight & Logistics 0.6%		
United Parcel Service, Inc., Class B	211,226	16,636,160
Airlines 0.8%		
Delta Air Lines, Inc.[b]	758,631	8,307,010
United Continental Holdings, Inc.[a][b]	597,201	14,529,900
Total		22,836,910
Electrical Equipment 2.6%		
ABB Ltd., ADR[b]	609,155	9,941,410
Cooper Industries PLC	725,588	49,470,590
Hubbell, Inc., Class B	212,360	16,551,338
Total		75,963,338
Industrial Conglomerates 3.2%		
General Electric Co.	3,060,100	63,772,484
Tyco International Ltd.	567,519	29,993,379
Total		93,765,863
Machinery 3.5%		
Caterpillar, Inc.	402,870	34,207,692
Deere & Co.	54,161	4,380,000
Eaton Corp.	459,473	18,208,915
Illinois Tool Works, Inc.	472,114	24,970,109
Parker Hannifin Corp.	298,707	22,964,594
Total		104,731,310

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Road & Rail 0.8%		
Union Pacific Corp.	204,640	24,415,599
Total Industrials		**415,733,791**
Information Technology 11.9%		
Communications Equipment 1.2%		
Cisco Systems, Inc.	2,123,036	36,452,528
Computers & Peripherals 1.0%		
Apple, Inc.[b]	51,000	29,784,000
Electronic Equipment, Instruments & Components 0.5%		
TE Connectivity Ltd.	450,880	14,387,581
IT Services 3.5%		
Accenture PLC, Class A	329,955	19,826,996
International Business Machines Corp.	43,797	8,565,817
Mastercard, Inc., Class A	175,895	75,654,199
Total		104,047,012
Semiconductors & Semiconductor Equipment 2.2%		
Intel Corp.[a]	1,645,204	43,844,686
Microchip Technology, Inc.	631,958	20,905,171
Total		64,749,857
Software 3.5%		
Microsoft Corp.	2,792,747	85,430,131
Oracle Corp.	599,313	17,799,596
Total		103,229,727
Total Information Technology		**352,650,705**
Materials 1.9%		
Chemicals 1.7%		
Air Products & Chemicals, Inc.	188,478	15,215,829
Dow Chemical Co. (The)	46,876	1,476,594
EI du Pont de Nemours & Co.	475,680	24,055,138
Mosaic Co. (The)	149,852	8,205,895
Total		48,953,456
Metals & Mining 0.2%		
Freeport-McMoRan Copper & Gold, Inc.	208,817	7,114,395
Total Materials		**56,067,851**
Telecommunication Services 6.6%		
Diversified Telecommunication Services 5.9%		
AT&T, Inc.	2,309,065	82,341,258
CenturyLink, Inc.	862,390	34,055,781
Deutsche Telekom AG, ADR	1,198,563	13,124,265
Verizon Communications, Inc.	688,915	30,615,382
Windstream Corp.[a]	1,407,945	13,600,749
Total		173,737,435

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Wireless Telecommunication Services 0.7%		
Vodafone Group PLC, ADR	729,201	20,548,884
Total Telecommunication Services		**194,286,319**
Utilities 5.3%		
Electric Utilities 2.9%		
American Electric Power Co., Inc.	426,040	16,998,996
Duke Energy	534,300	12,320,958
Entergy Corp.	201,941	13,709,774
FirstEnergy Corp.	350,515	17,241,833
NextEra Energy, Inc.	228,630	15,732,030
PPL Corp.	345,102	9,597,287
Total		85,600,878
Multi-Utilities 2.4%		
Dominion Resources, Inc.	467,402	25,239,708
PG&E Corp.	522,994	23,675,939
Sempra Energy	333,197	22,950,609
Total		71,866,256
Total Utilities		**157,467,134**
Total Common Stocks (Cost: $2,419,355,612)		**2,868,910,419**

Preferred Stocks 1.4%

Issuer	Shares	Value ($)
Financials 1.4%		
Capital Markets 1.4%		
Goldman Sachs Group, Inc. (The)[c]	1,209,616	40,899,814
Total Financials		**40,899,814**
Total Preferred Stocks (Cost: $42,300,271)		**40,899,814**

Convertible Bonds 0.2%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Building Materials 0.2%			
Cemex SAB de CV Subordinated Notes 03/15/18	3.750%	5,139,000	4,297,489
Total Convertible Bonds (Cost: $5,139,000)			**4,297,489**

Money Market Funds 1.4%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.152%[d][e]	42,064,089	42,064,089
Total Money Market Funds (Cost: $42,064,089)		**42,064,089**

Investments of Cash Collateral Received for Securities on Loan 3.0%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Commercial Paper 0.2%			
Rabobank 07/02/12	0.290%	5,496,323	5,496,323
Repurchase Agreements 2.8%			
JPMorgan Securities LLC dated 06/29/12, matures 07/02/12, repurchase price $15,000,250[f]	0.200%	15,000,000	15,000,000
Mizuho Securities USA, Inc. dated 06/29/12, matures 07/02/12, repurchase price $25,000,417[f]	0.200%	25,000,000	25,000,000
Natixis Financial Products, Inc. dated 6/29/12, matures 07/02/12, repurchase price $25,000,626[f]	0.300%	25,000,000	25,000,000
Nomura Securities dated 6/29/12, matures 07/02/12, repurchase price $5,000,100[f]	0.240%	10,000,000	10,000,000
Societe Generale dated 6/29/12, matures 07/02/12, repurchase price $6,803,499[f]	0.190%	6,803,391	6,803,391
Total			81,803,391
Total Investments of Cash Collateral Received for Securities on Loan (Cost: $87,299,714)			**87,299,714**
Total Investments (Cost: $2,596,158,686)			**3,043,471,525**
Other Assets & Liabilities, Net			**(92,949,183)**
Net Assets			**2,950,522,342**

Notes to Portfolio of Investments

(a) At June 30, 2012, security was partially or fully on loan.

(b) Non-income producing.

(c) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2012, the value of these securities amounted to $40,899,814 or 1.39% of net assets.

(d) The rate shown is the seven-day current annualized yield at June 30, 2012.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments *(continued)*

(e) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the period ended June 30, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Sales Cost/ Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	79,103,189	328,141,107	(365,180,207)	—	42,064,089	54,842	42,064,089

(f) The table below represents securities received as collateral for repurchase agreements. This collateral is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the proper level of collateral.

Security Description	Value ($)
JPMorgan Securities LLC (0.200%)	
United States Treasury Note/Bond	15,300,111
Total Market Value of Collateral Securities	15,300,111

Security Description	Value ($)
Mizuho Securities USA, Inc. (0.200%)	
United States Treasury Inflation Indexed Bonds	621,462
United States Treasury Note/Bond	24,878,539
Total Market Value of Collateral Securities	25,500,001

Security Description	Value ($)
Natixis Financial Products, Inc. (0.300%)	
Fannie Mae Pool	8,187,440
Fannie Mae REMICS	7,921,150
Freddie Mac REMICS	3,647,307
Government National Mortgage Association	1,758,341
United States Treasury Note/Bond	3,986,400
Total Market Value of Collateral Securities	25,500,638

Security Description	Value ($)
Nomura Securities (0.240%)	
Fannie Mae Pool	6,925,670
Freddie Mac Gold Pool	3,274,330
Total Market Value of Collateral Securities	10,200,000

Security Description	Value ($)
Societe Generale (0.190%)	
Fannie Mae Pool	4,240,875
Freddie Mac Gold Pool	2,698,584
Total Market Value of Collateral Securities	6,939,459

Abbreviation Legend

ADR	American Depositary Receipt
REMIC(S)	Real Estate Mortgage Investment Conduit(s)

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

> Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.

> Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

> Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Foreign equity securities actively traded in markets where there is a significant delay in the local close relative to the New York Stock Exchange (NYSE) are classified as Level 2. The values of these securities may include an adjustment to reflect the impact of significant market movements following the close of local trading, as described in Note 2 to the financial statements — Security Valuation.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third- party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include:
(i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Consumer Discretionary	300,435,598	—	—	300,435,598
Consumer Staples	335,561,052	5,497,147	—	341,058,199
Energy	325,120,171	—	—	325,120,171
Financials	369,083,506	—	—	369,083,506
Health Care	357,007,145	—	—	357,007,145
Industrials	415,733,791	—	—	415,733,791
Information Technology	352,650,705	—	—	352,650,705
Materials	56,067,851	—	—	56,067,851
Telecommunication Services	194,286,319	—	—	194,286,319
Utilities	157,467,134	—	—	157,467,134
Preferred Stocks				
Financials	—	40,899,814	—	40,899,814
Total Equity Securities	2,863,413,272	46,396,961	—	2,909,810,233
Bonds				
Convertible Bonds	—	4,297,489	—	4,297,489
Total Bonds	—	4,297,489	—	4,297,489
Other				
Money Market Funds	42,064,089	—	—	42,064,089
Investments of Cash Collateral Received for Securities on Loan	—	87,299,714	—	87,299,714
Total Other	42,064,089	87,299,714	—	129,363,803
Total	2,905,477,361	137,994,164	—	3,043,471,525

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets. These assets include certain foreign securities for which a third party statistical pricing service may be employed for purposes of fair market valuation. The models utilized by the third party statistical pricing service take into account a security's correlation to available market data including, but not limited to, intraday index, ADR, and ETF movements.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities

June 30, 2012 (Unaudited)

Assets	
Investments, at value*	
Unaffiliated issuers (identified cost $2,466,794,883)	$2,914,107,722
Affiliated issuers (identified cost $42,064,089)	42,064,089
Investment of cash collateral received for securities on loan	
Short-term securities (identified cost $5,496,323)	5,496,323
Repurchase agreements (identified cost $81,803,391)	81,803,391
Total investments (identified cost $2,596,158,686)	3,043,471,525
Receivable for:	
Capital shares sold	116,308
Dividends	6,234,619
Interest	97,845
Reclaims	181,504
Trustees' deferred compensation plan	37,023
Total assets	3,050,138,824
Liabilities	
Due upon return of securities on loan	87,299,714
Payable for:	
Capital shares purchased	10,128,970
Investment management fees	1,304,800
Distribution fees	118,188
Transfer agent fees	137,522
Administration fees	120,545
Compensation of board members	154,812
Other expenses	314,908
Trustees' deferred compensation plan	37,023
Total liabilities	99,616,482
Net assets applicable to outstanding capital stock	**$2,950,522,342**
Represented by	
Partners' capital	$2,950,522,342
Total — representing net assets applicable to outstanding capital stock	**$2,950,522,342**
*Value of securities on loan	$87,369,060

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities *(continued)*

June 30, 2012 (Unaudited)

Class 1	
Net assets	$1,748,372,113
Shares outstanding	128,967,566
Net asset value per share	$13.56
Class 2	
Net assets	$16,485,582
Shares outstanding	1,223,631
Net asset value per share	$13.47
Class 3	
Net assets	$1,185,664,647
Shares outstanding	87,747,807
Net asset value per share	$13.51

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations

Six months ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Dividends	$44,052,707
Interest	95,821
Dividends from affiliates	54,842
Income from securities lending — net	1,030,320
Foreign taxes withheld	(768,506)
Total income	44,465,184
Expenses:	
Investment management fees	8,686,945
Distribution fees	
Class 2	20,651
Class 3	770,928
Transfer agent fees	
Class 1	546,208
Class 2	4,956
Class 3	370,036
Administration fees	799,336
Compensation of board members	20,698
Custodian fees	11,866
Printing and postage fees	140,812
Professional fees	4,326
Other	107,021
Total expenses	11,483,783
Net investment income	32,981,401
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	98,328,018
Foreign currency translations	(3,670)
Net realized gain	98,324,348
Net change in unrealized appreciation (depreciation) on:	
Investments	104,753,229
Net change in unrealized appreciation	104,753,229
Net realized and unrealized gain	203,077,577
Net increase in net assets resulting from operations	**$236,058,978**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$32,981,401	$51,213,002
Net realized gain	98,324,348	204,439,145
Net change in unrealized appreciation (depreciation)	104,753,229	(412,526,615)
Net increase (decrease) in net assets resulting from operations	236,058,978	(156,874,468)
Increase (decrease) in net assets from share transactions	(260,796,571)	3,168,911
Total decrease in net assets	(24,737,593)	(153,705,557)
Net assets at beginning of period	2,975,259,935	3,128,965,492
Net assets at end of period	$2,950,522,342	$2,975,259,935

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	1,122,781	15,078,451	17,256,979	220,285,452
Fund merger	—	—	6,125,550	88,211,428
Redemptions	(10,639,137)	(142,209,883)	(2,823,265)	(37,086,803)
Net increase (decrease)	(9,516,356)	(127,131,432)	20,559,264	271,410,077
Class 2 shares				
Subscriptions	102,623	1,371,003	308,167	4,015,852
Fund merger	—	—	1,032,751	14,804,552
Redemptions	(132,777)	(1,780,811)	(177,675)	(2,294,173)
Net increase (decrease)	(30,154)	(409,808)	1,163,243	16,526,231
Class 3 Shares				
Subscriptions	2,781	36,974	181,510	2,239,870
Redemptions	(9,919,406)	(133,292,305)	(21,961,167)	(287,007,267)
Net decrease	(9,916,625)	(133,255,331)	(21,779,657)	(284,767,397)
Total net decrease	**(19,463,135)**	**(260,796,571)**	**(57,150)**	**3,168,911**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. For the periods ended 2009 and after, per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

Class 1	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010[(a)]
Per share data			
Net asset value, beginning of period	$12.55	$13.19	$12.05
Income from investment operations:			
Net investment income	0.15	0.23	0.13
Net realized and unrealized gain (loss)	0.86	(0.87)	1.01
Total from investment operations	1.01	(0.64)	1.14
Net asset value, end of period	$13.56	$12.55	$13.19
Total return	8.05%	(4.85%)	9.46%
Ratios to average net assets[(b)]			
Expenses prior to fees waived or expenses reimbursed	0.70%[(c)]	0.74%	0.78%[(c)]
Net expenses after fees waived or expenses reimbursed[(d)]	0.70%[(c)]	0.74%	0.78%[(c)]
Net investment income	2.20%[(c)]	1.74%	1.68%[(c)]
Supplemental data			
Net assets, end of period (in thousands)	$1,748,372	$1,737,503	$1,554,975
Portfolio turnover	18%	41%	26%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	Year Ended December 31, 2010[(a)]
Per share data			
Net asset value, beginning of period	$12.48	$13.15	$12.05
Income from investment operations:			
Net investment income	0.13	0.22	0.11
Net realized and unrealized gain (loss)	0.86	(0.89)	0.99
Total from investment operations	0.99	(0.67)	1.10
Net asset value, end of period	$13.47	$12.48	$13.15
Total return	7.93%	(5.09%)	9.13%
Ratios to average net assets[(b)]			
Expenses prior to fees waived or expenses reimbursed	0.95%[(c)]	0.97%	1.03%[(c)]
Net expenses after fees waived or expenses reimbursed[(d)]	0.95%[(c)]	0.97%	1.03%[(c)]
Net investment income	1.97%[(c)]	1.71%	1.37%[(c)]
Supplemental data			
Net assets, end of period (in thousands)	$16,486	$15,653	$1,191
Portfolio turnover	18%	41%	26%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 3	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$12.51	$13.17	$11.27	$8.84	$16.24	$15.48
Income from investment operations:						
Net investment income (loss)	0.14	0.20	0.17	0.20	0.23	0.24
Net realized and unrealized gain (loss)	0.86	(0.86)	1.73	2.23	(6.35)	0.98
Total from investment operations	1.00	(0.66)	1.90	2.43	(6.12)	1.22
Net investment income	—	—	—	—	(0.01)	(0.25)
Net realized gains	—	—	—	—	(1.27)	(0.21)
Total distributions to shareholders	—	—	—	—	(1.28)	(0.46)
Net asset value, end of period	$13.51	$12.51	$13.17	$11.27	$8.84	$16.24
Total return	7.99%	(5.01%)	16.83%	27.46%	(40.47%)	8.02%
Ratios to average net assets[(a)]						
Expenses prior to fees waived or expenses reimbursed	0.82%[(b)]	0.86%	0.90%	0.76%	0.86%	0.86%
Net expenses after fees waived or expenses reimbursed[(c)]	0.82%[(b)]	0.86%	0.90%	0.76%	0.86%	0.86%
Net investment income	2.07%[(b)]	1.57%	1.42%	2.14%	2.03%	1.47%
Supplemental data						
Net assets, end of period (in thousands)	$1,185,665	$1,222,104	$1,572,800	$3,857,317	$2,765,112	$4,078,779
Portfolio turnover	18%	41%	26%	49%	41%	29%

Notes to Financial Highlights

(a) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(b) Annualized.

(c) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements
June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio – Dividend Opportunity Fund (the Fund), formerly known as Columbia Variable Portfolio – Diversified Equity Income Fund, a series of Columbia Funds Variable Series Trust II (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1, Class 2 and Class 3 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange or market, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Awards from class action litigation are recorded as a reduction of cost basis if the Fund still owns the applicable securities on the payment date. If the Fund no longer owns the applicable securities, the proceeds are recorded as realized gains. Interest income is recorded on an accrual basis.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund is treated as a partnership for federal income tax purposes, and the Fund does not expect to make regular distributions. The Fund will not be subject to federal income tax, and therefore, there is no provision for federal income taxes. The partners of the Fund are subject to tax on their distributive share of the Fund's income and loss. The components of the Fund's net assets are reported at the partner-level for federal income tax purposes, and therefore, are not presented in the Statement of Assets and Liabilities.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Foreign Taxes

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.66% to 0.49% as the Fund's net assets increase. The annualized effective management fee rate for the six months ended June 30, 2012 was 0.57% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.06% to 0.03% as the Fund's net assets increase. The annualized effective administration fee rate for the six months ended June 30, 2012 was 0.05% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, certain expenses of the Fund or the Board, including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board. For the six months ended June 30, 2012, other expenses paid to this company were $6,779.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund, as defined under the 1940 Act, may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Transfer Agency Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Under a Plan and Agreement of Distribution pursuant to Rule 12b-1, the Fund pays a fee at an annual rate of up to 0.25% of the Fund's average daily net assets attributable to Class 2 shares and an annual rate of up to 0.125% of the Fund's average daily net assets attributable to Class 3 shares. The Fund pays no distribution and service fees for Class 1 shares.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

Effective May 1, 2012, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described), through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/ expenses reimbursed and/or overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.76%
Class 2	1.01%
Class 3	0.885%

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $537,518,319 and $720,358,887, respectively, for the six months ended June 30, 2012.

Note 5. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or securities that either are issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the six months ended June 30, 2012 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

At June 30, 2012, securities valued at $87,369,060 were on loan, and by cash collateral of $87,299,714 (which does not reflect calls for collateral made to borrowers by JPMorgan at period end) that is partially or fully invested in short-term securities or other cash equivalents.

Note 6. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 7. Shareholder Concentration

At June 30, 2012, one unaffiliated shareholder account owned 93.7% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Note 9. Fund Merger

At the close of business on April 29, 2011, the Fund acquired the assets and assumed the identified liabilities of Columbia Large Cap Value Fund, Variable Series (the acquired fund), a series of Columbia Funds Variable Insurance Trust. The reorganization was completed after shareholders of the acquired fund approved a plan of reorganization on February 15, 2011. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $3,334,199,867 and the combined net assets immediately after the acquisition were $3,437,215,847.

The merger was accomplished by a tax-free exchange of 7,555,251 shares of the acquired fund valued at $103,015,980 (including $24,411,317 of unrealized appreciation).

In exchange for the acquired fund's shares, the Fund issued the following number of shares:

	Shares
Class 1	6,125,550
Class 2	1,032,751

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, the acquired fund's cost of investments was carried forward. The financial statements reflect the operations of the Fund for the period prior to the merger and the combined Fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the acquired fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2011, the Fund's pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net decrease in net assets from operations for the year ended December 31, 2011, would have been approximately $52.9 million, $209.8 million, $(411.6) million and $(148.9) million, respectively.

Note 10. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 11. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Supplemental Information
(Unaudited)

Change in Independent Registered Public Accounting Firm

At a meeting held on June 14, 2012, the Board, upon recommendation of the Audit Committee, approved the replacement of Ernst & Young LLP (Ernst & Young) as the independent registered public accounting firm for the Fund and certain other funds in the Columbia Family of Funds (collectively, the Funds) and appointed PricewaterhouseCoopers LLP (PwC). PwC's engagement is effective at the completion of Ernst & Young's audits of the financial statements of the Funds with fiscal years ending July 31, 2012, which are expected to be completed in September 2012. The Fund did not consult with PwC during the fiscal years ended December 31, 2011 and 2010 and through the June meeting.

Ernst & Young's reports on the financial statements of the Fund as of and for the fiscal years ended December 31, 2011 and 2010 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During such fiscal periods and through the June meeting, there were no: (1) disagreements between the Fund and Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Ernst & Young's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their reports, or (2) reportable events.

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Dividend Opportunity Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and all funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in March and April 2012, including reports based on analyses of data provided by an independent organization and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, the Chair of the Board and the Chair of the Contracts Committee, and the final materials were revised to reflect comments provided by these Board representatives. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board accords particular weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 10-12, 2012 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the continued investment in, and resources dedicated to, the Funds' operations and the successful completion of various integration initiatives and the consolidation of dozens of Funds. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain key portfolio management personnel. In that connection, the Independent Trustees took into account their meetings with Columbia Management's Chief Investment Officer (the CIO) and considered the CIO's successful execution of additional risk and portfolio management oversight applied to the Funds. The Independent Trustees also assessed Columbia Management's significant investment in upgrading technology (such as an equity trading system) and considered management's commitments to enhance existing resources in this area.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of analyses performed by an independent organization showing, for various periods, the performance of the Fund, the performance of a benchmark index, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board

Approval of Investment Management Services Agreement *(continued)*

observed that the Fund's investment performance reflected the interrelationship of market conditions with the particular investment strategies employed by the portfolio management team.

Comparative Fees, Costs of Services Provided and the Profits Realized By Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services to be provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" (*i.e.*, that the total expense ratio of the Fund is at, or below, the median expense ratio of funds in the same comparison universe of the Fund). The Board took into account that the Fund's total expense ratio (after considering proposed expense caps/waivers) was slightly below the peer universe's median expense ratio shown in the reports. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that 2011 profitability, while slightly lower than 2010, was generally in line with the reported profitability of other asset management firms. The Board also considered the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 12, 2012, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

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Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

Columbia Variable Portfolio – Dividend Opportunity Fund
(formerly Columbia Variable Portfolio – Diversified Equity Income Fund)
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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S-6469 C (08/12)

Semiannual Report

June 30, 2012

ColumbiaManagement

Columbia Variable Portfolio — Asset Allocation Fund

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview
(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Asset Allocation Fund (the fund) Class 1 shares returned 5.76% for the six-month period ended June 30, 2012.

> The fund's benchmarks, the Barclays U.S. Aggregate Bond Index and the S&P 500 Index, returned 2.37% and 9.49%, respectively, for the same period.

Average Annual Total Returns (%) (for period ended June 30, 2012)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	01/01/89	5.76	-0.12	1.65	5.56
Class 2	06/01/00	5.63	-0.36	1.45	5.39
S&P 500 Index		9.49	5.45	0.22	5.33
Barclays U.S. Aggregate Bond Index		2.37	7.47	6.79	5.63

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

The Barclays U.S. Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment-grade debt issues with at least $250 million par amount outstanding and with at least one year to final maturity.

The S&P 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Portfolio Overview
(Unaudited)

Portfolio Allocation (%) (at June 30, 2012)	
Equity Funds	**60.1**
Dividend Income	6.2
International	11.8
U.S. Large Cap	26.0
U.S. Mid Cap	9.0
U.S. Small Cap	7.1
Fixed-Income Funds	**29.9**
Convertible	2.0
Emerging Markets	2.0
High Yield	1.6
International	2.0
Investment Grade	22.3
Alternative Investments	**6.2**
Inflation-Indexed Bonds	**2.6**
Money Market Funds	**1.2**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

For further detail about these holdings, please refer to the section entitled "Portfolio of Investments."

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security.

Portfolio Management

Anwiti Bahuguna, PhD

Melda Mergen, CFA, CAIA

Colin Moore

Marie M. Schofield, CFA

Beth Vanney, CFA

Understanding Your Fund's Expenses
(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)	Effective Expenses Paid During the Period ($)		Fund's Effective Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,057.60	1,024.07	0.82	0.81	0.16	4.60	4.53	0.90
Class 2	1,000.00	1,000.00	1,056.30	1,022.82	2.10	2.06	0.41	5.88	5.78	1.15

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Effective expenses paid during the period and the Fund's effective annualized expense ratio include expenses borne directly to the class plus the Fund's pro rata portion of the ongoing expenses charged by the underlying funds using the expense ratio of each class of the underlying funds as of the underlying fund's most recent shareholder report.

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed a portion of fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Equity Funds 60.2%

	Shares	Value ($)
Dividend Income 6.1%		
Columbia Dividend Income Fund, Class I Shares[a]	210,317	3,047,489
Columbia Dividend Opportunity Fund, Class I Shares[a]	361,332	3,049,641
Total		6,097,130
International 11.9%		
Columbia Emerging Markets Fund, Class I Shares[a]	679,645	6,035,248
Columbia Greater China Fund, Class I Shares[a]	21,291	966,412
Columbia Overseas Value Fund, Class I Shares[a]	343,131	2,281,821
Columbia Pacific/Asia Fund, Class I Shares[a]	323,832	2,490,266
Total		11,773,747
U.S. Large Cap 26.1%		
Columbia Contrarian Core Fund, Class I Shares[a]	432,188	6,521,723
Columbia Large Cap Growth Fund, Class I Shares[a]	115,774	2,998,551
Columbia Large Core Quantitative Fund, Class I Shares[a]	1,205,862	7,572,815
Columbia Large Growth Quantitative Fund, Class I Shares[a]	236,776	2,003,126
Columbia Large Value Quantitative Fund, Class I Shares[a]	290,864	2,015,684
Columbia Select Large Cap Growth Fund, Class I Shares[a]	290,574	3,722,250
Columbia Select Large-Cap Value Fund, Class I Shares[a]	63,504	976,690
Total		25,810,839
U.S. Mid Cap 9.0%		
Columbia Mid Cap Growth Fund, Class I Shares[a]	165,795	4,401,863
Columbia Mid Cap Value Fund, Class I Shares[a]	330,558	4,472,453
Total		8,874,316
U.S. Small Cap 7.1%		
Columbia Small Cap Growth Fund I, Class I Shares[a]	119,002	3,508,179
Columbia Small Cap Value Fund I, Class I Shares[a]	35,077	1,491,114

Equity Funds *(continued)*

	Shares	Value ($)
Columbia Small Cap Value Fund II, Class I Shares[a]	140,871	2,010,235
Total		7,009,528
Total Equity Funds (Cost: $60,018,579)		**59,565,560**

Fixed-Income Funds 29.9%

	Shares	Value ($)
Convertible 2.0%		
Columbia Convertible Securities Fund, Class I Shares[a]	139,905	2,006,234
Emerging Markets 2.0%		
Columbia Emerging Markets Bond Fund, Class I Shares[a]	172,738	2,008,949
High Yield 1.6%		
Columbia High Yield Bond Fund, Class I Shares[a]	554,639	1,569,630
International 2.0%		
Columbia International Bond Fund, Class I Shares[a]	177,605	1,994,505
Investment Grade 22.3%		
Columbia Corporate Income Fund, Class I Shares[a]	871,884	9,032,718
Columbia Income Opportunities Fund, Class I Shares[a]	315,000	3,030,301
Columbia Limited Duration Credit Fund, Class I Shares[a]	297,059	2,988,413
Columbia U.S. Government Mortgage Fund, Class I Shares[a]	883,462	4,982,725
Mortgage- and Asset-Backed Portfolio[a]	205,263	1,991,050
Total		22,025,207
Total Fixed-Income Funds (Cost: $28,755,559)		**29,604,525**

Alternative Investments 6.2%

	Shares	Value ($)
Columbia Absolute Return Currency and Income Fund, Class I Shares[a]	192,841	1,995,909
Columbia Absolute Return Multi-Strategy Fund, Class I Shares[a]	272,870	2,712,324
Columbia Commodity Strategy Fund, Class I Shares[a]	164,698	1,449,340
Total Alternative Investments (Cost: $6,234,864)		**6,157,573**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Inflation-Indexed Bonds 2.6%

	Effective Yield	Principal ($)	Value ($)
U.S. Treasury Inflation-Indexed Bond			
07/15/12	3.000%	31,988	32,078
07/15/13	1.875%	187,893	192,414
01/15/14	2.000%	199,216	206,842
01/15/15	1.625%	253,021	268,874
01/15/16	2.000%	202,848	224,432
07/15/17	2.625%	166,506	197,778
01/15/19	2.125%	214,310	256,418
01/15/21	1.125%	84,136	96,822
01/15/25	2.375%	372,255	490,243
04/15/29	3.875%	272,895	440,938
02/15/40	2.125%	106,441	151,080
Total Inflation-Indexed Bonds (Cost: $2,287,408)			**2,557,919**

Money Market Funds 1.2%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.152%[a][b]	1,190,420	1,190,420
Total Money Market Funds (Cost: $1,190,420)		**1,190,420**
Total Investments (Cost: $98,486,830)		**99,075,997**
Other Assets and Liabilities		(123,188)
Net Assets		**98,952,809**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments

(a) Investment in affiliated mutual fund advised by Columbia Management Investment Advisers, LLC or one of its affiliates.

(b) The rate shown is the seven-day current annualized yield at June 30, 2012.

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (to include NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Mutual Funds				
Investments in Affiliated Funds	96,518,078	—	—	96,518,078
Total Mutual Funds	96,518,078	—	—	96,518,078
Bonds				
Inflation-Indexed Bonds	—	2,557,919	—	2,557,919
Total Bonds	—	2,557,919	—	2,557,919
Total	96,518,078	2,557,919	—	99,075,997

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities

June 30, 2012 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $2,287,408)	$2,557,919
Affiliated issuers (identified cost $96,199,422)	96,518,078
Total investments (identified cost $98,486,830)	99,075,997
Receivable for:	
Investments sold	1,582
Capital shares sold	16,903
Dividends	69,775
Interest	19,258
Reclaims	1,096
Expense reimbursement due from Investment Manager	273
Trustees' deferred compensation plan	32,912
Total assets	99,217,796
Liabilities	
Disbursements in excess of cash	138
Payable for:	
Investments purchased	69,595
Capital shares purchased	107,274
Investment management fees	88
Distribution and service fees	130
Transfer agent fees	160
Administration fees	53
Compensation of board members	22,997
Chief compliance officer expenses	291
Other expenses	31,349
Trustees' deferred compensation plan	32,912
Total liabilities	264,987
Net assets applicable to outstanding capital stock	**$98,952,809**
Represented by	
Paid-in capital	$101,240,701
Undistributed net investment income	2,763,403
Accumulated net realized loss	(5,640,445)
Unrealized appreciation (depreciation) on:	
Investments — unaffiliated issuers	270,511
Investments — affiliated issuers	318,656
Foreign currency translations	(17)
Total — representing net assets applicable to outstanding capital stock	**$98,952,809**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities *(continued)*

June 30, 2012 (Unaudited)

Class 1	
Net assets	$79,618,622
Shares outstanding	6,374,125
Net asset value per share	$12.49
Class 2	
Net assets	$19,334,187
Shares outstanding	1,560,371
Net asset value per share	$12.39

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations

Six Months Ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Dividends — unaffiliated issuers	$127
Dividends — affiliated issuers	744,967
Interest	41,503
Total income	786,597
Expenses:	
Investment management fees	17,057
Distribution fees	
Class 2	25,260
Transfer agent fees	
Class 1	24,529
Class 2	6,063
Administration fees	10,197
Compensation of board members	18,377
Custodian fees	13,323
Printing and postage fees	24,149
Professional fees	22,137
Chief compliance officer expenses	272
Other	2,058
Total expenses	163,422
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(54,822)
Total net expenses	108,600
Net investment income	677,997
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Sales of underlying affiliated funds	593,811
Capital gain distributions from underlying affiliated funds	276,609
Net realized gain	870,420
Net change in unrealized appreciation (depreciation) on:	
Investments — unaffiliated issuers	52,396
Investments — affiliated issuers	4,150,871
Foreign currency translations	(16)
Net change in unrealized appreciation	4,203,251
Net realized and unrealized gain	5,073,671
Net increase in net assets resulting from operations	**$5,751,668**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$677,997	$2,094,314
Net realized gain	870,420	5,392,082
Net change in unrealized appreciation (depreciation)	4,203,251	(7,997,733)
Net increase (decrease) in net assets resulting from operations	5,751,668	(511,337)
Distributions to shareholders from:		
Net investment income		
Class 1	—	(2,270,728)
Class 2	—	(557,108)
Total distributions to shareholders	—	(2,827,836)
Increase (decrease) in net assets from share transactions	(7,836,992)	(16,278,298)
Total decrease in net assets	(2,085,324)	(19,617,471)
Net assets at beginning of period	101,038,133	120,655,604
Net assets at end of period	**$98,952,809**	**$101,038,133**
Undistributed net investment income	$2,763,403	$2,085,406

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	48,054	602,185	191,136	2,302,234
Distributions reinvested	—	—	182,241	2,270,728
Redemptions	(530,689)	(6,623,051)	(1,294,033)	(15,938,289)
Net decrease	(482,635)	(6,020,866)	(920,656)	(11,365,327)
Class 2 shares				
Subscriptions	40,329	510,774	69,299	842,247
Distributions reinvested	—	—	44,964	557,108
Redemptions	(187,560)	(2,326,900)	(515,726)	(6,312,326)
Net decrease	(147,231)	(1,816,126)	(401,463)	(4,912,971)
Total net decrease	**(629,866)**	**(7,836,992)**	**(1,322,119)**	**(16,278,298)**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions, if any. Total returns do not reflect payment of sales charges, if any, and are not annualized for periods of less than one year.

Class 1	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$11.81	$12.22	$11.08	$9.32	$15.25	$15.82
Income from investment operations:						
Net investment income	0.09	0.24	0.26	0.25	0.35	0.38
Net realized and unrealized gain (loss)	0.59	(0.33)	1.19	1.93	(4.24)	1.06
Total from investment operations	0.68	(0.09)	1.45	2.18	(3.89)	1.44
Less distributions to shareholders:						
Net investment income	—	(0.32)	(0.31)	(0.42)	(0.44)	(0.46)
Net realized gains	—	—	—	—	(1.60)	(1.55)
Total distributions to shareholders	—	(0.32)	(0.31)	(0.42)	(2.04)	(2.01)
Net asset value, end of period	$12.49	$11.81	$12.22	$11.08	$9.32	$15.25
Total return	5.76%	(0.85%)	13.43%	24.00%(a)	(28.32%)	9.19%
Ratios to average net assets(b)						
Expenses prior to fees waived or expenses reimbursed	0.27%(c)	0.40%	0.97%	1.00%	0.87%	0.84%
Net expenses after fees waived or expenses reimbursed(d)	0.16%(c)	0.13%	0.68%(e)	0.80%(e)	0.75%(e)	0.75%(e)
Net investment income	1.38%(c)	1.93%	2.27%(e)	2.48%(e)	2.75%(e)	2.39%(e)
Supplemental data						
Net assets, end of period (in thousands)	$79,619	$81,002	$95,031	$97,435	$93,500	$162,538
Portfolio turnover	33%	89%	234%(f)	103%	94%	100%

Notes to Financial Highlights

(a) Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. The reimbursement had an impact of less than 0.01% on total return.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

(f) Effective October 22, 2010, the Fund transitioned to a fund-of-funds structure. If the Fund had not transitioned, portfolio turnover would have been lower.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$11.73	$12.15	$11.02	$9.27	$15.18	$15.75
Income from investment operations:						
Net investment income	0.07	0.20	0.24	0.23	0.32	0.35
Net realized and unrealized gain (loss)	0.59	(0.32)	1.18	1.92	(4.21)	1.07
Total from investment operations	0.66	(0.12)	1.42	2.15	(3.89)	1.42
Less distributions to shareholders:						
Net investment income	—	(0.30)	(0.29)	(0.40)	(0.42)	(0.44)
Net realized gains	—	—	—	—	(1.60)	(1.55)
Total distributions to shareholders	—	(0.30)	(0.29)	(0.40)	(2.02)	(1.99)
Net asset value, end of period	$12.39	$11.73	$12.15	$11.02	$9.27	$15.18
Total return	5.63%	(1.09%)	13.26%	23.79%[a]	(28.45%)	9.07%
Ratios to average net assets[b]						
Expenses prior to fees waived or expenses reimbursed	0.52%[c]	0.68%	1.22%	1.25%	1.12%	1.09%
Net expenses after fees waived or expenses reimbursed[d]	0.41%[c]	0.38%	0.85%[e]	0.95%[e]	0.90%[e]	0.90%[e]
Net investment income	1.13%[c]	1.66%	2.10%[e]	2.34%[e]	2.60%[e]	2.24%[e]
Supplemental data						
Net assets, end of period (in thousands)	$19,334	$20,036	$25,624	$27,677	$29,985	$52,995
Portfolio turnover	33%	89%	234%[f]	103%	94%	100%

Notes to Financial Highlights

(a) Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. The reimbursement had an impact of less than 0.01% on total return.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

(f) Effective October 22, 2010, the Fund transitioned to a fund-of-funds structure. If the Fund had not transitioned, portfolio turnover would have been lower.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio — Asset Allocation Fund (the Fund), a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust.

Under normal circumstances, the Fund invests most of its assets in shares of mutual funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager) or its affiliates (Columbia Funds), exchange-traded funds (ETFs) and third party-advised funds (collectively, Underlying Funds), equity and fixed income securities, including Treasury Inflation Protected Securities (TIPS), and other instruments such as derivatives. The financial statements of the Underlying Funds in which the Fund invests should be read in conjunction with the Fund's financial statements.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

Investments in the Underlying Funds are valued at the net asset value of each class of the respective Underlying Fund determined as of the close of the New York Stock Exchange on the valuation date.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Treasury Inflation Protected Securities

The Fund may invest in treasury inflation protected securities (TIPS). The principal amount of TIPS is adjusted periodically and is increased for inflation or decreased for deflation based on a monthly published index. Interest payments are based on the adjusted principal at the time the interest is paid. These adjustments are recorded as interest income in the Statement of Operations.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Income and capital gain distributions from the Underlying Funds, if any, are recorded on the ex-dividend date.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities.* The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement (IMSA), Columbia, a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is a blend of (i) 0.00% on assets invested in Columbia proprietary funds (excluding any proprietary fund that does not pay an investment management fee to the Investment Manager), (ii) 0.10% on assets invested in non-exchange traded, third party advised mutual funds and (iii) 0.55% on assets invested in all other securities, including ETFs, derivatives and individual securities. The annualized effective management fee rate for the six months ended June 30, 2012 was 0.03% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to 0.02% of the Fund's average daily net assets.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Plan (the Plan) which may be terminated at any time. Obligations of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer

The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.13%
Class 2	0.38

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

At June 30, 2012, the cost of investments for federal income tax purposes was approximately $98,487,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$3,003,000
Unrealized depreciation	(2,414,000)
Net unrealized appreciation	$589,000

The following capital loss carryforward, determined as of December 31, 2011 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount
2017	$6,367,638

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $33,276,003 and $41,399,624, respectively, for the six months ended June 30, 2012.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

Note 6. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 7. Shareholder Concentration

At June 30, 2012, two unaffiliated shareholder accounts owned an aggregate of 76.3% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such accounts. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank N.A., whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Note 9. Significant Risks

Allocation Risk

The Fund uses an asset allocation strategy in pursuing its investment objective. There is a risk that the Fund's allocation among asset classes or investments will cause the Fund to under-perform other funds with similar investment objectives, or that the investments themselves will not produce the returns expected.

Investing in Other Funds Risk

The performance of the Underlying Funds in which the Fund invests could be adversely affected if other entities investing in the same Underlying Funds make relatively large investments or redemptions in the Underlying Funds. Because the expenses and costs of the Underlying Funds are shared by the Fund, redemptions by other investors in the Underlying Funds could result in decreased economies of scale and increased operating expenses for the Fund. In addition, the Investment Manager has the authority to change the Underlying Funds in which the Fund invests or to change the percentage of the Fund's investments allocated to each Underlying Fund. If an Underlying Fund pays fees to the Investment Manager, such fees could result in the Investment Manager having a potential conflict of interest in selecting the Underlying Funds in which the Fund invests or in determining the percentage of the Fund's investments allocated to each Underlying Fund.

Note 10. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 11. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Board Consideration and Approval of Advisory Agreement

At meetings held on March 7, 2012 and June 6, 2012, respectively, the Board of Trustees (the "Board") and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the "Independent Trustees") unanimously approved the continuation of the Investment Management Services Agreement (the "Advisory Agreement") with Columbia Management Investment Advisers, LLC (the "Investment Manager") with respect to Columbia Variable Portfolio — Asset Allocation Fund (the "Fund"), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the "Committee") and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve each continuation of the Advisory Agreement.

In connection with their deliberations regarding each continuation of the Advisory Agreement, the Committee and the Board requested and evaluated materials from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 6, 2012, April 25, 2012 and June 5, 2012, and at the Board meetings held on March 7, 2012 and June 6, 2012. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board's Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with Fund counsel and with the Independent Trustees' independent legal counsel, who advised on the legal standard for consideration by the Board and otherwise assisted the Board in its deliberations.

On March 6, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On March 7, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund. The Committee and the Board met in June 2012 to consider the continuation of the Advisory Agreement for the one-year period ending June 30, 2013, so as to permit the annual consideration of the Advisory Agreement to be conducted each June. On June 5, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 6, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of the Fund's benchmarks and the performance of a group of comparable mutual funds, as determined by an independent third-party data provider;
- Information on the Fund's advisory fees and total expenses, including information comparing the Fund's expenses to those of a group of comparable mutual funds, as determined by an independent third-party data provider;
- The Investment Manager's agreement to contractually limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined from time to time, generally annually, by an independent third-party data provider);
- The terms and conditions of the Advisory Agreement, including that the advisory fee rates payable by the Fund would not change;
- The terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement, noting in the case of the Transfer and Dividend Disbursing Agent Agreement certain proposed changes to the fee rates payable thereunder;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;

Board Consideration and Approval of Advisory Agreement *(continued)*

- Information regarding the management fees and investment performance of any comparable portfolios of other clients of the Investment Manager, including institutional separate accounts; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

Nature, Extent and Quality of Services to be Provided under the Advisory Agreement

The Committee and the Board considered the nature, extent and quality of services provided to the Fund by the Investment Manager and its affiliates under the Advisory Agreement and under separate agreements for the provision of transfer agency and administrative services, and the resources dedicated to the Fund and the other Columbia Funds by the Investment Manager and its affiliates. The Committee and the Board considered, among other things, the Investment Manager's ability to attract, motivate and retain highly qualified research, advisory and supervisory investment professionals (including personnel and other resources, compensation programs for personnel involved in fund management, reputation and other attributes), the portfolio management services provided by those investment professionals, the quality of the Investment Manager's investment research capabilities and trade execution services, and the other resources that the Investment Manager devotes to the Fund. The Committee and the Board also considered the potential benefits to shareholders of investing in a mutual fund that is part of a fund complex offering exposure to a variety of asset classes and investment disciplines and providing a variety of fund and shareholder services.

The Committee and the Board also considered the professional experience and qualifications of the senior personnel of the Investment Manager. The Committee and the Board noted the compliance programs of and the compliance-related resources provided to the Fund by the Investment Manager and its affiliates, and considered the Investment Manager's ability to provide administrative services to the Fund pursuant to a separate administrative services agreement, including the Investment Manager's ability to coordinate the activities of the Fund's other service providers. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the expected nature, extent and quality of the services to be provided to the Fund under the Advisory Agreement supported the continuation of such agreement.

Investment Performance

The Committee and the Board reviewed information about the performance of the Fund over various time periods, including performance information relative to benchmarks and information based on reports of an independent third-party data provider that compared the performance of the Fund to the performance of a group of comparable mutual funds. The Committee and the Board also reviewed a description of the third party's methodology for identifying the Fund's peer groups for purposes of performance and expense comparisons. In the case of each Fund whose performance lagged that of a relevant peer group for certain (although not necessarily all) periods, the Committee and the Board concluded that other factors relevant to performance were sufficient, in light of other considerations, to warrant continuation of the Fund's Advisory Agreement. Those factors varied from fund to fund, but included one or more of the following: (i) that the Fund's performance, although lagging in certain recent periods, was stronger over the longer term; (ii) that the underperformance was attributable, to a significant extent, to investment decisions that were reasonable and consistent with the Fund's investment strategy and policies and that the Fund was performing within a reasonable range of expectations, given those investment decisions, market conditions and the Fund's investment strategy; (iii) that the Fund's performance was competitive when compared to other relevant performance benchmarks or peer groups; and (iv) that the Investment Manager had taken or was taking steps designed to help improve the Fund's investment performance, including, but not limited to, replacing portfolio managers, enhancing the resources supporting the portfolio managers, or modifying investment strategies.

The Committee and the Board noted that, through December 31, 2011, the Fund's performance was in the seventy-second, forty-first and fifty-ninth percentiles (where the best performance would be in the first percentile) of its category selected by an independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance and the Investment Manager's willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the

Board Consideration and Approval of Advisory Agreement *(continued)*

Board concluded, within the context of their overall conclusions regarding the Advisory Agreement, that the performance of the Fund and the Investment Manager was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees to be charged to the Fund under the Advisory Agreement as well as the total expenses to be incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its expected total expense ratio as a percentage of average daily net assets. The Committee and the Board noted that the Fund's actual management fee and total net expense ratio are ranked in the first and third quintiles, respectively, against the Fund's expense universe as determined by an independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

The Committee and the Board also considered the fact that the advisory fee rates payable by the Fund to the Investment Manager under the Advisory Agreement were the same as those currently paid by the Fund to the Investment Manager.

The Committee and the Board also received and considered information about the advisory fees charged by the Investment Manager to institutional separate accounts. In considering the fees charged to those accounts, the Committee and the Board took into account, among other things, the Investment Manager's representations about the differences between managing mutual funds as compared to other types of accounts, including differences in the services provided, differences in the risk profile of such business for the Investment Manager and the additional resources required to manage mutual funds effectively. In evaluating the Fund's advisory fees, the Committee and the Board also took into account the demands, complexity and quality of the investment management of the Fund.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund supported the continuation of the Advisory Agreement.

Costs of Services to be Provided and Profitability

The Committee and the Board also took note of the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates in connection with their relationships with the Fund. In evaluating these considerations, the Committee and the Board took note of the advisory fees charged by the Investment Manager to other clients, including fees charged by the Investment Manager to any institutional separate account clients with similar investment strategies to those of the Fund.

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates of their relationships with the Fund, and information about the allocation of expenses used to calculate profitability. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of the fund, the expense ratio of the fund, and the implementation of expense limitations with respect to the fund. The Committee and the Board also considered information provided by the Investment Manager regarding its financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the profitability to the Investment Manager and its affiliates from their relationships with the Fund supported the continuation of the Advisory Agreement.

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in

Board Consideration and Approval of Advisory Agreement *(continued)*

investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

In considering these issues, the Committee and the Board also considered the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates from their relationships with the Fund, as discussed above. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the extent to which economies of scale were expected to be shared with the Fund supported the continuation of the Advisory Agreement.

Other Benefits to the Investment Manager

The Committee and the Board received and considered information regarding "fall-out" or ancillary benefits received by the Investment Manager and its affiliates as a result of their relationships with the Fund, such as the engagement of the Investment Manager to provide administrative services to the Fund and the engagement of the Investment Manager's affiliates to provide distribution and transfer agency services to the Fund. The Committee and the Board considered that the Fund's distributor retains a portion of the distribution fees from the Fund and receives a portion of the sales charges on sales or redemptions of certain classes of shares of the Fund. The Committee and the Board also considered the benefits of research made available to the Investment Manager by reason of brokerage commissions generated by the Fund's securities transactions, and reviewed information about the Investment Manager's practices with respect to allocating portfolio brokerage for brokerage and research services. The Committee and the Board considered the possible conflicts of interest associated with certain fall-out or other ancillary benefits and the reporting, disclosure and other processes that would be in place to address such possible conflicts of interest. The Committee and the Board recognized that the Investment Manager's profitability would be somewhat lower without these benefits.

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. No single item was identified as paramount or controlling, and individual Trustees may have attributed different weights to various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

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Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Asset Allocation Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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Semiannual Report

June 30, 2012

ColumbiaManagement®

Columbia Variable Portfolio – Large Cap Growth Fund

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview

Performance Summary

> Columbia Variable Portfolio — Large Cap Growth Fund (the fund) Class 3 shares returned 12.73% for the six-months ended June 30, 2012.

> The fund outperformed its benchmark, the Russell 1000 Growth Index, which increased 10.08% for the same six-month period.

Average Annual Total Returns (%) (for period ended June 30, 2012)

		6 Months Cumulative	1 Year	5 Years	10 Years
Class 1*	05/03/10	12.71	2.19	-1.00	3.73
Class 2*	05/03/10	12.61	1.93	-1.19	3.54
Class 3	09/15/99	12.73	2.06	-1.02	3.71
Russell 1000 Growth Index		10.08	5.76	2.87	6.03

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

* The returns shown for periods prior to the share class inception date (including returns since inception if shown, which are since fund inception) include the returns of the fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

The Russell 1000 Growth Index, an unmanaged index, measures the performance of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. The index reflects reinvestment of all distributions and changes in market prices.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Portfolio Overview

Sector Breakdown (%) (at June 30, 2012)	
Consumer Discretionary	16.9
Consumer Staples	10.4
Energy	4.9
Financials	4.3
Health Care	15.7
Industrials	10.6
Information Technology	28.9
Materials	3.2
Telecommunication Services	2.1
Other [(a)]	3.0

Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan). The Fund's portfolio composition is subject to change.

(a) Includes investments in Money Market Funds.

Top Ten Holdings (%) (at June 30, 2012)	
Apple, Inc.	7.3
Google, Inc., Class A	3.5
Wal-Mart Stores, Inc.	3.1
QUALCOMM, Inc.	3.0
Johnson & Johnson	2.8
EMC Corp.	2.6
Comcast Corp., Class A	2.4
Amazon.com, Inc.	2.2
Verizon Communications, Inc.	2.2
Tyco International Ltd.	2.0

Percentages indicated are based upon total investments (excluding Money Market Funds and Investments of Cash Collateral Received for Securities on Loan).

For further detail about these holdings, please refer to the section entitled "Portfolio of Investments."

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any security.

Portfolio Management

John Wilson, CFA

Peter Deininger, CFA

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees, or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,127.10	1,021.03	4.07	3.87	0.77
Class 2	1,000.00	1,000.00	1,126.10	1,019.79	5.39	5.12	1.02
Class 3	1,000.00	1,000.00	1,127.30	1,020.39	4.76	4.52	0.90

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange-traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Common Stocks 95.3%

Issuer	Shares	Value ($)
Consumer Discretionary 16.8%		
Hotels, Restaurants & Leisure 4.4%		
Las Vegas Sands Corp.	80,944	3,520,254
Starbucks Corp.	71,863	3,831,735
Yum! Brands, Inc.	57,880	3,728,630
Total		11,080,619
Internet & Catalog Retail 3.3%		
Amazon.com, Inc.[(a)]	23,783	5,430,848
Expedia, Inc.	57,953	2,785,801
Total		8,216,649
Media 4.5%		
Comcast Corp., Class A	182,254	5,826,661
Discovery Communications, Inc., Class A[(a)]	47,922	2,587,788
DISH Network Corp., Class A	101,955	2,910,815
Total		11,325,264
Multiline Retail 1.3%		
Macy's, Inc.	95,473	3,279,497
Specialty Retail 3.3%		
Home Depot, Inc. (The)	84,357	4,470,077
TJX Companies, Inc.	87,206	3,743,754
Total		8,213,831
Total Consumer Discretionary		**42,115,860**
Consumer Staples 10.4%		
Beverages 1.5%		
Anheuser-Busch InBev NV, ADR	47,031	3,746,019
Food & Staples Retailing 4.6%		
CVS Caremark Corp.	81,000	3,785,130
Wal-Mart Stores, Inc.	108,780	7,584,141
Total		11,369,271
Food Products 1.8%		
Hershey Co. (The)	35,300	2,542,659
Mead Johnson Nutrition Co.	24,319	1,957,923
Total		4,500,582
Tobacco 2.5%		
Lorillard, Inc.	19,027	2,510,613
Philip Morris International, Inc.	43,958	3,835,775
Total		6,346,388
Total Consumer Staples		**25,962,260**
Energy 4.8%		
Energy Equipment & Services 1.2%		
National Oilwell Varco, Inc.	46,845	3,018,692

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Oil, Gas & Consumable Fuels 3.6%		
Anadarko Petroleum Corp.	52,234	3,457,891
Chevron Corp.	12,255	1,292,903
Continental Resources, Inc.[(a)]	20,303	1,352,586
Kinder Morgan Management LLC[(b)]	1,381	1
Pioneer Natural Resources Co.	34,045	3,003,109
Total		9,106,490
Total Energy		**12,125,182**
Financials 4.2%		
Capital Markets 0.6%		
BlackRock, Inc.	8,776	1,490,340
Commercial Banks 0.8%		
Fifth Third Bancorp	156,325	2,094,755
Diversified Financial Services 1.1%		
IntercontinentalExchange, Inc.[(a)]	20,320	2,763,114
Real Estate Investment Trusts (REITs) 1.7%		
Digital Realty Trust, Inc.	37,785	2,836,520
Simon Property Group, Inc.	9,270	1,442,968
Total		4,279,488
Total Financials		**10,627,697**
Health Care 15.6%		
Biotechnology 4.8%		
Biogen Idec, Inc.[(a)]	32,455	4,685,853
Gilead Sciences, Inc.[(a)]	46,648	2,392,109
Regeneron Pharmaceuticals, Inc.[(a)]	13,546	1,547,224
Vertex Pharmaceuticals, Inc.[(a)]	60,439	3,379,749
Total		12,004,935
Health Care Equipment & Supplies 2.9%		
Covidien PLC	62,661	3,352,364
Edwards Lifesciences Corp.[(a)]	38,138	3,939,655
Total		7,292,019
Health Care Providers & Services 1.8%		
Express Scripts Holding Co.[(a)]	80,000	4,466,400
Life Sciences Tools & Services —%		
Life Technologies Corp.[(a)]	1,671	75,178
Pharmaceuticals 6.1%		
Allergan, Inc.	43,042	3,984,398
Johnson & Johnson	101,244	6,840,045
Watson Pharmaceuticals, Inc.[(a)]	60,785	4,497,482
Total		15,321,925
Total Health Care		**39,160,457**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Industrials 9.5%		
Construction & Engineering 0.7%		
KBR, Inc.	76,764	1,896,838
Electrical Equipment 0.9%		
Rockwell Automation, Inc.	35,361	2,335,948
Industrial Conglomerates 3.4%		
General Electric Co.	175,660	3,660,754
Tyco International Ltd.	91,716	4,847,191
Total		8,507,945
Machinery 1.1%		
Pall Corp.	48,482	2,657,298
Professional Services 0.8%		
Verisk Analytics, Inc., Class A[a]	40,760	2,007,838
Road & Rail 2.6%		
JB Hunt Transport Services, Inc.	61,803	3,683,459
Kansas City Southern	40,654	2,827,892
Total		6,511,351
Total Industrials		**23,917,218**
Information Technology 28.7%		
Communications Equipment 2.9%		
QUALCOMM, Inc.	130,984	7,293,189
Computers & Peripherals 10.9%		
Apple, Inc.[a]	29,990	17,514,160
EMC Corp.[a]	241,887	6,199,564
NCR Corp.[a]	160,581	3,650,006
Total		27,363,730
Internet Software & Services 5.7%		
eBay, Inc.[a]	108,385	4,553,254
Google, Inc., Class A[a]	14,513	8,418,556
LinkedIn Corp., Class A[a]	11,440	1,215,728
Total		14,187,538
IT Services 5.3%		
Accenture PLC, Class A	56,232	3,378,981
Alliance Data Systems Corp.[a][c]	21,013	2,836,755
Mastercard, Inc., Class A	8,042	3,458,945
Teradata Corp.[a]	51,537	3,711,179
Total		13,385,860

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Semiconductors & Semiconductor Equipment 1.7%		
Avago Technologies Ltd.	117,594	4,221,625
Software 2.2%		
Check Point Software Technologies Ltd.[a]	35,016	1,736,443
Citrix Systems, Inc.[a]	43,475	3,649,292
Total		5,385,735
Total Information Technology		**71,837,677**
Materials 3.2%		
Chemicals 3.2%		
LyondellBasell Industries NV, Class A	63,693	2,564,917
Monsanto Co.	29,830	2,469,327
PPG Industries, Inc.	27,624	2,931,459
Total		7,965,703
Total Materials		**7,965,703**
Telecommunication Services 2.1%		
Diversified Telecommunication Services 2.1%		
Verizon Communications, Inc.	118,790	5,279,028
Total Telecommunication Services		**5,279,028**
Total Common Stocks (Cost: $202,568,188)		**238,991,082**

Convertible Preferred Stocks 1.0%

Issuer	Shares	Value ($)
Industrials 1.0%		
Aerospace & Defense 1.0%		
United Technologies Corp.[a]	47,240	2,489,076
Total Industrials		**2,489,076**
Total Convertible Preferred Stocks (Cost: $2,480,694)		**2,489,076**

Money Market Funds 3.0%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.152%[d][e]	7,418,847	7,418,847
Total Money Market Funds (Cost: $7,418,847)		**7,418,847**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Investments of Cash Collateral Received for Securities on Loan 1.0%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Repurchase Agreements 1.0%			
Citigroup Global Markets, Inc. dated 06/29/12, matures 07/02/12, repurchase price $1,000,017(f)	0.210%	1,000,000	1,000,000
Societe Generale dated 6/29/12, matures 07/02/12, repurchase price $1,536,720(f)	0.190%	1,536,696	1,536,696
Total			2,536,696
Total Investments of Cash Collateral Received for Securities on Loan (Cost: $2,536,696)			**$2,536,696**
Total Investments (Cost: $215,004,425)			**251,435,701**
Other Assets & Liabilities, Net			**(826,566)**
Net Assets			**250,609,135**

Notes to Portfolio of Investments

(a) Non-income producing.

(b) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at June 30, 2012 was $1, representing less than 0.01% of net assets. Information concerning such security holdings at June 30, 2012 was as follows:

Security Description	Acquisition Dates	Cost ($)
Kinder Morgan Management LLC	12/19/03 - 01/18/05	—

(c) At June 30, 2012, security was partially or fully on loan.

(d) The rate shown is the seven-day current annualized yield at June 30, 2012.

(e) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the period ended June 30, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Sales Cost/ Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	3,085,176	49,236,384	(44,902,713)	—	7,418,847	5,081	7,418,847

(f) The table below represents securities received as collateral for repurchase agreements. This collateral is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the proper level of collateral.

Security Description	Value ($)
Citigroup Global Markets, Inc. (0.210%)	
Fannie Mae REMICS	454,939
Fannie Mae-Aces	35,482
Freddie Mac REMICS	305,049
Government National Mortgage Association	224,530
Total market value of collateral securities	1,020,000

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Notes to Portfolio of Investments *(continued)*

Security Description	Value ($)
Societe Generale (0.190%)	
Fannie Mae Pool	957,895
Freddie Mac Gold Pool	609,534
Total market value of collateral securities	1,567,429

Abbreviation Legend

ADR American Depositary Receipt

REMIC(S) Real Estate Mortgage Investment Conduit(s)

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

> Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.

> Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

> Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third- party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Consumer Discretionary	42,115,860	—	—	42,115,860
Consumer Staples	25,962,260	—	—	25,962,260
Energy	12,125,181	1	—	12,125,182
Financials	10,627,697	—	—	10,627,697
Health Care	39,160,457	—	—	39,160,457
Industrials	23,917,218	—	—	23,917,218
Information Technology	71,837,677	—	—	71,837,677
Materials	7,965,703	—	—	7,965,703
Telecommunication Services	5,279,028	—	—	5,279,028
Convertible Preferred Stocks				
Industrials	2,489,076	—	—	2,489,076
Total Equity Securities	241,480,157	1	—	241,480,158
Other				
Money Market Funds	7,418,847	—	—	7,418,847
Investments of Cash Collateral Received for Securities on Loan	—	2,536,696	—	2,536,696
Total Other	7,418,847	2,536,696	—	9,955,543
Total	248,899,004	2,536,697	—	251,435,701

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities
June 30, 2012 (Unaudited)

Assets	
Investments, at value*	
Unaffiliated issuers (identified cost $205,048,881)	$241,480,158
Affiliated issuers (identified cost $7,418,847)	7,418,847
Investment of cash collateral received for securities on loan	
Repurchase agreements (identified cost $2,536,696)	2,536,696
Total investments (identified cost $215,004,425)	251,435,701
Receivable for:	
Investments sold	4,416,797
Capital shares sold	27,486
Dividends	149,393
Interest	700
Reclaims	46,250
Expense reimbursement due from Investment Manager	20,852
Trustees' deferred compensation plan	25,760
Total assets	256,122,939
Liabilities	
Due upon return of securities on loan	2,536,696
Payable for:	
Investments purchased	2,414,709
Capital shares purchased	302,728
Investment management fees	137,848
Distribution fees	20,514
Transfer agent fees	11,649
Administration fees	11,649
Compensation of board members	14,391
Other expenses	37,860
Trustees' deferred compensation plan	25,760
Total liabilities	5,513,804
Net assets applicable to outstanding capital stock	**$250,609,135**
Represented by	
Partners' capital	$250,609,135
Total — representing net assets applicable to outstanding capital stock	**$250,609,135**
* Value of securities on loan	$2,527,335

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities *(continued)*

June 30, 2012 (Unaudited)

Class 1	
Net assets	$47,035,024
Shares outstanding	6,316,233
Net asset value per share	$7.45
Class 2	
Net assets	$8,106,151
Shares outstanding	1,094,577
Net asset value per share	$7.41
Class 3	
Net assets	$195,467,960
Shares outstanding	26,289,865
Net asset value per share	$7.44

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations
Six Months Ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Dividends	$1,427,952
Dividends from affiliates	5,081
Income from securities lending — net	35,467
Foreign taxes withheld	(40,606)
Total income	1,427,894
Expenses:	
Investment management fees	905,875
Distribution fees	
Class 2	10,585
Class 3	124,567
Transfer agent fees	
Class 1	14,220
Class 2	2,540
Class 3	59,790
Administration fees	76,551
Compensation of board members	8,308
Custodian fees	667
Printing and postage fees	34,392
Professional fees	15,317
Other	15,102
Total expenses	1,267,914
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(145,924)
Total net expenses	1,121,990
Net investment income	305,904
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	10,845,878
Options contracts written	3,509
Net realized gain	10,849,387
Net change in unrealized appreciation (depreciation) on:	
Investments	19,064,319
Foreign currency translations	(238)
Net change in unrealized appreciation	19,064,081
Net realized and unrealized gain	29,913,468
Net increase in net assets resulting from operations	**$30,219,372**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30,2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$305,904	$641,872
Net realized gain	10,849,387	22,433,441
Net change in unrealized appreciation (depreciation)	19,064,081	(36,648,548)
Net increase (decrease) in net assets resulting from operations	30,219,372	(13,573,235)
Increase (decrease) in net assets from share transactions	(20,461,078)	20,933,627
Total increase in net assets	9,758,294	7,360,392
Net assets at beginning of period	240,850,841	233,490,449
Net assets at end of period	**$250,609,135**	**$240,850,841**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets *(continued)*

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	89,646	661,275	176,322	1,277,429
Fund merger	—	—	7,273,180	54,764,794
Redemptions	(446,066)	(3,301,689)	(777,638)	(5,364,332)
Net increase (decrease)	(356,420)	(2,640,414)	6,671,864	50,677,891
Class 2 shares				
Subscriptions	99,520	714,323	175,215	1,209,414
Fund merger	—	—	1,137,310	8,542,419
Redemptions	(206,602)	(1,522,492)	(157,827)	(1,085,793)
Net increase (decrease)	(107,082)	(808,169)	1,154,698	8,666,040
Class 3 shares				
Subscriptions	93,455	672,430	194,766	1,366,110
Redemptions	(2,410,330)	(17,684,925)	(5,765,203)	(39,776,414)
Net increase	(2,316,875)	(17,012,495)	(5,570,437)	(38,410,304)
Total net increase (decrease)	**(2,780,377)**	**(20,461,078)**	**2,256,125**	**20,933,627**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. For periods ended 2009 and after, per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

Class 1	Six Months Ended June 30, 2012 (Unaudited)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010[(a)]
Per share data			
Net asset value, beginning of period	$6.61	$6.82	$6.34
Income from investment operations:			
Net investment income	0.01	0.03	0.02
Net realized and unrealized gain (loss)	0.83	(0.24)	0.46
Total from investment operations	0.84	(0.21)	0.48
Net asset value, end of period	$7.45	$6.61	$6.82
Total return	12.71%	(3.08%)	7.57%
Ratios to average net assets[(b)]			
Expenses prior to fees waived or expenses reimbursed	0.89%[(c)]	0.89%	0.83%[(c)]
Net expenses after fees waived or expenses reimbursed[(d)]	0.77%[(c)]	0.77%	0.83%[(c)]
Net investment income	0.35%[(c)]	0.51%	0.60%[(c)]
Supplemental data			
Net assets, end of period (in thousands)	$47,035	$44,092	$5
Portfolio turnover	50%	104%	152%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(b) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2012 (Unaudited)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010[(a)]
Per share data			
Net asset value, beginning of period	$6.58	$6.81	$6.34
Income from investment operations:			
Net investment income	0.00[(b)]	0.02	0.02
Net realized and unrealized gain (loss)	0.83	(0.25)	0.45
Total from investment operations	0.83	(0.23)	0.47
Net asset value, end of period	$7.41	$6.58	$6.81
Total return	12.61%	(3.38%)	7.41%
Ratios to average net assets[(c)]			
Expenses prior to fees waived or expenses reimbursed	1.14%[(d)]	1.15%	1.09%[(d)]
Net expenses after fees waived or expenses reimbursed[(e)]	1.02%[(d)]	1.02%	1.09%[(d)]
Net investment income	0.10%[(d)]	0.26%	0.50%[(d)]
Supplemental data			
Net assets, end of period (in thousands)	$8,106	$7,907	$320
Portfolio turnover	50%	104%	152%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(b) Rounds to less than $0.01.

(c) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(d) Annualized.

(e) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 3	Six Months Ended June 30, 2012 (Unaudited)	Year Ended Dec 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$6.60	$6.82	$5.82	$4.25	$7.65	$7.50
Income from investment operations:						
Net investment income (loss)	0.01	0.01	0.02	0.03	0.10	0.08
Net realized and unrealized gain (loss)	0.83	(0.23)	0.98	1.54	(3.48)	0.15
Total from investment operations	0.84	(0.22)	1.00	1.57	(3.38)	0.23
Less distributions to shareholders:						
Net investment income	—	—	—	—	(0.02)	(0.08)
Total distributions to shareholders	—	—	—	—	(0.02)	(0.08)
Net asset value, end of period	$7.44	$6.60	$6.82	$5.82	$4.25	$7.65
Total return	12.73%	(3.23%)	17.16%	37.00%	(44.35%)	3.07%
Ratios to average net assets[(a)]						
Expenses prior to fees waived or expenses reimbursed	1.01%[(b)]	0.99%	0.93%	0.80%	0.75%	0.89%
Net expenses after fees waived or expenses reimbursed[(c)]	0.90%[(b)]	0.92%	0.93%	0.80%	0.75%	0.89%
Net investment income	0.22%[(b)]	0.21%	0.34%	0.71%	1.36%	1.01%
Supplemental data						
Net assets, end of period (in thousands)	$195,468	$188,852	$233,165	$240,404	$275,348	$627,286
Portfolio turnover	50%	104%	152%	152%	150%	116%

Notes to Financial Highlights

(a) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(b) Annualized.

(c) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements
June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio – Large Cap Growth Fund (the Fund), a series of Columbia Funds Variable Series Trust II (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1, Class 2 and Class 3 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange or market, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Option contracts are valued at the mean of the latest quoted bid and asked prices on their primary exchanges. Option contracts, including over-the-counter (OTC) option contracts, with no readily available market value are valued using quotations obtained from independent brokers as of the close of the NYSE.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Derivative Instruments

The Fund invests in certain derivative instruments, as detailed below, to meet its investment objectives. Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. Derivatives may involve various risks, including the potential inability of the counterparty to fulfill its obligation under the terms of the contract, the potential for an illiquid secondary market and the potential for market movements which may expose the Fund to gains or losses in excess of the amount shown in the Statement of Assets and Liabilities.

The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to monitor (on a daily basis) the net fair value of all derivatives entered into pursuant to the agreement between the Fund and such counterparty. If the net fair value of such derivatives between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty (as the case may be) is required to post cash and/or securities as collateral. Fair values of derivatives presented in the financial statements are not netted with the fair value of other derivatives or with any collateral amounts posted by the Fund or any counterparty.

Options

Options are contracts which entitle the holder to purchase or sell securities or other identified assets at a specified price, or in the case of index option contracts, to receive or pay the difference between the index value and the strike price of the index option contract. The Fund purchased and wrote option contracts to decrease the Fund's exposure to equity risk and to increase return on investments. Completion of transactions for option contracts traded in the OTC market depends upon the performance of the other party. Cash collateral may be collected or posted by the Fund to secure certain OTC option contract trades. Cash collateral held or posted by the Fund for such option contract trades must be returned to the counterparty or the Fund upon closure, exercise or expiration of the contract.

Option contracts purchased are recorded as investments and options contracts written are recorded as liabilities of the Fund. The Fund will realize a gain or loss when the option contract expires. When option contracts are exercised, the proceeds on sales for a written call or purchased put option contract, or the purchase cost for a written put or purchased call option contract, is adjusted by the amount of premium received or paid.

The risk in buying an option contract is that the Fund pays a premium whether or not the option contract is exercised. The Fund also has the additional risk of being unable to enter into a closing transaction if a liquid secondary market does not exist. The risk in writing a call option contract is that the Fund gives up the opportunity for profit if the market price of the security increases. The risk in writing a put option contract is that the Fund may incur a loss if the market price of the security decreases and the option contract is exercised. The Fund's maximum payout in the case of written put option contracts represents the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under the contract. For OTC options contracts, the transaction is also subject to counterparty credit risk. The maximum payout amount may be offset by the subsequent sale, if any, of assets obtained upon the exercise of the put option contracts by holders of the option contracts or proceeds received upon entering into the contracts.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Contracts and premiums associated with options contracts written for the six months ended June 30, 2012 are as follows:

	Calls	
	Contracts	**Premiums ($)**
Balance at December 31, 2011	—	—
Opened	30	3,509
Expired	(30)	(3,509)
Balance at June 30, 2012	—	—

Effects of Derivative Transactions in the Financial Statements

The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund, including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

At June 30, 2012, the fund had no outstanding derivatives.

The effect of derivative instruments in the Statement of Operations for the six months ended June 30, 2012:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	**Options Contracts Written and Purchased ($)**
Equity contracts	3,509

The following table is a summary of the volume of derivative instruments for the six months ended June 30, 2012:

Derivative Instrument	Contracts Opened
Options Contracts	30

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Interest income is recorded on an accrual basis.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund is treated as a partnership for federal income tax purposes, and the Fund does not expect to make regular distributions. The Fund will not be subject to federal income tax, and therefore, there is no provision for federal income taxes. The partners of the Fund are subject to tax on their distributive share of the Fund's income and loss. The components of the Fund's net assets are reported at the partner-level for federal income tax purposes, and therefore, are not presented in the Statement of Assets and Liabilities.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Foreign Taxes

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.71% to 0.54% as the Fund's net assets increase. The annualized effective management fee rate for the six months ended June 30, 2012 was 0.71% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.06% to 0.03% as the Fund's net assets increase. The annualized effective administration fee rate for the six months ended June 30, 2012 was 0.06% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, certain expenses of the Fund or the Board, including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board. For the six months ended June 30, 2012, other expenses paid to this company were $1,334.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund, as defined under the 1940 Act, may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

Transfer Agency Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Under a Plan and Agreement of Distribution pursuant to Rule 12b-1, the Fund pays a fee at an annual rate of up to 0.25% of the Fund's average daily net assets attributable to Class 2 shares and an annual rate of up to 0.125% of each Fund's average daily net assets attributable to Class 3 shares. The Fund pays no distribution and service fees for Class 1 shares.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

Effective May 1, 2012, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below, through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.790%
Class 2	1.040
Class 3	0.915

Prior to May 1, 2012, the Investment Manager and certain of its affiliates contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, did not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.765%
Class 2	1.015
Class 3	0.890

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $124,415,665 and $150,893,623, respectively, for the six months ended June 30, 2012.

Note 5. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or securities that either are issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the six months ended June 30, 2012 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

Note 6. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as “Dividends from affiliates” in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 7. Shareholder Concentration

At June 30, 2012, one unaffiliated shareholder account owned 10.9% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such account. Affiliated shareholder accounts owned 75.3% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Note 9. Fund Merger

At the close of business on April 29, 2011, the Fund acquired the assets and assumed the identified liabilities of Columbia Large Cap Growth Fund, Variable Series (the acquired fund), a series of Columbia Funds Variable Insurance Trust. The reorganization was completed after shareholders of the acquired fund approved a plan of reorganization on February 15, 2011. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $244,494,303 and the combined net assets immediately after the acquisition were $307,801,516.

The merger was accomplished by a tax-free exchange of 1,979,922 shares of the acquired fund valued at $63,307,213 (including $13,585,216 of unrealized appreciation).

In exchange for the acquired fund’s shares, the Fund issued the following number of shares:

	Shares
Class 1	7,273,180
Class 2	1,137,310

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, the acquired fund’s cost of investments was carried forward. The financial statements reflect the operations of the Fund for the period prior to the merger and the combined Fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the acquired fund that have been included in the combined Fund’s Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2011, the Fund ‘s pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net decrease in net assets from operations for the year ended December 31, 2011, would have been approximately $0.7 million, $26.4 million, $(34.5) million and $(7.4) million, respectively.

Note 10. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Notes to Financial Statements *(continued)*

June 30, 2012

Note 11. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Supplemental Information
(Unaudited)

Change in Independent Registered Public Accounting Firm

At a meeting held on June 14, 2012, the Board, upon recommendation of the Audit Committee, approved the replacement of Ernst & Young LLP (Ernst & Young) as the independent registered public accounting firm for the Fund and certain other funds in the Columbia Family of Funds (collectively, the Funds) and appointed PricewaterhouseCoopers LLP (PwC). PwC's engagement is effective at the completion of Ernst & Young's audits of the financial statements of the Funds with fiscal years ending July 31, 2012, which are expected to be completed in September 2012. The Fund did not consult with PwC during the fiscal years ended December 31, 2011 and 2010 and through the June meeting.

Ernst & Young's reports on the financial statements of the Fund as of and for the fiscal years ended December 31, 2011 and 2010 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During such fiscal periods and through the June meeting, there were no: (1) disagreements between the Fund and Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Ernst & Young's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their reports, or (2) reportable events.

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — Large Cap Growth Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and all funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in March and April 2012, including reports based on analyses of data provided by an independent organization and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, the Chair of the Board and the Chair of the Contracts Committee (including materials relating to the Fund's expense cap), and the final materials were revised to reflect comments provided by these Board representatives. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board accords particular weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 10-12, 2012 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the continued investment in, and resources dedicated to, the Funds' operations and the successful completion of various integration initiatives and the consolidation of dozens of Funds. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain key portfolio management personnel. In that connection, the Independent Trustees took into account their meetings with Columbia Management's Chief Investment Officer (the CIO) and considered the CIO's successful execution of additional risk and portfolio management oversight applied to the Funds. The Independent Trustees also assessed Columbia Management's significant investment in upgrading technology (such as an equity trading system) and considered management's commitments to enhance existing resources in this area.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of analyses performed by an independent organization showing, for various periods, the performance of the Fund, the performance

Approval of Investment Management Services Agreement *(continued)*

of a benchmark index, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board observed that the Fund's investment performance was appropriate in light of the particular management style employed.

Comparative Fees, Costs of Services Provided and the Profits Realized by Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services to be provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability. The Board reviewed the fees charged to comparable institutional or other accounts/vehicles managed by Columbia Management and discussed differences in how the products are managed and operated, noting no unreasonable differences in the levels of contractual fees.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" (*i.e.*, that the total expense ratio of the Fund is at, or below, the median expense ratio of funds in the same comparison universe of the Fund). The Board took into account that the Fund's total expense ratio (after considering proposed expense caps/waivers) approximated the peer universe's median expense ratio. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that 2011 profitability, while slightly lower than 2010, was generally in line with the reported profitability of other asset management firms. The Board also considered the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 12, 2012, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

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Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

Columbia Variable Portfolio – Large Cap Growth Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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S-6465 C (08/12)

Semiannual Report

June 30, 2012

ColumbiaManagement®

Columbia Variable Portfolio — Money Market Fund

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

Table of Contents

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — Money Market Fund (the fund) Class 1 shares returned 0.00% for the six-month period ended June 30, 2012.

Average Annual Total Returns (%) (for period ended June 30, 2012)

	Inception	6 Months cumulative	1 Year	5 Years	10 Years
Class 1	01/01/89	0.00	0.00	1.06	1.73

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

An investment in the fund is not bank deposit and is not insured or guaranteed by Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

Portfolio Overview
(Unaudited)

Portfolio Breakdown (%) (at June 30, 2012)	
Asset-Backed Commercial Paper	14.3
Asset-Backed Securities — Non-Agency	2.3
Certificates of Deposit	14.4
Commercial Paper	33.2
Repurchase Agreements	6.5
Treasury Bills	10.4
U.S. Government & Agency Obligations	15.0
U.S. Government-Insured Debt	3.9

Percentages indicated are based upon the value of total investments. The Fund's portfolio composition is subject to change.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees, or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,000.00	1,024.17	0.70	0.70	0.14

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Asset-Backed Commercial Paper 14.1%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Fairway Finance Co. LLC[(a)] 07/23/12	0.170%	3,000,000	2,999,674
MetLife Short Term Funding[(a)] 08/03/12	0.160%	3,000,000	2,999,547
Old Line Funding LLC[(a)] 08/06/12	0.150%	3,000,000	2,999,538
Thunder Bay Funding LLC[(a)] 08/14/12	0.180%	2,000,000	1,999,550
Total Asset-Backed Commercial Paper (Cost: $10,998,309)			**10,998,309**

Commercial Paper 32.6%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Banking 15.3%			
ANZ National International Ltd.[(a)] 08/13/12	0.220%	3,000,000	2,999,193
Bank of Nova Scotia Trust Co. 07/02/12	0.090%	3,000,000	2,999,977
Canadian Imperial Holdings, Inc. 07/06/12	0.090%	3,000,000	2,999,950
State Street Corp. 07/10/12	0.170%	3,000,000	2,999,850
Total			11,998,970
Consumer Products 2.6%			
Procter & Gamble Co. (The)[(a)] 08/21/12	0.150%	2,000,000	1,999,567
Life Insurance 3.2%			
New York Life Capital Corp. 07/12/12	0.150%	2,500,000	2,499,866
Non-Captive Diversified 3.8%			
General Electric Capital Corp. 07/03/12	0.050%	3,000,000	2,999,985
Pharmaceuticals 7.7%			
Merck & Co, Inc. 08/27/12	0.120%	3,000,000	2,999,420
Pfizer, Inc.[(a)] 07/25/12	0.110%	3,000,000	2,999,771
Total			5,999,191
Total Commercial Paper (Cost: $25,497,579)			**25,497,579**

Certificates of Deposit 14.1%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Bank of Montreal 07/05/12	0.100%	3,000,000	3,000,000
Royal Bank of Canada 07/02/12	0.120%	3,000,000	3,000,000
Toronto Dominion Bank 08/10/12	0.170%	3,000,000	3,000,000
Westpac Banking Corp.[(b)] 07/03/12	0.270%	2,000,000	2,000,000
Total Certificates of Deposit (Cost: $11,000,000)			**11,000,000**

Treasury Bills 10.2%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
United States 10.2%			
U.S. Treasury Bills			
08/23/12	0.120%	3,000,000	2,999,437
09/13/12	0.110%	3,000,000	2,999,313
09/20/12	0.110%	2,000,000	1,999,498
Total Treasury Bills (Cost: $7,998,248)			**7,998,248**

U.S. Government & Agency Obligations 14.7%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Federal Home Loan Banks 08/20/12	0.080%	5,000,000	4,999,433
06/10/13	0.300%	1,000,000	1,000,000
Federal Home Loan Banks[(b)] 09/05/12	0.290%	2,500,000	2,500,000
Federal Home Loan Mortgage Corp. 07/17/12	0.110%	3,000,000	2,999,830
Total U.S. Government & Agency Obligations (Cost: $11,499,263)			**11,499,263**

U.S. Government-Insured Debt 3.8%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Straight-A Funding LLC[(a)(c)] U.S. Treasury Government Guaranty 07/25/12	0.150%	2,000,000	1,999,792
Straight-A Funding LLC[(c)] U.S. Treasury Government Guaranty 07/27/12	0.150%	1,000,000	999,887
Total U.S. Government-Insured Debt (Cost: $2,999,679)			**2,999,679**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Repurchase Agreements 6.4%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Tri-Party RBC Capital Markets LLC dated 06/29/12, due 07/02/12 at 1.500%, collateralized by U.S. Treasury obligation maturing 03/31/19, market value $5,100,047 (repurchase proceeds $5,000,033)	0.080%	5,000,000	5,000,000
Total Repurchase Agreements (Cost: $5,000,000)			**5,000,000**

Asset-Backed Securities — Non-Agency 2.2%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
ABS Other 1.2%			
CIT Equipment Collateral Series 2012-VT1 Class A1[(a)] 04/22/13	0.441%	504,888	504,888
GE Equipment Small Ticket LLC Series 2012-1A Class A1[(a)] 06/21/13	0.433%	207,630	207,630
Wheels SPV LLC Series 2012-1 Class A1[(a)] 05/20/13	0.500%	222,321	222,321
Total			934,839
Car Loan 1.0%			
Enterprise Fleet Financing LLC Series 2011-3 Class A1[(a)] 11/20/12	0.589%	103,871	103,871
Ford Credit Auto Lease Trust Series 2012-A Class A1[(a)] 03/15/13	0.358%	213,384	213,384
Honda Auto Receivables Owner Trust Series 2012-1 Class A1 03/15/13	0.413%	315,692	315,692
Nissan Auto Receivables Owner Trust Series 2012-A Class A1 03/15/13	0.359%	154,333	154,333
Total			787,280
Total Asset-Backed Securities — Non-Agency (Cost: $1,722,119)			**1,722,119**
Total Investments (Cost: $76,715,197)			**76,715,197**
Other Assets & Liabilities, Net			1,517,927
Net Assets			**78,233,124**

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2012, the value of these securities amounted to $22,248,726 or 28.44% of net assets.

(b) Variable rate security. The interest rate shown reflects the rate as of June 30, 2012.

(c) Funding for this debt is provided by the Federal Financing Bank, which is funded by the U.S. Department of the Treasury.

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

> Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.

> Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).

> Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third- party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Bonds				
Asset-Backed Securities — Non-Agency	—	1,722,119	—	1,722,119
U.S. Government & Agency Obligations	—	11,499,263	—	11,499,263
Total Bonds	—	13,221,382	—	13,221,382
Short-Term Securities				
Asset-Backed Commercial Paper	—	10,998,309	—	10,998,309
Certificates of Deposit	—	11,000,000	—	11,000,000
Commercial Paper	—	25,497,579	—	25,497,579
U.S. Government-Insured Debt	—	2,999,679	—	2,999,679
Repurchase Agreements	—	5,000,000	—	5,000,000
Treasury Bills	—	7,998,248	—	7,998,248
Total Short-Term Securities	—	63,493,815	—	63,493,815
Total	—	76,715,197	—	76,715,197

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category represent certain short-term obligations which are valued using amortized cost, an income approach which converts future cash flows to a present value based upon the discount or premium at purchase.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities
June 30, 2012 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $71,715,197)	$71,715,197
Repurchase agreements (identified cost $5,000,000)	5,000,000
Total investments (identified cost $76,715,197)	76,715,197
Cash	1,726,253
Receivable for:	
Interest	2,166
Expense reimbursement due from Investment Manager	28,179
Trustees' deferred compensation plan	36,680
Total assets	78,508,475
Liabilities	
Payable for:	
Capital shares purchased	172,530
Investment management fees	22,015
Transfer agent fees	3,774
Administration fees	9,435
Compensation of board members	1,974
Chief compliance officer expenses	410
Other expenses	28,533
Trustees' deferred compensation plan	36,680
Total liabilities	275,351
Net assets applicable to outstanding capital stock	**$78,233,124**
Represented by	
Paid-in capital	$78,272,119
Overdistributed net investment income	(34,345)
Accumulated net realized loss	(4,650)
Total — representing net assets applicable to outstanding capital stock	**$78,233,124**
Class 1	
Net assets	$78,233,124
Shares outstanding	78,318,723
Net asset value per share	$1.00

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations
Six Months Ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Interest	$57,787
Total income	57,787
Expenses:	
Investment management fees	145,075
Transfer agent fees	24,869
Administration fees	62,176
Compensation of board members	12,895
Custodian fees	7,242
Printing and postage fees	12,552
Professional fees	12,439
Chief compliance officer expenses	165
Other	6,853
Total expenses	284,266
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(226,479)
Total net expenses	57,787
Net investment income	—
Net increase in net assets resulting from operations	**$—**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$—	$—
Net realized gain	—	290
Net increase in net assets resulting from operations	—	290
Increase (decrease) in net assets from share transactions	(6,734,552)	(24,686,233)
Total decrease in net assets	(6,734,552)	(24,685,943)
Net assets at beginning of period	84,967,676	109,653,619
Net assets at end of period	**$78,233,124**	**$84,967,676**
Overdistributed net investment income	$(34,345)	$(34,345)

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	10,771,389	10,771,389	24,995,324	24,995,324
Redemptions	(17,505,941)	(17,505,941)	(49,681,557)	(49,681,557)
Net decrease	(6,734,552)	(6,734,552)	(24,686,233)	(24,686,233)
Total net decrease	**(6,734,552)**	**(6,734,552)**	**(24,686,233)**	**(24,686,233)**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following table is intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts of the Fund are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions, if any. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Six Months Ended June 30, 2012	Year Ended December 31,				
Class 1	**(Unaudited)**	**2011**	**2010**	**2009**	**2008**	**2007**
Per share data						
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:						
Net investment income	—	—	—	0.00[(a)]	0.03	0.05
Net realized and unrealized gain (loss)	—	0.00[(a)]	(0.00)[(a)]	—	0.00[(a)]	0.00[(a)]
Total from investment operations	—	0.00[(a)]	(0.00)[(a)]	0.00[(a)]	0.03	0.05
Less distributions to shareholders:						
Net investment income	—	—	(0.00)[(a)]	(0.00)[(a)]	(0.03)	(0.05)
Total distributions to shareholders	—	—	(0.00)[(a)]	(0.00)[(a)]	(0.03)	(0.05)
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Total return	0.00%	0.00%	0.03%	0.23%	2.58%[(b)]	5.02%
Ratios to average net assets						
Expenses prior to fees waived or expenses reimbursed	0.69%[(c)]	0.69%	0.67%	0.67%	0.64%	0.60%
Net expenses after fees waived or expenses reimbursed[(d)]	0.14%[(c)]	0.16%[(e)]	0.26%[(e)]	0.44%[(e)]	0.46%[(e)]	0.45%[(e)]
Net investment income	0.00%[(c)]	0.00%[(e)]	0.00%[(e)]	0.25%[(e)]	2.56%[(e)]	4.91%[(e)]
Supplemental data						
Net assets, end of period (in thousands)	$78,233	$84,968	$109,654	$128,732	$164,340	$181,348

Notes to Financial Highlights

(a) Rounds to less than $0.01.

(b) Had affiliates of the Investment Manager not reimbursed the Fund for realized losses on securities and not provided capital support, total return would have been 1.87%.

(c) Annualized.

(d) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(e) The benefits derived from expense reductions had an impact of less than 0.01%.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements
June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio — Money Market Fund (the Fund), a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

Securities in the Fund are valued utilizing the amortized cost valuation method permitted in accordance with Rule 2a-7 under the 1940 Act provided certain conditions are met, including that the Board of Trustees (the Board) continues to believe that the amortized cost valuation method fairly reflects the market-based net asset value per share of the Fund. This method involves valuing a portfolio security initially at its cost and thereafter assuming a constant accretion or amortization to maturity of any discount or premium, respectively. The Board has established procedures intended to stabilize the Fund's net asset value for purposes of sales and redemptions at $1.00 per share. These procedures include determinations, at such intervals as the Board deems appropriate and reasonable in light of current market conditions, of the extent, if any, to which the Fund's market-based net asset value deviates from $1.00 per share. In the event such deviation exceeds 1/2 of 1%, the Board will promptly consider what action, if any, should be initiated.

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Interest income is recorded on an accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund.

Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

Distributions to Subaccounts

Distributions from net investment income, if any, are declared daily and paid monthly. Net realized capital gains, if any, are distributed at least annually after the fiscal year in which the capital gains were earned or more frequently to seek to maintain a net asset value of $1.00 per share, unless offset by any available capital loss carryforward. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.35% to 0.25% as the Fund's net assets increase. The annualized effective management fee rate for the six months ended June 30, 2012 was 0.35% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to 0.15% of the Fund's average daily net assets.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligations of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer

The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

The Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below, through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any overdraft charges from the Fund's custodian, do not exceed the annual rate of 0.45% of the Fund's average daily net assets attributable to Class 1 shares.

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

In addition, the Investment Manager has voluntarily undertaken to waive its receipt of certain Fund expenses (consisting of investment management and administration fees) to the extent necessary in order to maintain a minimum annualized net yield of 0.00% for the Fund. This arrangement may be modified or terminated by the Investment Manager at any time.

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

At June 30, 2012, the cost of investments for federal income tax purposes was approximately $76,715,000.

The following capital loss carryforward, determined as of December 31, 2011 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount ($)
2013	415
2014	1,707
2015	2,520
2018	6
Total	4,648

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Shareholder Concentration

At June 30, 2012, one unaffiliated shareholder account owned 77.5% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such account. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 6. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Note 7. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 8. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Board Consideration and Approval of Advisory Agreement

At meetings held on March 7, 2012 and June 6, 2012, respectively, the Board of Trustees (the "Board") and the Trustees who are not interested persons (as defined in the Investment Company Act of 1940) of the Trust (the "Independent Trustees") unanimously approved the continuation of the Investment Management Services Agreement (the "Advisory Agreement") with Columbia Management Investment Advisers, LLC (the "Investment Manager") with respect to Columbia Variable Portfolio — Money Market Fund (the "Fund"), a series of the Trust. As detailed below, the Advisory Fees and Expenses Committee (the "Committee") and the Board met on multiple occasions to review and discuss, both among themselves and with the management team of the Investment Manager, materials provided by the Investment Manager before determining to approve each continuation of the Advisory Agreement.

In connection with their deliberations regarding each continuation of the Advisory Agreement, the Committee and the Board requested and evaluated materials from the Investment Manager regarding the Fund and the Advisory Agreement, and discussed these materials with representatives of the Investment Manager at Committee meetings held on March 6, 2012, April 25, 2012 and June 5, 2012, and at the Board meetings held on March 7, 2012 and June 6, 2012. In addition, the Board considers matters bearing on the Advisory Agreement at most of its other meetings throughout the year and meets regularly with senior management of the Funds and the Investment Manager. Through the Board's Investment Oversight Committees, Trustees also meet with selected Fund portfolio managers and other investment personnel at various times throughout the year. The Committee and the Board also consulted with Fund counsel and with the Independent Trustees' independent legal counsel, who advised on the legal standard for consideration by the Board and otherwise assisted the Board in its deliberations.

On March 6, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On March 7, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement for the Fund. The Committee and the Board met in June 2012 to consider the continuation of the Advisory Agreement for the one-year period ending June 30, 2013, so as to permit the annual consideration of the Advisory Agreement to be conducted each June. On June 5, 2012, the Committee recommended that the Board approve the continuation of the Advisory Agreement. On June 6, 2012, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

The Committee and the Board considered all information that they, their legal counsel, or the Investment Manager believed reasonably necessary to evaluate and to determine whether to approve the continuation of the Advisory Agreement. In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and individual Trustees may have attributed different weights to the various factors. The information and factors considered by the Committee and the Board in recommending for approval or approving the continuation of the Advisory Agreement for the Fund included the following:

- Information on the investment performance of the Fund relative to the performance of the Fund's benchmarks and the performance of a group of comparable mutual funds, as determined by an independent third-party data provider;
- Information on the Fund's advisory fees and total expenses, including information comparing the Fund's expenses to those of a group of comparable mutual funds, as determined by an independent third-party data provider;
- The Investment Manager's agreement to contractually limit or cap total operating expenses for the Fund so that total operating expenses (excluding certain fees and expenses, such as transaction costs and certain other investment related expenses, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) would not exceed the median expenses of a group of comparable funds (as determined from time to time, generally annually, by an independent third-party data provider);
- The terms and conditions of the Advisory Agreement, including that the advisory fee rates payable by the Fund would not change;
- The terms and conditions of other agreements and arrangements with affiliates of the Investment Manager relating to the operations of the Fund, including the Administrative Services Agreement, the Distribution Agreement and the Transfer and Dividend Disbursing Agent Agreement, noting in the case of the Transfer and Dividend Disbursing Agent Agreement certain proposed changes to the fee rates payable thereunder;
- Descriptions of various functions performed by the Investment Manager under the Advisory Agreement, including portfolio management and portfolio trading practices;

Board Consideration and Approval of Advisory Agreement *(continued)*

- Information regarding the management fees and investment performance of any comparable portfolios of other clients of the Investment Manager, including institutional separate accounts; and
- The profitability to the Investment Manager and its affiliates from their relationships with the Fund.

Nature, Extent and Quality of Services to be Provided under the Advisory Agreement

The Committee and the Board considered the nature, extent and quality of services provided to the Fund by the Investment Manager and its affiliates under the Advisory Agreement and under separate agreements for the provision of transfer agency and administrative services, and the resources dedicated to the Fund and the other Columbia Funds by the Investment Manager and its affiliates. The Committee and the Board considered, among other things, the Investment Manager's ability to attract, motivate and retain highly qualified research, advisory and supervisory investment professionals (including personnel and other resources, compensation programs for personnel involved in fund management, reputation and other attributes), the portfolio management services provided by those investment professionals, the quality of the Investment Manager's investment research capabilities and trade execution services, and the other resources that the Investment Manager devotes to the Fund. The Committee and the Board also considered the potential benefits to shareholders of investing in a mutual fund that is part of a fund complex offering exposure to a variety of asset classes and investment disciplines and providing a variety of fund and shareholder services.

The Committee and the Board also considered the professional experience and qualifications of the senior personnel of the Investment Manager. The Committee and the Board noted the compliance programs of and the compliance-related resources provided to the Fund by the Investment Manager and its affiliates, and considered the Investment Manager's ability to provide administrative services to the Fund pursuant to a separate administrative services agreement, including the Investment Manager's ability to coordinate the activities of the Fund's other service providers. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the expected nature, extent and quality of the services to be provided to the Fund under the Advisory Agreement supported the continuation of such agreement.

Investment Performance

The Committee and the Board reviewed information about the performance of the Fund over various time periods, including performance information relative to benchmarks and information based on reports of an independent third-party data provider that compared the performance of the Fund to the performance of a group of comparable mutual funds. The Committee and the Board also reviewed a description of the third party's methodology for identifying the Fund's peer groups for purposes of performance and expense comparisons. In the case of each Fund whose performance lagged that of a relevant peer group for certain (although not necessarily all) periods, the Committee and the Board concluded that other factors relevant to performance were sufficient, in light of other considerations, to warrant continuation of the Fund's Advisory Agreement. Those factors varied from fund to fund, but included one or more of the following: (i) that the Fund's performance, although lagging in certain recent periods, was stronger over the longer term; (ii) that the underperformance was attributable, to a significant extent, to investment decisions that were reasonable and consistent with the Fund's investment strategy and policies and that the Fund was performing within a reasonable range of expectations, given those investment decisions, market conditions and the Fund's investment strategy; (iii) that the Fund's performance was competitive when compared to other relevant performance benchmarks or peer groups; and (iv) that the Investment Manager had taken or was taking steps designed to help improve the Fund's investment performance, including, but not limited to, replacing portfolio managers, enhancing the resources supporting the portfolio managers, or modifying investment strategies.

The Committee and the Board noted that, through December 31, 2011, the Fund's performance was in the fifty-fourth, forty-forth and thirtieth percentiles (where the best performance would be in the first percentile) of its category selected by an independent third-party data provider for the purposes of performance comparisons for the one-, three- and five- year periods, respectively.

The Committee and the Board also considered the Investment Manager's performance and reputation generally, the Investment Manager's historical responsiveness to Board concerns about performance and the Investment Manager's

Board Consideration and Approval of Advisory Agreement *(continued)*

willingness to take steps intended to improve performance. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions regarding the Advisory Agreement, that the performance of the Fund and the Investment Manager was sufficient, in light of other considerations, to warrant the continuation of the Advisory Agreement.

Investment Advisory Fee Rates and Other Expenses

The Committee and the Board considered the advisory fees to be charged to the Fund under the Advisory Agreement as well as the total expenses to be incurred by the Fund. In assessing the reasonableness of the fees under the Advisory Agreement, the Committee and the Board considered, among other information, the Fund's advisory fee and its expected total expense ratio as a percentage of average daily net assets. The Committee and the Board noted that the Fund's actual management fee and total net expense ratio are ranked in the first and second quintiles, respectively, against the Fund's expense universe as determined by an independent third-party data provider for purposes of expense comparison. The Committee and the Board also took into account the fee waiver and expense limitation arrangements agreed to by the Investment Manager, as noted above.

The Committee and the Board also considered the fact that the advisory fee rates payable by the Fund to the Investment Manager under the Advisory Agreement were the same as those currently paid by the Fund to the Investment Manager.

The Committee and the Board also received and considered information about the advisory fees charged by the Investment Manager to institutional separate accounts. In considering the fees charged to those accounts, the Committee and the Board took into account, among other things, the Investment Manager's representations about the differences between managing mutual funds as compared to other types of accounts, including differences in the services provided, differences in the risk profile of such business for the Investment Manager and the additional resources required to manage mutual funds effectively. In evaluating the Fund's advisory fees, the Committee and the Board also took into account the demands, complexity and quality of the investment management of the Fund.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the advisory fee rates and expenses of the Fund supported the continuation of the Advisory Agreement.

Costs of Services to be Provided and Profitability

The Committee and the Board also took note of the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates in connection with their relationships with the Fund. In evaluating these considerations, the Committee and the Board took note of the advisory fees charged by the Investment Manager to other clients, including fees charged by the Investment Manager to any institutional separate account clients with similar investment strategies to those of the Fund.

The Committee and the Board also considered the compensation directly or indirectly received by the Investment Manager's affiliates in connection with their relationships with the Fund. The Committee and the Board reviewed information provided by management as to the profitability of the Investment Manager and its affiliates of their relationships with the Fund, and information about the allocation of expenses used to calculate profitability. When reviewing profitability, the Committee and the Board also considered court cases in which adviser profitability was an issue in whole or in part, the performance of the fund, the expense ratio of the fund, and the implementation of expense limitations with respect to the fund. The Committee and the Board also considered information provided by the Investment Manager regarding its financial condition and comparing its profitability to that of other asset management firms that are, or are subsidiaries of, publicly traded companies.

After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the profitability to the Investment Manager and its affiliates from their relationships with the Fund supported the continuation of the Advisory Agreement.

Board Consideration and Approval of Advisory Agreement *(continued)*

Economies of Scale

The Committee and the Board considered the potential existence of economies of scale in the provision by the Investment Manager of services to the Fund, to groups of related funds, and to the Investment Manager's investment advisory clients as a whole, and whether those economies of scale were shared with the Fund through breakpoints in investment advisory fees or other means, such as expense limitation arrangements and additional investments by the Investment Manager in investment, trading and compliance resources. The Committee and the Board noted that the investment advisory fee schedules for the Fund contained breakpoints that would reduce the fee rate on assets above specified threshold levels.

In considering these issues, the Committee and the Board also considered the costs of the services provided (both on an absolute and relative basis) and the profitability to the Investment Manager and its affiliates from their relationships with the Fund, as discussed above. After reviewing these and related factors, the Committee and the Board concluded, within the context of their overall conclusions, that the extent to which economies of scale were expected to be shared with the Fund supported the continuation of the Advisory Agreement.

Other Benefits to the Investment Manager

The Committee and the Board received and considered information regarding "fall-out" or ancillary benefits received by the Investment Manager and its affiliates as a result of their relationships with the Fund, such as the engagement of the Investment Manager to provide administrative services to the Fund and the engagement of the Investment Manager's affiliates to provide distribution and transfer agency services to the Fund. The Committee and the Board considered that the Fund's distributor retains a portion of the distribution fees from the Fund and receives a portion of the sales charges on sales or redemptions of certain classes of shares of the Fund. The Committee and the Board also considered the benefits of research made available to the Investment Manager by reason of brokerage commissions generated by the Fund's securities transactions, and reviewed information about the Investment Manager's practices with respect to allocating portfolio brokerage for brokerage and research services. The Committee and the Board considered the possible conflicts of interest associated with certain fall-out or other ancillary benefits and the reporting, disclosure and other processes that would be in place to address such possible conflicts of interest. The Committee and the Board recognized that the Investment Manager's profitability would be somewhat lower without these benefits.

Conclusion

The Committee and the Board reviewed all of the above considerations in reaching their decisions to recommend or approve the continuation of the Advisory Agreement. No single item was identified as paramount or controlling, and individual Trustees may have attributed different weights to various factors. Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent legal counsel, the Board, including the Independent Trustees, voting separately, unanimously approved the continuation of the Advisory Agreement.

Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Money Market Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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C-1515 C (08/12)

Semiannual Report

June 30, 2012

ColumbiaManagement®

Columbia Variable Portfolio — High Income Fund

Please remember that you may not buy (nor will you own) shares of the fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the fund. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Overview

(Unaudited)

Performance Summary

> Columbia Variable Portfolio — High Income Fund (the fund) Class 1 shares returned 6.63% for the six-month period ended June 30, 2012.

> The fund's benchmark, the Credit Suisse First Boston High Yield Index returned 6.66% for the same period.

Average Annual Total Returns (%) (for period ended June 30, 2012)

		6 Months cumulative	1 Year	5 Years	10 Years
Class 1	07/07/00	6.63	9.08	6.60	9.12
Class 2*	04/27/06	6.64	9.03	6.54	9.05
Credit Suisse First Boston High Yield Index		6.66	7.30	7.73	9.76

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

*The returns shown for periods prior to the share class inception date (including returns since inception if shown, which are since fund inception) include the returns of the fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

The Credit Suisse First Boston High Yield Index is a broad-based index that tracks the performance of high-yield bonds.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Portfolio Overview
(Unaudited)

Portfolio Breakdown (%) (at June 30, 2012)	
Corporate Bonds & Notes	95.6
Convertible Bonds	0.0[a]
Senior Loans	1.0
Common Stocks	0.2
Preferred Stocks	0.0[a]
Warrants	0.0[a]
Other[b]	3.2

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

(a) Includes investments in Money Market Funds.

(b) Rounds to less than 0.01%.

Quality Breakdown (%) (at June 30, 2012)	
BBB	4.5
BB	47.3
B	44.3
CCC	3.6
Not rated	0.3

Percentages indicated are based upon total fixed income securities (excluding Money Market Funds).

Bond ratings apply to the underlying holdings of the Fund and not the Fund itself and are divided into categories ranging from AAA (highest) to D (lowest), and are subject to change. The ratings shown are determined by using the average of the ratings from Moody's, S&P, and Fitch. When a rating from only two agencies is available, the average of the two is used. When a rating from only one agency is available, that rating is used. When a bond is not rated by any of these agencies, it is designated as Not rated. Credit ratings are subjective opinions and not statements of fact.

Portfolio Management

Brian Lavin

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing Your Fund's Expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount 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 results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare With Other Funds" below for details on how to use the hypothetical data.

Compare With Other Funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as redemption or exchange fees, or expenses that apply to the subaccount or the contract. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

January 1, 2012 – June 30, 2012

	Account Value at the Beginning of the Period ($)		Account Value at the End of the Period ($)		Expenses Paid During the Period ($)		Fund's Annualized Expense Ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,066.30	1,021.68	3.29	3.22	0.64
Class 2	1,000.00	1,000.00	1,066.40	1,021.38	3.60	3.52	0.70

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 366.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

June 30, 2012 (Unaudited)

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes 94.6%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 3.4%			
ADS Tactical, Inc. Senior Secured[a] 04/01/18	11.000%	1,254,000	1,257,135
BE Aerospace, Inc. Senior Unsecured 04/01/22	5.250%	468,000	479,700
Huntington Ingalls Industries, Inc. 03/15/18	6.875%	590,000	615,075
03/15/21	7.125%	836,000	873,620
Kratos Defense & Security Solutions, Inc. Senior Secured 06/01/17	10.000%	1,673,000	1,802,657
Oshkosh Corp. 03/01/17	8.250%	244,000	267,180
03/01/20	8.500%	811,000	900,210
TransDigm, Inc. 12/15/18	7.750%	56,000	61,460
Total			6,257,037
Automotive 2.7%			
Chrysler Group LLC/Co-Issuer, Inc. Secured 06/15/19	8.000%	284,000	291,810
06/15/21	8.250%	703,000	722,332
Collins & Aikman Products Co. Senior Subordinated Notes[a][b][c][d][e] 08/15/12	12.875%	620,000	62
Dana Holding Corp. Senior Unsecured 02/15/21	6.750%	38,000	41,040
Delphi Corp. 05/15/19	5.875%	255,000	272,213
05/15/21	6.125%	170,000	185,725
Lear Corp. Escrow Bond[c][d] 03/31/16	0.000%	595,000	893
Lear Corp. 03/15/20	8.125%	1,578,000	1,771,305
Schaeffler Finance BV[a] Senior Secured 02/15/17	7.750%	275,000	287,375
02/15/19	8.500%	322,000	341,320
Visteon Corp. 04/15/19	6.750%	957,000	930,682
Total			4,844,757

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Banking 0.4%			
Lloyds Banking Group PLC[a][b] 11/29/49	6.267%	682,000	409,200
Synovus Financial Corp. Senior Unsecured 02/15/19	7.875%	367,000	386,268
Total			795,468
Brokerage 1.6%			
E*Trade Financial Corp. Senior Unsecured 11/30/17	12.500%	2,015,000	2,309,694
Neuberger Berman Group LLC/Finance Corp.[a] Senior Unsecured 03/15/20	5.625%	221,000	229,840
03/15/22	5.875%	331,000	345,067
Total			2,884,601
Building Materials 2.0%			
Building Materials Corp. of America[a] Senior Notes 05/01/21	6.750%	1,140,000	1,219,800
Senior Secured 02/15/20	7.000%	440,000	474,100
Gibraltar Industries, Inc.[b] 12/01/15	8.000%	545,000	557,262
Interface, Inc. 12/01/18	7.625%	660,000	702,900
Norcraft Companies LP/Finance Corp. Secured 12/15/15	10.500%	306,000	300,645
Nortek, Inc. 12/01/18	10.000%	63,000	66,150
04/15/21	8.500%	260,000	254,150
Total			3,575,007
Chemicals 3.9%			
Celanese U.S. Holdings LLC 06/15/21	5.875%	136,000	145,860
Hexion US Finance Corp. Senior Secured 04/15/20	6.625%	777,000	796,425
Huntsman International LLC 03/15/21	8.625%	284,000	320,210
Ineos Finance PLC Senior Secured[a] 05/15/15	9.000%	756,000	793,800

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
JM Huber Corp. Senior Notes[a] 11/01/19	9.875%	490,000	526,750
Koppers, Inc. 12/01/19	7.875%	565,000	608,788
LyondellBasell Industries NV[a] 11/15/21	6.000%	1,904,000	2,089,640
Senior Notes 04/15/24	5.750%	1,039,000	1,111,730
Momentive Performance Materials, Inc. Secured 06/15/14	12.500%	62,000	64,635
Nova Chemicals Corp. Senior Unsecured 11/01/19	8.625%	6,000	6,795
Polypore International, Inc. 11/15/17	7.500%	545,000	578,381
Total			7,043,014
Construction Machinery 4.4%			
Ashtead Capital, Inc.[a][f] 07/15/22	6.500%	132,000	132,000
CNH Capital LLC[a] 11/01/16	6.250%	692,000	740,440
Case New Holland, Inc. 12/01/17	7.875%	1,405,000	1,622,775
Columbus McKinnon Corp. 02/01/19	7.875%	188,000	199,280
Manitowoc Co., Inc. (The) 11/01/20	8.500%	1,155,000	1,247,400
Neff Rental LLC/Finance Corp. Secured[a] 05/15/16	9.625%	739,000	739,000
Terex Corp. 04/01/20	6.500%	413,000	418,163
UR Merger Sub Corp. 12/15/19	9.250%	1,315,000	1,466,225
Senior Unsecured 02/01/21	8.250%	290,000	308,850
UR Merger Sub Corp.[a] 05/15/20	7.375%	223,000	233,035
04/15/22	7.625%	557,000	583,457
Secured 07/15/18	5.750%	269,000	279,760
Total			7,970,385

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Consumer Cyclical Services 0.3%			
Goodman Networks, Inc. Senior Secured[a] 07/01/18	12.125%	497,000	521,850
Consumer Products 1.1%			
Libbey Glass, Inc.[a] 05/15/20	6.875%	196,000	202,370
Mead Products LLC/ACCO Brands Corp.[a] 04/30/20	6.750%	194,000	204,670
Spectrum Brands, Inc. Senior Secured 06/15/18	9.500%	1,220,000	1,378,600
Spectrum Brands, Inc.[a] 03/15/20	6.750%	133,000	137,323
Total			1,922,963
Diversified Manufacturing 0.9%			
Actuant Corp.[a] 06/15/22	5.625%	261,000	267,525
Amsted Industries, Inc. Senior Notes[a] 03/15/18	8.125%	1,095,000	1,163,438
CPM Holdings, Inc. Senior Secured[b] 09/01/14	10.625%	164,000	173,840
Tomkins LLC/Inc. Secured[b] 10/01/18	9.000%	94,000	104,575
Total			1,709,378
Electric 1.6%			
AES Corp. (The) Senior Unsecured 10/15/17	8.000%	97,000	110,337
AES Corp. (The)[a] Senior Unsecured 07/01/21	7.375%	845,000	940,062
CMS Energy Corp. Senior Unsecured 03/15/22	5.050%	137,000	142,102
Calpine Corp. Senior Secured[a] 02/15/21	7.500%	430,000	466,550
GenOn Energy, Inc. Senior Unsecured 10/15/18	9.500%	401,000	396,489

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Ipalco Enterprises, Inc. Senior Secured 05/01/18	5.000%	220,000	222,750
Ipalco Enterprises, Inc.[a] Senior Secured 04/01/16	7.250%	525,000	572,250
Total			2,850,540
Entertainment 0.7%			
AMC Entertainment, Inc. 06/01/19	8.750%	952,000	1,021,020
Speedway Motorsports, Inc. 02/01/19	6.750%	330,000	344,438
Total			1,365,458
Food and Beverage 0.7%			
Cott Beverages, Inc. 11/15/17	8.375%	659,000	716,663
09/01/18	8.125%	545,000	594,731
Total			1,311,394
Gaming 3.1%			
Caesars Entertainment Operating Co., Inc. Senior Secured[a] 02/15/20	8.500%	752,000	757,640
Chester Downs & Marina LLC Senior Secured[a] 02/01/20	9.250%	343,000	357,577
MGM Resorts International Senior Secured 03/15/20	9.000%	1,218,000	1,358,070
ROC Finance LLC/Corp. Secured[a] 09/01/18	12.125%	554,000	623,250
Seminole Indian Tribe of Florida[a] 10/01/17	7.750%	500,000	545,000
Senior Secured 10/01/20	6.535%	1,260,000	1,293,768
Seneca Gaming Corp.[a] 12/01/18	8.250%	488,000	500,200
Tunica-Biloxi Gaming Authority Senior Unsecured[a] 11/15/15	9.000%	236,000	221,840
Total			5,657,345

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gas Pipelines 3.8%			
El Paso LLC Senior Unsecured 06/01/18	7.250%	322,000	369,898
09/15/20	6.500%	1,014,000	1,110,330
01/15/32	7.750%	1,355,000	1,523,494
MarkWest Energy Partners LP/Finance Corp. 06/15/22	6.250%	705,000	727,031
Northwest Pipeline GP Senior Unsecured 12/01/25	7.125%	150,000	198,082
Regency Energy Partners LP/Finance Corp. 12/01/18	6.875%	1,195,000	1,260,725
07/15/21	6.500%	848,000	890,400
Southern Star Central Corp. Senior Unsecured 03/01/16	6.750%	859,000	867,590
Total			6,947,550
Health Care 5.9%			
American Renal Holdings, Inc. Senior Secured 05/15/18	8.375%	249,000	263,317
CHS/Community Health Systems, Inc. 11/15/19	8.000%	530,000	564,450
ConvaTec Healthcare E SA Senior Unsecured[a] 12/15/18	10.500%	882,000	886,410
Fresenius Medical Care U.S. Finance II, Inc.[a] 07/31/19	5.625%	164,000	170,970
01/31/22	5.875%	212,000	220,745
Fresenius Medical Care U.S. Finance, Inc.[a] 09/15/18	6.500%	136,000	147,900
02/15/21	5.750%	730,000	761,025
HCA, Inc. Senior Secured 02/15/20	6.500%	1,368,000	1,482,570
09/15/20	7.250%	2,675,000	2,942,500
Health Management Associates, Inc. Senior Unsecured[a] 01/15/20	7.375%	357,000	379,759
Kinetic Concepts, Inc./KCI U.S.A., Inc.[a] 11/01/18	10.500%	505,000	530,250
PSS World Medical, Inc.[a] 03/01/22	6.375%	82,000	84,050
Physio-Control International, Inc. Senior Secured[a] 01/15/19	9.875%	422,000	449,430

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
STHI Holding Corp. Secured[a]			
03/15/18	8.000%	198,000	209,385
Vanguard Health Holding Co. II LLC/Inc.			
02/01/18	8.000%	1,110,000	1,134,975
02/01/19	7.750%	388,000	391,880
Vanguard Health Holding Co. II LLC/Inc.[a]			
02/01/19	7.750%	101,000	102,263
Total			10,721,879
Healthcare Insurance 0.3%			
AMERIGROUP Corp. Senior Unsecured			
11/15/19	7.500%	449,000	482,675
Home Construction 0.7%			
KB Home			
03/15/20	8.000%	210,000	214,200
Meritage Homes Corp.[a]			
04/01/22	7.000%	198,000	203,940
Shea Homes LP/Funding Corp. Senior Secured			
05/15/19	8.625%	333,000	357,975
Taylor Morrison Communities, Inc./Monarch[a]			
04/15/20	7.750%	428,000	447,260
Total			1,223,375
Independent Energy 11.8%			
Antero Resources Finance Corp.			
12/01/17	9.375%	31,000	34,255
08/01/19	7.250%	114,000	117,990
Berry Petroleum Co. Senior Unsecured			
11/01/20	6.750%	180,000	187,200
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	880,000	919,600
Chaparral Energy, Inc.			
10/01/20	9.875%	224,000	248,920
09/01/21	8.250%	1,191,000	1,259,482
Chaparral Energy, Inc.[a]			
11/15/22	7.625%	60,000	60,750
Chesapeake Energy Corp.			
08/15/20	6.625%	1,499,000	1,480,262
02/15/21	6.125%	868,000	839,790
Cimarex Energy Co.			
05/01/22	5.875%	631,000	654,663
Comstock Resources, Inc.			
06/15/20	9.500%	799,000	787,015

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Concho Resources, Inc.			
10/01/17	8.625%	149,000	164,273
01/15/21	7.000%	806,000	862,420
01/15/22	6.500%	382,000	397,280
Continental Resources, Inc.			
10/01/19	8.250%	65,000	72,638
10/01/20	7.375%	377,000	420,355
04/01/21	7.125%	145,000	161,494
Continental Resources, Inc.[a]			
09/15/22	5.000%	1,084,000	1,100,260
EP Energy LLC/Finance, Inc.[a] Senior Secured			
05/01/19	6.875%	553,000	577,885
Senior Unsecured			
05/01/20	9.375%	674,000	698,433
Kodiak Oil & Gas Corp.[a]			
12/01/19	8.125%	1,486,000	1,530,580
Laredo Petroleum, Inc.			
02/15/19	9.500%	863,000	962,245
Laredo Petroleum, Inc.[a]			
05/01/22	7.375%	352,000	364,320
MEG Energy Corp.[a]			
03/15/21	6.500%	580,000	592,325
Newfield Exploration Co. Senior Unsecured			
07/01/24	5.625%	827,000	845,607
Oasis Petroleum, Inc.			
02/01/19	7.250%	676,000	692,900
11/01/21	6.500%	670,000	663,300
Oasis Petroleum, Inc.[f]			
01/15/23	6.875%	428,000	429,605
Petrohawk Energy Corp.			
08/15/18	7.250%	1,002,000	1,126,823
06/01/19	6.250%	56,000	62,662
QEP Resources, Inc. Senior Unsecured			
03/01/21	6.875%	940,000	1,043,400
10/01/22	5.375%	145,000	145,181
Range Resources Corp.			
06/01/21	5.750%	995,000	1,039,775
08/15/22	5.000%	86,000	84,925
SM Energy Co. Senior Unsecured			
11/15/21	6.500%	264,000	268,620
SM Energy Co.[a] Senior Notes			
01/01/23	6.500%	204,000	205,530

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
WPX Energy, Inc. Senior Unsecured[a]			
01/15/22	6.000%	163,000	162,185
Whiting Petroleum Corp.			
10/01/18	6.500%	32,000	34,080
Total			21,299,028
Lodging 0.1%			
Choice Hotels International, Inc.			
07/01/22	5.750%	206,000	215,389
Media Cable 3.4%			
CCO Holdings LLC/Capital Corp.			
04/30/20	8.125%	1,681,000	1,882,720
01/31/22	6.625%	149,000	159,430
CSC Holdings LLC Senior Unsecured			
02/15/19	8.625%	555,000	641,025
CSC Holdings LLC[a] Senior Unsecured			
11/15/21	6.750%	826,000	879,690
DISH DBS Corp.			
09/01/19	7.875%	768,000	885,120
06/01/21	6.750%	1,432,000	1,546,560
Quebecor Media, Inc.[a][c][d]			
01/15/49	9.750%	1,855,000	96,460
Videotron Ltee[a]			
07/15/22	5.000%	5,000	5,075
Total			6,096,080
Media Non-Cable 5.5%			
AMC Networks, Inc.[a]			
07/15/21	7.750%	997,000	1,099,193
Clear Channel Worldwide Holdings, Inc.			
12/15/17	9.250%	759,000	827,310
Clear Channel Worldwide Holdings, Inc.[a]			
03/15/20	7.625%	172,000	164,690
03/15/20	7.625%	1,338,000	1,307,895
Hughes Satellite Systems Corp. Senior Secured			
06/15/19	6.500%	433,000	460,063
Intelsat Jackson Holdings SA			
04/01/19	7.250%	580,000	609,000
Intelsat Jackson Holdings SA[a]			
10/15/20	7.250%	561,000	589,050
Lamar Media Corp.			
04/15/18	7.875%	37,000	40,700

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Lamar Media Corp.[a]			
02/01/22	5.875%	420,000	430,500
National CineMedia LLC Senior Unsecured			
07/15/21	7.875%	403,000	427,180
National CineMedia LLC[a] Senior Secured			
04/15/22	6.000%	435,000	442,613
Nielsen Finance LLC/Co.			
10/15/18	7.750%	590,000	653,425
Salem Communications Corp. Secured			
12/15/16	9.625%	1,130,000	1,247,237
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates[c][d]			
07/01/15	9.300%	24,660	24,660
Univision Communications, Inc.[a] Senior Secured			
05/15/19	6.875%	473,000	487,190
11/01/20	7.875%	1,075,000	1,150,250
Ziff Davis Media, Inc.[b][c][d][e]			
12/15/11	13.500%	68,749	1,794
Total			9,962,750
Metals 4.6%			
Alpha Natural Resources, Inc.			
06/01/19	6.000%	569,000	486,495
06/01/21	6.250%	53,000	44,520
Arch Coal, Inc.			
06/15/19	7.000%	508,000	429,260
06/15/21	7.250%	38,000	31,825
CONSOL Energy, Inc.			
04/01/17	8.000%	885,000	918,187
04/01/20	8.250%	90,000	94,500
Calcipar SA Senior Secured[a]			
05/01/18	6.875%	834,000	821,490
FMG Resources August 2006 Proprietary Ltd.[a]			
02/01/16	6.375%	372,000	376,650
02/01/18	6.875%	204,000	206,040
11/01/19	8.250%	731,000	773,033
Senior Unsecured			
04/01/22	6.875%	334,000	336,505
Inmet Mining Corp. Senior Notes[a]			
06/01/20	8.750%	1,022,000	1,011,780
JMC Steel Group Senior Notes[a]			
03/15/18	8.250%	792,000	786,060

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Neenah Foundry Co. Secured PIK 07/29/15	15.000%	271,397	267,326
Novelis, Inc. 12/15/20	8.750%	85,000	91,588
Peabody Energy Corp.[a] 11/15/18	6.000%	518,000	515,410
11/15/21	6.250%	562,000	556,380
Rain CII Carbon LLC/Corp. Senior Secured[a] 12/01/18	8.000%	635,000	641,350
Total			8,388,399
Non-Captive Consumer 1.4%			
SLM Corp. Senior Notes 01/25/16	6.250%	493,000	517,650
Senior Unsecured 03/25/20	8.000%	808,000	884,760
01/25/22	7.250%	459,000	485,392
Springleaf Finance Corp. Senior Unsecured 12/15/17	6.900%	799,000	635,205
Total			2,523,007
Non-Captive Diversified 6.3%			
AerCap Aviation Solutions BV[a] 05/30/17	6.375%	473,000	475,365
Ally Financial, Inc. 02/15/17	5.500%	344,000	349,415
03/15/20	8.000%	3,669,000	4,219,350
09/15/20	7.500%	52,000	58,435
CIT Group, Inc. Senior Unsecured 03/15/18	5.250%	794,000	819,805
05/15/20	5.375%	394,000	401,880
CIT Group, Inc.[a] Senior Secured 04/01/18	6.625%	695,000	748,862
Senior Unsecured 02/15/19	5.500%	1,429,000	1,471,870
International Lease Finance Corp. Senior Unsecured 09/01/17	8.875%	145,000	163,850
04/01/19	5.875%	509,000	509,493
12/15/20	8.250%	1,485,000	1,700,582
01/15/22	8.625%	401,000	464,387
Total			11,383,294

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Oil Field Services 1.9%			
Atwood Oceanics, Inc. Senior Unsecured 02/01/20	6.500%	799,000	834,955
Offshore Group Investments Ltd. Senior Secured 08/01/15	11.500%	1,386,000	1,503,810
Offshore Group Investments Ltd.[a] Senior Secured 08/01/15	11.500%	340,000	368,900
Oil States International, Inc. 06/01/19	6.500%	686,000	713,440
Total			3,421,105
Other Industry 0.4%			
Interline Brands, Inc. 11/15/18	7.000%	694,000	721,760
Packaging 2.9%			
Ardagh Packaging Finance PLC Senior Secured[a] 10/15/17	7.375%	1,022,000	1,085,875
Greif, Inc. Senior Unsecured 08/01/19	7.750%	633,000	721,620
Reynolds Group Issuer, Inc./LLC[a] 08/15/19	9.875%	375,000	389,063
08/15/19	9.875%	740,000	767,750
Senior Secured 08/15/19	7.875%	2,073,000	2,244,022
Total			5,208,330
Paper 0.3%			
Cascades, Inc. 01/15/20	7.875%	500,000	500,000
Pharmaceuticals 1.4%			
Endo Health Solutions, Inc. 01/15/22	7.250%	259,000	280,691
Grifols, Inc. 02/01/18	8.250%	579,000	620,977
Mylan, Inc.[a] 07/15/17	7.625%	785,000	863,500
11/15/18	6.000%	530,000	557,825
Pharmaceutical Product Development, Inc. Senior Unsecured[a] 12/01/19	9.500%	185,000	202,344
Total			2,525,337

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Property & Casualty —%			
Lumbermens Mutual Casualty Co.[(a)(e)]			
12/01/97	8.450%	30,000	75
Subordinated Notes			
07/01/26	9.150%	645,000	1,613
Total			1,688
Retailers 1.5%			
AutoNation, Inc.			
02/01/20	5.500%	37,000	37,740
Limited Brands, Inc.			
04/01/21	6.625%	370,000	404,225
02/15/22	5.625%	649,000	668,470
QVC, Inc.			
Senior Secured[(a)(f)]			
07/02/22	5.125%	131,000	133,721
Rite Aid Corp.			
08/15/20	8.000%	870,000	985,275
Sally Holdings LLC/Capital, Inc.			
11/15/19	6.875%	180,000	195,750
06/01/22	5.750%	155,000	162,169
Sonic Automotive, Inc.			
Senior Subordinated Notes[(a)(f)]			
07/15/22	7.000%	142,000	146,970
Total			2,734,320
Technology 3.7%			
Alliance Data Systems Corp.[(a)]			
04/01/20	6.375%	229,000	230,145
Amkor Technology, Inc.			
Senior Unsecured			
06/01/21	6.625%	780,000	778,050
Anixter, Inc.			
05/01/19	5.625%	131,000	134,930
Brocade Communications Systems, Inc.			
Senior Secured			
01/15/20	6.875%	520,000	562,900
CDW LLC/Finance Corp.			
04/01/19	8.500%	261,000	277,965
Senior Secured			
12/15/18	8.000%	1,050,000	1,139,250
Cardtronics, Inc.			
09/01/18	8.250%	93,000	102,533
CommScope, Inc.[(a)]			
01/15/19	8.250%	103,000	108,922

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Equinix, Inc.			
Senior Unsecured			
07/15/21	7.000%	245,000	270,725
First Data Corp.			
01/15/21	12.625%	455,000	455,569
First Data Corp.[(a)]			
Senior Secured			
06/15/19	7.375%	885,000	902,700
08/15/20	8.875%	165,000	178,612
Interactive Data Corp.			
08/01/18	10.250%	880,000	979,000
NXP BV/Funding LLC			
Senior Secured[(a)]			
08/01/18	9.750%	502,000	574,790
Total			6,696,091
Transportation Services 0.8%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	402,000	431,145
03/15/20	9.750%	290,000	322,263
Hertz Corp. (The)			
01/15/21	7.375%	606,000	648,420
Total			1,401,828
Wireless 4.4%			
Cricket Communications, Inc.			
10/15/20	7.750%	351,000	335,205
Senior Secured			
05/15/16	7.750%	1,012,000	1,073,985
MetroPCS Wireless, Inc.			
11/15/20	6.625%	277,000	272,845
NII Capital Corp.			
04/01/21	7.625%	561,000	481,058
Sprint Capital Corp.			
11/15/28	6.875%	1,830,000	1,473,150
Sprint Nextel Corp.[(a)]			
11/15/18	9.000%	2,277,000	2,555,932
03/01/20	7.000%	254,000	264,160
Wind Acquisition Finance SA			
Senior Secured[(a)]			
02/15/18	7.250%	1,677,000	1,467,375
Total			7,923,710
Wirelines 6.7%			
CenturyLink, Inc.			
Senior Unsecured			
06/15/21	6.450%	1,690,000	1,758,573
03/15/22	5.800%	1,312,000	1,306,103

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Frontier Communications Corp. Senior Unsecured			
04/15/20	8.500%	772,000	818,320
07/01/21	9.250%	575,000	618,125
04/15/22	8.750%	190,000	199,500
Integra Telecom Holdings, Inc. Senior Secured[(a)]			
04/15/16	10.750%	240,000	233,400
Level 3 Financing, Inc.			
02/01/18	10.000%	242,000	261,965
04/01/19	9.375%	936,000	1,010,880
07/01/19	8.125%	558,000	572,648
PAETEC Holding Corp. Senior Secured			
06/30/17	8.875%	1,075,000	1,158,312
Qwest Corp. Senior Unsecured			
12/01/21	6.750%	2,386,000	2,684,684
Windstream Corp.			
10/15/20	7.750%	955,000	1,012,300
Zayo Escrow Corp. Senior Secured[(a)]			
01/01/20	8.125%	425,000	444,125
Total			12,078,935
Total Corporate Bonds & Notes (Cost: $165,740,192)			**171,165,727**

Convertible Bonds —%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wirelines —%			
At Home Corp. Subordinated Notes[(c)(d)(e)]			
06/12/15	4.750%	296,351	30
Total Convertible Bonds (Cost: $—)			**30**

Senior Loans 1.0%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Electric —%			
BHM Technologies LLC Exit Term Loan[(c)(d)(e)(g)]			
10/12/26	6.313%	386,034	1,042
Food and Beverage 0.2%			
Candy Intermediate Holdings, Inc. Tranche B Term Loan[(b)(g)]			
06/18/18	7.500%	247,000	245,841
Media Non-Cable 0.2%			
Cumulus Media Holdings, Inc. 2nd Lien Term Loan[(b)(g)]			
03/18/19	7.500%	309,000	310,740
Property & Casualty 0.5%			
Lonestar Intermediate Super Holdings LLC Term Loan[(b)(g)]			
09/02/19	11.000%	910,000	941,850
Wirelines 0.1%			
Zayo Group LLC Term Loan[(b)(f)(g)]			
06/30/19	7.125%	206,000	206,478
Total Senior Loans (Cost: $2,632,703)			**1,705,951**

Common Stocks 0.2%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Media —%		
Haights Cross Communications, Inc.[(c)(d)(h)(i)]	27,056	—
Ziff Davis Holdings, Inc.[(c)(d)(i)]	553	5
Total		5
Total Consumer Discretionary		**5**
Consumer Staples —%		
Beverages —%		
Cott Corp.[(i)]	1,700	13,957
Industrials —%		
Airlines —%		
Delta Air Lines, Inc.[(i)]	399	4,369
Building Products —%		
BHM Technologies LLC[(c)(d)]	35,922	359
Commercial Services & Supplies —%		
Quad/Graphics, Inc.	3,118	44,837
Road & Rail —%		
Quality Distribution, Inc.[(i)]	195	2,163
Total		51,728

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Information Technology —%		
Communications Equipment —%		
Loral Space & Communications, Inc.	6	404
Total Information Technology		**404**
Materials 0.2%		
Metals & Mining 0.2%		
Neenah Enterprises, Inc.[(c)(d)(i)]	45,482	334,293
Total Materials		**334,293**
Utilities —%		
Independent Power Producers & Energy Traders —%		
Calpine Corp. Escrow[(c)(d)(h)]	6,049,000	—
Total Common Stocks (Cost: $845,401)		**400,387**

Preferred Stocks —%

Issuer	Shares	Value ($)
Industrials —%		
Industrial Conglomerates —%		
BHM Technologies LLC[(c)(d)(i)]	430	4
Total Preferred Stocks (Cost: $23)		**4**

Warrants —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Media —%		
ION Media Networks, Inc.[(c)(d)(i)]		
12/18/16	62	1
12/18/16	61	—
Total Warrants (Cost: $316,604)		**1**

Money Market Funds 3.2%

Issuer	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.152%[(j)(k)]	5,714,716	5,714,716
Total Money Market Funds (Cost: $5,714,716)		**5,714,716**
Total Investments (Cost: $175,249,639)		**178,986,816**
Other Assets & Liabilities, Net		**1,881,305**
Net Assets		**180,868,121**

Notes to Portfolio of Investments

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2012, the value of these securities amounted to $59,549,699 or 32.92% of net assets.

(b) Variable rate security. The interest rate shown reflects the rate as of June 30, 2012.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Notes to Portfolio of Investments *(continued)*

(c) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at June 30, 2012 was $459,603, representing 0.25% of net assets. Information concerning such security holdings at June 30, 2012 was as follows:

Security Description	Acquisition Dates	Cost ($)
At Home Corp. Subordinated Notes 4.750% 06/12/15	07/26/05	—
BHM Technologies LLC Exit Term Loan 6.313% 10/12/26	06/21/07 - 03/31/10	951,580
BHM Technologies LLC	07/21/06	1,940
BHM Technologies LLC	07/21/06	23
Calpine Corp. Escrow	09/29/11	—
Collins & Aikman Products Co. Senior Subordinated Notes 12.875% 08/15/12	08/12/04 - 04/12/05	488,810
Haights Cross Communications, Inc.	01/15/04 - 02/03/06	307972
ION Media Networks, Inc. 12/18/16	12/19/05 - 04/14/09	159,589
12/18/16	12/19/05 - 04/14/09	157,015
Lear Corp. Escrow Bond 0.000% 03/31/16	11/20/06 - 07/24/08	—
Neenah Enterprises, Inc.	08/02/10	385,233
Quebecor Media, Inc. 9.750% 01/15/49	01/17/07 - 07/24/08	15,441
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates 9.300% 07/01/15	01/27/03	23,745
Ziff Davis Media, Inc. 13.500% 12/15/11	07/01/08 - 04/15/11	53,372
Ziff Davis Holdings, Inc.	07/01/08	6

(d) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At June 30, 2012, the value of these securities amounted to $459,603, which represents 0.25% of net assets.

(e) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At June 30, 2012, the value of these securities amounted to $4,616, which represents 0.00% of net assets.

(f) Represents a security purchased on a when-issued or delayed delivery basis.

(g) Senior loans have rates of interest that float periodically based primarily on the London Interbank Offered Rate ("LIBOR") and other short-term rates. The interest rate shown reflects the weighted average coupon as of June 30, 2012. The interest rate shown for senior loans purchased on a when-issued or delayed delivery basis, if any, reflects an estimated average coupon. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty.

(h) Negligible market value.

(i) Non-income producing.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Notes to Portfolio of Investments *(continued)*

(j) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the period ended June 30, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Sales Cost/ Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	4,728,321	30,783,088	(29,796,693)	—	5,714,716	4,050	5,714,716

(k) The rate shown is the seven-day current annualized yield at June 30, 2012.

Abbreviation Legend

PIK Payment-in-Kind

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendation of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*
June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at June 30, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Bonds				
Corporate Bonds & Notes				
Aerospace & Defense	—	6,257,037	—	6,257,037
Automotive	—	4,843,802	955	4,844,757
Banking	—	795,468	—	795,468
Brokerage	—	2,884,601	—	2,884,601
Building Materials	—	3,575,007	—	3,575,007
Chemicals	—	7,043,014	—	7,043,014
Construction Machinery	—	7,970,385	—	7,970,385
Consumer Cyclical Services	—	521,850	—	521,850
Consumer Products	—	1,922,963	—	1,922,963
Diversified Manufacturing	—	1,709,378	—	1,709,378
Electric	—	2,850,540	—	2,850,540
Entertainment	—	1,365,458	—	1,365,458
Food and Beverage	—	1,311,394	—	1,311,394
Gaming	—	5,657,345	—	5,657,345
Gas Pipelines	—	6,947,550	—	6,947,550
Health Care	—	10,721,879	—	10,721,879
Healthcare Insurance	—	482,675	—	482,675
Home Construction	—	1,223,375	—	1,223,375
Independent Energy	—	21,299,028	—	21,299,028
Lodging	—	215,389	—	215,389
Media Cable	—	5,999,620	96,460	6,096,080
Media Non-Cable	—	9,936,296	26,454	9,962,750
Metals	—	8,388,399	—	8,388,399
Non-Captive Consumer	—	2,523,007	—	2,523,007
Non-Captive Diversified	—	11,383,294	—	11,383,294
Oil Field Services	—	3,421,105	—	3,421,105
Other Industry	—	721,760	—	721,760
Packaging	—	5,208,330	—	5,208,330
Paper	—	500,000	—	500,000
Pharmaceuticals	—	2,525,337	—	2,525,337
Property & Casualty	—	1,688	—	1,688
Retailers	—	2,734,320	—	2,734,320
Technology	—	6,696,091	—	6,696,091
Transportation Services	—	1,401,828	—	1,401,828
Wireless	—	7,923,710	—	7,923,710

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Wirelines	—	12,078,935	—	12,078,935
Convertible Bonds	—	—	30	30
Total Bonds	—	171,041,858	123,899	171,165,757
Senior Loans				
Electric	—	—	1,042	1,042
Food and Beverage	—	245,841	—	245,841
Media Non-Cable	—	310,740	—	310,740
Property & Casualty	—	941,850	—	941,850
Wirelines	—	206,478	—	206,478
Total Senior Loans	—	1,704,909	1,042	1,705,951
Equity Securities				
Common Stocks				
Consumer Discretionary	—	—	5	5
Consumer Staples	13,957	—	—	13,957
Industrials	51,369	—	359	51,728
Information Technology	404	—	—	404
Materials	—	—	334,293	334,293
Preferred Stocks				
Industrials	—	—	4	4
Warrants				
Consumer Discretionary	—	—	1	1
Total Equity Securities	65,730	—	334,662	400,392
Other				
Money Market Funds	5,714,716	—	—	5,714,716
Total Other	5,714,716	—	—	5,714,716
Total	5,780,446	172,746,767	459,603	178,986,816

See the Portfolio of Investments for all investment classifications not indicated in the table.

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

June 30, 2012 (Unaudited)

Fair Value Measurements *(continued)*

The following table is a reconciliation of level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes ($)	Convertible Bonds ($)	Senior Loans ($)	Preferred Stocks ($)	Common Stocks ($)	Warrants ($)	Total ($)
Balance as of December 31, 2011	127,721	30	1,042	4	204,579	1	333,377
Accrued discounts/premiums	1,304	—	—	—	—	—	1,304
Realized gain (loss)	—	—	—	—	—	—	—
Change in unrealized appreciation (depreciation)[(a)]	(153)	—	—	—	130,079	—	129,926
Sales	(5,003)	—	—	—	—	—	(5,003)
Purchases	—	—	—	—	—	—	—
Transfers into Level 3	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—
Balance as of June 30, 2012	123,869	30	1,042	4	334,658	1	459,604

(a) Change in unrealized appreciation (depreciation) relating to securities held at June 30, 2012 was $129,926.

The Fund does not hold any significant investments with unobservable inputs which are categorized as Level 3.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances. Certain corporate bonds, convertible bonds, senior loans, warrants, common and preferred stock classified as Level 3 are valued using an income approach. To determine fair value for these securities, management considered estimates of future distributions from the liquidation of company assets or potential actions related to the respective company's bankruptcy filing. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in the bankruptcy filings would result in a directionally similar change to estimates of future distributions

Certain common stocks classified as Level 3 are valued using a market approach. To determine fair value for these securities, management considered various factors which may have included, but were not limited to, trades of similar securities, estimated earnings of the respective company, market multiples derived from a set of comparable companies, and the position of the security within the respective company's capital structure. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in estimated earnings of the respective company may result in a change to the comparable companies and market multiples utilized.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities

June 30, 2012 (Unaudited)

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $169,534,923)	$173,272,100
Affiliated issuers (identified cost $5,714,716)	5,714,716
Total investments (identified cost $175,249,639)	178,986,816
Receivable for:	
Investments sold	849,690
Capital shares sold	1,444
Dividends	874
Interest	2,921,383
Reclaims	4,536
Expense reimbursement due from Investment Manager	1,170
Trustees' deferred compensation plan	380
Total assets	182,766,293
Liabilities	
Payable for:	
Investments purchased on a delayed delivery basis	1,036,989
Capital shares purchased	662,002
Investment management fees	78,152
Distribution fees	6,281
Transfer agent fees	8,525
Administration fees	11,368
Compensation of board members	53,808
Other expenses	40,667
Trustees' deferred compensation plan	380
Total liabilities	1,898,172
Net assets applicable to outstanding capital stock	**$180,868,121**
Represented by	
Paid-in capital	$187,643,039
Undistributed net investment income	17,277,597
Accumulated net realized loss	(27,789,692)
Unrealized appreciation (depreciation) on:	
Investments	3,737,177
Total — representing net assets applicable to outstanding capital stock	**$180,868,121**
Class 1	
Net assets	$47,380,028
Shares outstanding	4,465,124
Net asset value per share	$10.61
Class 2	
Net assets	$133,488,093
Shares outstanding	12,593,065
Net asset value per share	$10.60

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations
Six Months Ended June 30, 2012 (Unaudited)

Net investment income	
Income:	
Dividends	$1,640
Interest	6,166,696
Dividends from affiliates	4,050
Foreign taxes withheld	(8,537)
Total income	6,163,849
Expenses:	
Investment management fees	498,007
Distribution fees	
Class 2	164,483
Transfer agent fees	
Class 1	14,849
Class 2	39,477
Administration fees	72,438
Compensation of board members	15,868
Custodian fees	3,408
Printing and postage fees	29,595
Professional fees	19,199
Other	13,599
Total expenses	870,923
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(127,556)
Fees waived by Distributor — Class 2	(125,006)
Total net expenses	618,361
Net investment income	5,545,488
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	1,807,677
Net realized gain	1,807,677
Net change in unrealized appreciation (depreciation) on:	
Investments	4,325,919
Net change in unrealized appreciation	4,325,919
Net realized and unrealized gain	6,133,596
Net increase in net assets resulting from operations	**$11,679,084**

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations		
Net investment income	$5,545,488	$12,036,265
Net realized gain	1,807,677	3,317,200
Net change in unrealized appreciation (depreciation)	4,325,919	(3,798,592)
Net increase in net assets resulting from operations	11,679,084	11,554,873
Distributions to shareholders		
Net investment income		
Class 1	—	(4,042,824)
Class 2	—	(9,717,660)
Total distributions to shareholders	—	(13,760,484)
Increase (decrease) in net assets from share transactions	(9,092,854)	(11,688,749)
Total increase (decrease) in net assets	2,586,230	(13,894,360)
Net assets at beginning of period	178,281,891	192,176,251
Net assets at end of period	**$180,868,121**	**$178,281,891**
Undistributed net investment income	$17,277,597	$11,732,109

	Six Months Ended June 30, 2012 (Unaudited)		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	155,203	1,594,700	570,556	5,742,252
Distributions reinvested	—	—	407,543	4,042,824
Redemptions	(710,952)	(7,381,904)	(1,711,322)	(17,009,164)
Net decrease	(555,749)	(5,787,204)	(733,223)	(7,224,088)
Class 2 shares				
Subscriptions	468,522	4,840,700	782,579	7,975,001
Distributions reinvested	—	—	980,591	9,717,660
Redemptions	(785,100)	(8,146,350)	(2,216,666)	(22,157,322)
Net decrease	(316,578)	(3,305,650)	(453,496)	(4,464,661)
Total net decrease	**(872,327)**	**(9,092,854)**	**(1,186,719)**	**(11,688,749)**

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts of the Fund are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions, if any. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Six Months Ended June 30, 2012	Year Ended December 31,				
Class 1	**(Unaudited)**	**2011**	**2010**	**2009**	**2008**	**2007**
Per share data						
Net asset value, beginning of period	$9.95	$10.06	$9.76	$7.53	$11.14	$11.52
Income from investment operations:						
Net investment income	0.32	0.65	0.72	0.73	0.81	0.84
Net realized and unrealized gain (loss)	0.34	0.00[(a)]	0.41	2.46	(3.33)	(0.63)
Total from investment operations	0.66	0.65	1.13	3.19	(2.52)	0.21
Less distributions to shareholders:						
Net investment income	—	(0.76)	(0.83)	(0.96)	(1.09)	(0.59)
Total distributions to shareholders	—	(0.76)	(0.83)	(0.96)	(1.09)	(0.59)
Net asset value, end of period	$10.61	$9.95	$10.06	$9.76	$7.53	$11.14
Total return	6.63%	6.46%	12.07%	44.34%	(24.88%)	1.84%[(b)]
Ratios to average net assets[(c)]						
Expenses prior to fees waived or expenses reimbursed	0.78%[(d)]	0.80%	0.89%	0.93%	0.89%	0.90%
Net expenses after fees waived or expenses reimbursed[(e)]	0.64%[(d)]	0.60%[(f)]	0.60%[(f)]	0.60%[(f)]	0.60%[(f)]	0.60%[(f)]
Net investment income	6.16%[(d)]	6.42%[(f)]	7.21%[(f)]	8.33%[(f)]	8.15%[(f)]	7.31%[(f)]
Supplemental data						
Net assets, end of period (in thousands)	$47,380	$49,949	$57,870	$58,247	$47,162	$86,238
Portfolio turnover	30%	98%	91%	36%	23%	46%

Notes to Financial Highlights

(a) Rounds to less than $0.01.

(b) Includes a reimbursement by the investment sub-adviser for a realized investment loss on disposal of an investment not meeting the Fund's investment restrictions. This reimbursement increased total return and net asset value per share by less than 0.01% and $0.01, respectively.

(c) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(d) Annualized.

(e) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(f) The benefits derived from expense reductions had an impact of less than 0.01%.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 2	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share data						
Net asset value, beginning of period	$9.94	$10.05	$9.75	$7.52	$11.13	$11.53
Income from investment operations:						
Net investment income	0.31	0.64	0.71	0.72	0.80	0.83
Net realized and unrealized gain (loss)	0.35	0.00[(a)]	0.41	2.46	(3.33)	(0.63)
Total from investment operations	0.66	0.64	1.12	3.18	(2.53)	0.20
Less distributions to shareholders:						
Net investment income	—	(0.75)	(0.82)	(0.95)	(1.08)	(0.60)
Total distributions to shareholders	—	(0.75)	(0.82)	(0.95)	(1.08)	(0.60)
Net asset value, end of period	$10.60	$9.94	$10.05	$9.75	$7.52	$11.13
Total return	6.64%	6.41%	12.01%	44.30%	(24.96%)	1.70%[(b)]
Ratios to average net assets[(c)]						
Expenses prior to fees waived or expenses reimbursed	1.03%[(d)]	1.05%	1.14%	1.18%	1.14%	1.15%
Net expenses after fees waived or expenses reimbursed[(e)]	0.70%[(d)]	0.66%[(f)]	0.66%[(f)]	0.66%[(f)]	0.66%[(f)]	0.66%[(f)]
Net investment income	6.11%[(d)]	6.36%[(f)]	7.15%[(f)]	8.25%[(f)]	8.11%[(f)]	7.21%[(f)]
Supplemental data						
Net assets, end of period (in thousands)	$133,488	$128,333	$134,306	$132,449	$97,038	$166,724
Portfolio turnover	30%	98%	91%	36%	23%	46%

Notes to Financial Highlights

(a) Rounds to less than $0.01.

(b) Includes a reimbursement by the investment sub-adviser for a realized investment loss on disposal of an investment not meeting the Fund's investment restrictions. This reimbursement increased total return and net asset value per share by less than 0.01% and $0.01, respectively.

(c) In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

(d) Annualized.

(e) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

(f) The benefits derived from expense reductions had an impact of less than 0.01%.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

June 30, 2012 (Unaudited)

Note 1. Organization

Columbia Variable Portfolio — High Income Fund (the Fund), a series of Columbia Funds Variable Insurance Trust I (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Delaware statutory trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and ask prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange or market, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

value, such value is likely to be different from the last quoted market price for the security.

The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Loan Participations and Commitments

The Fund may invest in loan participations. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participation (Selling Participant), but not the borrower. However, the Fund assumes the credit risk of the borrower, Selling Participant and any other persons interpositioned between the Fund and the borrower. The Fund may not directly benefit from the collateral supporting the senior loan which it has purchased from the Selling Participant.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Interest income is recorded on an accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any.

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in

Notes to Financial Statements *(continued)*
June 30, 2012 (Unaudited)

accordance with federal income tax regulations, which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to 0.55% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to 0.08% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, certain expenses of the Fund or the Board, including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board. For the six months ended June 30, 2012, other expenses paid to this company were $1,194.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund, as defined under the 1940 Act, may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Transfer Agent Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

The Distributor has voluntarily agreed to waive 0.19% of the distribution fee for Class 2 shares. This arrangement may be modified or terminated by the Distributor at any time.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

Effective May 1, 2012, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), through April 30, 2013, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.72%
Class 2	0.97

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Prior to May 1, 2012, the Investment Manager voluntarily agreed to reimburse a portion of the Fund's expenses (excluding certain expenses, such as brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any) so that the Fund's ordinary net operating expenses, after giving effect to fees waived/expenses reimbursed, did not exceed the annual rates as a percentage of the class' average daily net assets:

Class 1	0.60%
Class 2	0.85

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

At June 30, 2012, the cost of investments for federal income tax purposes was approximately $175,250,000 and the aggregate gross approximate unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$7,001,000
Unrealized depreciation	(3,264,000)
Net unrealized appreciation	$3,737,000

The following capital loss carryforward, determined as of December 31, 2011 may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount ($)
2014	634,653
2016	8,867,907
2017	20,498,742
Total	30,001,302

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $51,865,407 and $55,423,454, respectively, for the six months ended June 30, 2012.

Note 6. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or securities that either are issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. The Fund continues to earn and accrue interest and dividends on the securities loaned.

During the six months ended June 30, 2012, the Fund did not participate in securities lending activity.

Note 7. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, an affiliated money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 8. Shareholder Concentration

At June 30, 2012, two unaffiliated shareholder accounts owned an aggregate of 22.1% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such accounts. Affiliated shareholder accounts owned 68.5% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 9. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (ii) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

The Fund had no borrowings during the six months ended June 30, 2012.

Note 10. Significant Risks

High Yield Securities Risk

Investing in high-yield fixed income securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

Note 11. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 12. Information Regarding Pending and Settled Legal Proceedings

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain

Notes to Financial Statements *(continued)*

June 30, 2012 (Unaudited)

provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Approval of Investment Management Services Agreement

Columbia Management Investment Advisers, LLC (Columbia Management or the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), serves as the investment manager to Columbia Variable Portfolio — High Income Fund (the Fund). Under an investment management services agreement (the IMS Agreement), Columbia Management provides investment advice and other services to the Fund and other funds distributed by Columbia Management Investment Distributors, Inc. (collectively, the Funds).

On an annual basis, the Fund's Board of Trustees (the Board), including the independent Board members (the Independent Trustees), considers renewal of the IMS Agreement. Columbia Management prepared detailed reports for the Board and its Contracts Committee in March and April 2012, including reports based on analyses of data provided by an independent organization and a comprehensive response to each item of information requested by independent legal counsel to the Independent Trustees (Independent Legal Counsel) in a letter to the Investment Manager, to assist the Board in making this determination. All of the materials presented in March and April were first supplied in draft form to designated representatives of the Independent Trustees, *i.e.*, Independent Legal Counsel, the Chair of the Board and the Chair of the Contracts Committee (including materials relating to the Fund's expense cap), and the final materials were revised to reflect comments provided by these Board representatives. In addition, throughout the year, the Board (or its committees) regularly meets with portfolio management teams and senior management personnel, and reviews information prepared by Columbia Management addressing the services Columbia Management provides and Fund performance. The Board accords particular weight to the work, deliberations and conclusions of the Contracts Committee, the Investment Review Committee and the Compliance Committee in determining whether to continue the IMS Agreement.

The Board, at its April 10-12, 2012 in-person Board meeting (the April Meeting), considered the renewal of the IMS Agreement for an additional one-year term. At the April Meeting, Independent Legal Counsel reviewed with the Independent Trustees various factors relevant to the Board's consideration of advisory agreements and the Board's legal responsibilities related to such consideration. Following an analysis and discussion of the factors identified below, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Nature, Extent and Quality of Services Provided by Columbia Management

The Independent Trustees analyzed various reports and presentations they had received detailing the services performed by Columbia Management, as well as its expertise, resources and capabilities. The Independent Trustees specifically considered many developments during the past year concerning the services provided by Columbia Management, including, in particular, the continued investment in, and resources dedicated to, the Funds' operations and the successful completion of various integration initiatives and the consolidation of dozens of Funds. The Independent Trustees noted the information they received concerning Columbia Management's ability to retain key portfolio management personnel. In that connection, the Independent Trustees took into account their meetings with Columbia Management's Chief Investment Officer (the CIO) and considered the CIO's successful execution of additional risk and portfolio management oversight applied to the Funds. The Independent Trustees also assessed Columbia Management's significant investment in upgrading technology (such as an equity trading system) and considered management's commitments to enhance existing resources in this area.

In connection with the Board's evaluation of the overall package of services provided by Columbia Management, the Board also considered the quality of administrative services provided to the Fund by Columbia Management. In addition, the Board also reviewed the financial condition of Columbia Management (and its affiliates) and each entity's ability to carry out its responsibilities under the IMS Agreement and the Fund's other services agreements with affiliates of Ameriprise Financial. The Board also discussed the acceptability of the terms of the IMS Agreement (including the relatively broad scope of services required to be performed by Columbia Management). The Board concluded that the services being performed under the IMS Agreement were of a reasonably high quality.

Based on the foregoing, and based on other information received (both oral and written, including the information on investment performance referenced below) and other considerations, the Board concluded that Columbia Management and its affiliates were in a position to continue to provide a high quality and level of services to the Fund.

Investment Performance

For purposes of evaluating the nature, extent and quality of services provided under the IMS Agreement, the Board carefully reviewed the investment performance of the Fund. In this regard, the Board considered detailed reports providing the results of analyses performed by an independent organization showing, for various periods, the performance of the Fund, the

Approval of Investment Management Services Agreement

(continued)

performance of a benchmark index, the percentage ranking of the Fund among its comparison group and the net assets of the Fund. The Board observed that the Fund's investment performance met expectations.

Comparative Fees, Costs of Services Provided and the Profits Realized By Columbia Management and its Affiliates from their Relationships with the Fund

The Board reviewed comparative fees and the costs of services to be provided under the IMS Agreement. The Board members considered detailed comparative information set forth in an annual report on fees and expenses, including, among other things, data (based on analyses conducted by an independent organization) showing a comparison of the Fund's expenses with median expenses paid by funds in its comparative peer universe, as well as data showing the Fund's contribution to Columbia Management's profitability. The Board reviewed the fees charged to comparable institutional or other accounts/vehicles managed by Columbia Management and discussed differences in how the products are managed and operated, noting no unreasonable differences in the levels of contractual fees.

The Board accorded particular weight to the notion that the level of fees should reflect a rational pricing model applied consistently across the various product lines in the Fund family, while assuring that the overall fees for each Fund (with few defined exceptions) are generally in line with the "pricing philosophy" (*i.e.*, that the total expense ratio of the Fund is at, or below, the median expense ratio of funds in the same comparison universe of the Fund). The Board took into account that the Fund's total expense ratio (after considering proposed expense caps/waivers) approximated the peer universe's median expense ratio. Based on its review, the Board concluded that the Fund's management fee was fair and reasonable in light of the extent and quality of services that the Fund receives.

The Board also considered the expected profitability of Columbia Management and its affiliates in connection with Columbia Management providing investment management services to the Fund. In this regard, the Board referred to a detailed profitability report, discussing the profitability to Columbia Management and Ameriprise Financial from managing, operating and distributing the Funds. In this regard, the Board observed that 2011 profitability, while slightly lower than 2010, was generally in line with the reported profitability of other asset management firms. The Board also considered the indirect economic benefits flowing to Columbia Management or its affiliates in connection with managing or distributing the Funds, such as the enhanced ability to offer various other financial products to Ameriprise Financial customers, soft dollar benefits and overall reputational advantages. The Board noted that the fees paid by the Funds should permit the Investment Manager to offer competitive compensation to its personnel, make necessary investments in its business and earn an appropriate profit. The Board concluded that profitability levels were reasonable.

Economies of Scale to be Realized

The Board also considered the economies of scale that might be realized by Columbia Management as the Fund grows and took note of the extent to which Fund shareholders might also benefit from such growth.

Based on the foregoing, the Board, including all of the Independent Trustees, concluded that the investment management service fees were fair and reasonable in light of the extent and quality of services provided. In reaching this conclusion, no single factor was determinative. On April 12, 2012, the Board, including all of the Independent Trustees, approved the renewal of the IMS Agreement.

Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at http://www.sec.gov. Information regarding how each fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at sec.gov.

Each fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — High Income Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. Please carefully consider the investment objectives, risks, charges and expenses of any variable fund and its related variable contract before investing. For variable fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectus carefully before you invest. The fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.
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C-1535 C (08/12)

Dreyfus Stock Index Fund, Inc.

SEMIANNUAL REPORT June 30, 2012

BNY MELLON

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Stock Index Fund, Inc., covering the six-month period from January 1, 2012, through June 30, 2012. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Economic optimism helped drive stock prices higher in early 2012 when investors responded positively to improving U.S. employment trends and measures by European policymakers to address the region's sovereign debt crisis. However, political developments later raised doubts about some of Europe's proposed solutions, and U.S. economic data weakened in the spring. Consequently, U.S. stocks gave back their previous gains, and most major market indices ended the first half of the year close to where they began.

Despite the recent downturn in market sentiment, we believe the U.S. and global economies are likely to remain on mildly upward trajectories. In our judgment, current sluggishness is at least partly due to the lagging effects of tighter monetary policies in some areas of the world, and we expect stronger growth when a shift to more accommodative policies begins to have an impact on global economic activity. In addition, the adjustment among U.S. exporters to weaker European demand and slower economic growth in certain emerging markets should be largely completed later this year, setting the stage for better business conditions in 2013.

As always, we encourage you to discuss our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 16, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through June 30, 2012, as provided by Thomas J. Durante, CFA, Karen Q. Wong, CFA, and Richard A. Brown, CFA, Portfolio Managers

Fund and Market Performance Overview

For the six-month period ended June 30, 2012, Dreyfus Stock Index Fund's Initial shares produced a total return of 9.36%, and its Service shares produced a total return of 9.25%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a total return of 9.48% for the same period.[2,3]

Mixed economic data fueled heightened market volatility as gains over the first quarter of 2012 were partly offset by declines during the second quarter of the year. The difference in returns between the fund and the S&P 500 Index was primarily the result of transaction costs and operating expenses that are not reflected in the S&P 500 Index's results.

The Fund's Investment Approach

The fund seeks to match the total return of the S&P 500 Index by generally investing in all 500 stocks in the S&P 500 Index in proportion to their respective weighting. Often considered a proxy for the stock market in general, the S&P 500 Index is made up of 500 common stocks chosen to reflect the industries of the U.S. economy. Each stock is weighted by its market capitalization; that is, larger companies have greater representation in the S&P 500 Index than smaller ones. The fund also may use stock index futures as a substitute for the sale or purchase of securities.

Macroeconomic Developments Fueled Market Volatility

The first quarter of 2012 began with a strong rally among U.S. stocks amid employment gains and other encouraging domestic economic news. In addition, a quantitative easing program in Europe appeared to forestall a more severe banking crisis in the region, and monetary policymakers in China seemed to have engineered a "soft landing" and lower inflation in a major engine of global growth. Consequently, investors grew more tolerant of risks, and they focused more intently on companies in economically sensitive industry groups expected to benefit from better business conditions.

However, these positive influences were called into question in the second quarter, when the U.S. labor market's rebound slowed as the public sector shed jobs and employment gains in the private sector proved more anemic than expected. At the same time, measures designed to relieve fiscal pressures in Europe encountered political resistance in several countries, including Greece, threatening proposed bailout programs. These headwinds caused most stock market averages, including the S&P 500 Index, to fall over the second quarter of the year, partly offsetting previous gains. Nonetheless, it is worth noting that U.S. stocks provided higher returns, on average, than their counterparts in most other nations over the first half of 2012.

Most Market Sectors Advanced over the First Half of 2012

In this environment, nine of the 10 economic sectors represented in the S&P 500 Index posted positive absolute returns for the reporting period. The consumer discretionary sector led the market's advance, with robust gains posted by cable television operators and programmers, including Comcast and The Walt Disney Company. These companies benefited from higher revenues from their cable operations as well as strong results from their theme parks.

In the information technology sector, several companies benefited from strong demand for new products. Electronics innovator Apple continued to score success with its smartphone and tablet computer products, and online retailer Amazon.com saw strong results from its e-readers. In addition, companies in the enterprise storage, cloud computing and network security industries fared well as corporate demand intensified for productivity enhancing technologies. Lenders in the financials sector benefited from low interest rates, which boosted refinancing activity among mortgage holders over the reporting period. In addition, large, diversified financial institutions showed signs of recovery, as prior mergers-and-acquisitions activity and greater geographical diversification helped them withstand the protracted downturn in the wake of the 2008 financial crisis.

The energy sector produced mildly negative returns over the first half of 2012, largely due to falling oil and natural gas prices as global demand faltered in a sluggish economic environment. In addition, geopolitical instability in the Middle East and Africa prompted companies to intensify exploration and production activity in North America, where the drilling costs are higher. Although the utilities sector eked out a positive total return, plunging natural gas prices undermined their financial results. Similarly, the materials sector produced positive results overall, masking weakness among steel, gold and coal mining companies as commodity prices fell.

Index Funds Offer Diversification Benefits

As an index fund, we attempt to replicate the returns of the S&P 500 Index by closely approximating its composition. In our view, one of the greatest benefits of an index fund is that it offers a broadly diversified investment vehicle that can help investors manage risks by limiting the impact on the overall portfolio of unexpected losses in any single industry group or holding.

July 16, 2012

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends daily and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

3 *"Standard & Poor's®," "S&P®," "Standard & Poor's 500™" and "S&P 500®" are trademarks of Standard & Poor's Financial Services LLC ("Standard & Poor's") and have been licensed for use by the fund. The fund is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's does not make any representation regarding the advisability of investing in the fund.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Stock Index Fund, Inc. from January 1, 2012 to June 30, 2012. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.46	$ 2.76
Ending value (after expenses)	$1,093.60	$1,092.50

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.41	$ 2.66
Ending value (after expenses)	$1,023.47	$1,022.23

† *Expenses are equal to the fund's annualized expense ratio of .28% for Initial Shares and .53% for Service Shares, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2012 (Unaudited)

Common Stocks—98.1%	Shares	Value ($)
Automobiles & Components—.6%		
BorgWarner	15,012 [a]	984,637
Ford Motor	514,274	4,931,888
Goodyear Tire & Rubber	35,614 [a]	420,601
Harley-Davidson	30,163	1,379,354
Johnson Controls	90,743	2,514,489
		10,230,969
Banks—2.9%		
BB&T	94,045	2,901,288
Comerica	27,721	851,312
Fifth Third Bancorp	125,934	1,687,516
First Horizon National	34,481	298,261
Hudson City Bancorp	74,802	476,489
Huntington Bancshares	111,419	713,082
KeyCorp	132,150	1,022,841
M&T Bank	16,879	1,393,699
People's United Financial	50,663	588,197
PNC Financial Services Group	71,308	4,357,632
Regions Financial	190,572	1,286,361
SunTrust Banks	71,489	1,732,178
U.S. Bancorp	256,121	8,236,851
Wells Fargo & Co.	717,794	24,003,031
Zions Bancorporation	25,036	486,199
		50,034,937
Capital Goods—7.9%		
3M	94,047	8,426,611
Boeing	100,941	7,499,916
Caterpillar	87,684	7,445,248
Cooper Industries	21,227	1,447,257
Cummins	25,895	2,509,484
Danaher	77,304	4,025,992
Deere & Co.	54,317	4,392,616
Dover	24,214	1,298,113
Eaton	45,049	1,785,292
Emerson Electric	99,319	4,626,279
Fastenal	39,959	1,610,747

Common Stocks (continued)	Shares	Value ($)
Capital Goods (continued)		
Flowserve	7,241 [b]	830,905
Fluor	22,639	1,117,008
General Dynamics	48,164	3,176,897
General Electric	1,431,387	29,830,105
Goodrich	16,930	2,148,417
Honeywell International	104,910	5,858,174
Illinois Tool Works	65,353	3,456,520
Ingersoll-Rand	39,300	1,657,674
Jacobs Engineering Group	17,975 [a]	680,534
Joy Global	14,661	831,719
L-3 Communications Holdings	13,187	975,970
Lockheed Martin	35,978	3,132,964
Masco	47,940	664,928
Northrop Grumman	33,994	2,168,477
PACCAR	48,050	1,883,080
Pall	15,361	841,936
Parker Hannifin	20,267	1,558,127
Precision Castparts	19,595	3,223,182
Quanta Services	28,332 [a]	681,951
Raytheon	45,804	2,592,048
Rockwell Automation	19,101	1,261,812
Rockwell Collins	19,872	980,683
Roper Industries	13,440	1,324,915
Snap-on	8,436	525,141
Stanley Black & Decker	22,391	1,441,085
Textron	36,395	905,144
Tyco International	62,300	3,292,555
United Technologies	123,115	9,298,876
W.W. Grainger	8,403 [b]	1,606,990
Xylem	25,459	640,803
		133,656,175
Commercial & Professional Services—.5%		
Avery Dennison	13,279	363,048
Cintas	14,764	570,038
Dun & Bradstreet	6,630	471,857
Equifax	16,918	788,379

Common Stocks (continued)	Shares		Value ($)
Commercial & Professional Services (continued)			
Iron Mountain	22,592		744,632
Pitney Bowes	27,570	b	412,723
R.R. Donnelley & Sons	25,681	b	302,265
Republic Services	42,103		1,114,045
Robert Half International	18,973		542,059
Stericycle	11,032	a	1,011,303
Waste Management	62,098		2,074,073
			8,394,422
Consumer Durables & Apparel—.9%			
Coach	38,340		2,242,123
D.R. Horton	35,504		652,564
Fossil	7,038	a	538,689
Harman International Industries	9,916		392,674
Hasbro	16,061	b	543,986
Leggett & Platt	19,083		403,224
Lennar, Cl. A	22,486	b	695,042
Mattel	46,381		1,504,600
Newell Rubbermaid	40,792		739,967
NIKE, Cl. B	49,655		4,358,716
Pulte Group	44,106	a	471,934
Ralph Lauren	8,776		1,229,167
VF	11,560		1,542,682
Whirlpool	10,526		643,770
			15,959,138
Consumer Services—2.0%			
Apollo Group, Cl. A	14,827	a	536,589
Carnival	60,910		2,087,386
Chipotle Mexican Grill	4,198	a	1,595,030
Darden Restaurants	17,860		904,252
DeVry	8,203		254,047
H&R Block	37,117		593,130
International Game Technology	39,962		629,401
Marriott International, Cl. A	35,781		1,402,615
McDonald's	137,032		12,131,443
Starbucks	101,900		5,433,308
Starwood Hotels & Resorts Worldwide	26,487	c	1,404,870

Common Stocks (continued)	Shares		Value ($)
Consumer Services (continued)			
Wyndham Worldwide	20,297		1,070,464
Wynn Resorts	10,674		1,107,107
Yum! Brands	62,224		4,008,470
			33,158,112
Diversified Financials—5.5%			
American Express	135,434		7,883,613
Ameriprise Financial	29,808		1,557,766
Bank of America	1,455,759		11,908,109
Bank of New York Mellon	161,077		3,535,640
BlackRock	17,228		2,925,659
Capital One Financial	78,334		4,281,736
Charles Schwab	143,280		1,852,610
Citigroup	396,113		10,857,457
CME Group	8,955		2,400,925
Discover Financial Services	71,382		2,468,390
E*TRADE Financial	31,226	a	251,057
Federated Investors, Cl. B	12,874	b	281,297
Franklin Resources	19,197		2,130,675
Goldman Sachs Group	67,020		6,424,537
IntercontinentalExchange	9,937	a	1,351,233
Invesco	60,804		1,374,170
JPMorgan Chase & Co.	514,128		18,369,793
Legg Mason	18,302		482,624
Leucadia National	28,195		599,708
Moody's	26,189		957,208
Morgan Stanley	205,843		3,003,249
NASDAQ OMX Group	16,720		379,042
Northern Trust	33,122		1,524,274
NYSE Euronext	34,466		881,640
SLM	69,197		1,087,085
State Street	65,804		2,937,491
T. Rowe Price Group	34,117		2,148,006
			93,854,994
Energy—10.7%			
Alpha Natural Resources	30,386	a	264,662
Anadarko Petroleum	67,402		4,462,012

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Apache	52,788		4,639,537
Baker Hughes	58,236		2,393,500
Cabot Oil & Gas	28,588		1,126,367
Cameron International	32,535	a	1,389,570
Chesapeake Energy	90,004	b	1,674,074
Chevron	266,346		28,099,503
ConocoPhillips	170,935		9,551,848
CONSOL Energy	31,076		939,738
Denbury Resources	51,990	a	785,569
Devon Energy	54,582		3,165,210
Diamond Offshore Drilling	9,883	b	584,382
EOG Resources	36,349		3,275,408
EQT	20,214		1,084,077
Exxon Mobil	632,042		54,083,834
FMC Technologies	32,088	a	1,258,812
Halliburton	124,704		3,540,347
Helmerich & Payne	14,963		650,591
Hess	40,160		1,744,952
Kinder Morgan	68,095		2,194,021
Marathon Oil	94,959		2,428,102
Marathon Petroleum	46,781		2,101,403
Murphy Oil	25,992		1,307,138
Nabors Industries	41,237	a	593,813
National Oilwell Varco	57,335		3,694,667
Newfield Exploration	18,177	a	532,768
Noble	34,686	a	1,128,336
Noble Energy	23,999		2,035,595
Occidental Petroleum	109,021		9,350,731
Peabody Energy	36,868		904,003
Phillips 66	84,638	a	2,813,367
Pioneer Natural Resources	16,277		1,435,794
QEP Resources	24,072		721,438
Range Resources	21,759		1,346,229
Rowan Companies	16,543	a	534,835
Schlumberger	179,438		11,647,321
Southwestern Energy	47,856	a	1,528,042

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Spectra Energy	86,713		2,519,880
Sunoco	14,278		678,205
Tesoro	20,257	a	505,615
Valero Energy	74,665		1,803,160
Williams	84,458		2,434,080
WPX Energy	26,988		436,666
			179,389,202
Food & Staples Retailing—2.4%			
Costco Wholesale	58,827		5,588,565
CVS Caremark	173,367		8,101,440
Kroger	77,304		1,792,680
Safeway	32,833	b	595,919
Sysco	78,727		2,346,852
Wal-Mart Stores	233,277		16,264,072
Walgreen	118,039		3,491,594
Whole Foods Market	21,473		2,046,806
			40,227,928
Food, Beverage & Tobacco—6.5%			
Altria Group	275,071		9,503,703
Archer-Daniels-Midland	89,224		2,633,892
Beam	21,063		1,316,227
Brown-Forman, Cl. B	13,267		1,284,909
Campbell Soup	23,038		769,008
Coca-Cola	304,833		23,834,892
Coca-Cola Enterprises	41,755		1,170,810
ConAgra Foods	57,156		1,482,055
Constellation Brands, Cl. A	22,583	a	611,096
Dean Foods	25,870	a	440,566
Dr. Pepper Snapple Group	29,303		1,282,006
General Mills	87,016		3,353,597
H.J. Heinz	43,076		2,342,473
Hershey	20,939		1,508,236
Hormel Foods	18,619		566,390
J.M. Smucker	15,377		1,161,271
Kellogg	33,110		1,633,316
Kraft Foods, Cl. A	239,454		9,247,713

Common Stocks (continued)	Shares		Value ($)
Food, Beverage & Tobacco (continued)			
Lorillard	17,781		2,346,203
McCormick & Co.	17,744		1,076,174
Mead Johnson Nutrition	27,870		2,243,814
Molson Coors Brewing, Cl. B	22,078		918,666
Monster Beverage	20,708	a	1,474,410
PepsiCo	211,346		14,933,708
Philip Morris International	230,538		20,116,746
Reynolds American	44,223		1,984,286
Tyson Foods, Cl. A	40,812		768,490
			110,004,657
Health Care Equipment & Services—3.8%			
Aetna	47,199		1,829,905
AmerisourceBergen	34,018		1,338,608
Baxter International	74,485		3,958,878
Becton Dickinson & Co.	27,451		2,051,962
Boston Scientific	194,066	a	1,100,354
C.R. Bard	11,567		1,242,758
Cardinal Health	46,892		1,969,464
CareFusion	31,292	a	803,579
Cerner	19,568	a	1,617,491
Cigna	39,470		1,736,680
Coventry Health Care	20,159		640,855
Covidien	65,262		3,491,517
DaVita	13,027	a	1,279,382
DENTSPLY International	19,644	b	742,740
Edwards Lifesciences	15,486	a	1,599,704
Express Scripts Holding	107,886	a	6,023,275
Humana	21,715		1,681,610
Intuitive Surgical	5,363	a	2,969,976
Laboratory Corp. of America Holdings	12,716	a	1,177,629
McKesson	31,931		2,993,531
Medtronic	140,750		5,451,248
Patterson	11,346		391,097
Quest Diagnostics	21,325		1,277,368
St. Jude Medical	43,102		1,720,201
Stryker	43,627		2,403,848

Common Stocks (continued)	Shares		Value ($)
Health Care Equipment & Services (continued)			
Tenet Healthcare	52,212	a	273,591
UnitedHealth Group	140,262		8,205,327
Varian Medical Systems	15,587	a	947,222
WellPoint	45,188		2,882,543
Zimmer Holdings	23,489		1,511,752
			65,314,095
Household & Personal Products—2.2%			
Avon Products	59,016		956,649
Clorox	17,355		1,257,543
Colgate-Palmolive	64,899		6,755,986
Estee Lauder, Cl. A	30,688		1,660,835
Kimberly-Clark	53,185		4,455,307
Procter & Gamble	371,011		22,724,424
			37,810,744
Insurance—3.5%			
ACE	45,500		3,372,915
Aflac	62,233		2,650,503
Allstate	67,100		2,354,539
American International Group	86,207	a	2,766,383
Aon	43,761		2,047,140
Assurant	11,443		398,674
Berkshire Hathaway, Cl. B	236,721	a	19,725,961
Chubb	36,537		2,660,624
Cincinnati Financial	21,929		834,837
Genworth Financial, Cl. A	68,350	a	386,861
Hartford Financial Services Group	58,898		1,038,372
Lincoln National	40,520		886,172
Loews	41,013		1,677,842
Marsh & McLennan	73,194		2,359,043
MetLife	143,398		4,423,828
Principal Financial Group	40,260	b	1,056,020
Progressive	82,217		1,712,580
Prudential Financial	63,497		3,075,160
Torchmark	13,886		701,937
Travelers	53,048		3,386,584

Common Stocks (continued)	Shares		Value ($)
Insurance (continued)			
Unum Group	38,728		740,867
XL Group	42,023		884,164
			59,141,006
Materials—3.3%			
Air Products & Chemicals	28,383		2,291,360
Airgas	9,628		808,848
Alcoa	147,323		1,289,076
Allegheny Technologies	13,887		442,856
Ball	20,771		852,650
Bemis	14,387		450,889
CF Industries Holdings	8,652		1,676,238
Cliffs Natural Resources	19,020		937,496
Dow Chemical	160,301		5,049,481
E.I. du Pont de Nemours & Co.	126,152		6,379,507
Eastman Chemical	17,829		898,047
Ecolab	39,235		2,688,775
FMC	18,626		996,118
Freeport-McMoRan Copper & Gold	128,147		4,365,968
International Flavors & Fragrances	10,335		566,358
International Paper	59,311		1,714,681
MeadWestvaco	22,877		657,714
Monsanto	72,432		5,995,921
Mosaic	39,507		2,163,403
Newmont Mining	66,833		3,242,069
Nucor	43,351		1,643,003
Owens-Illinois	22,187	a	425,325
PPG Industries	20,442		2,169,305
Praxair	40,336		4,385,733
Sealed Air	26,589		410,534
Sherwin-Williams	11,374		1,505,349
Sigma-Aldrich	16,463		1,217,110
Titanium Metals	12,570		142,167
United States Steel	19,606	b	403,884
Vulcan Materials	17,780		706,044
			56,475,909

Common Stocks (continued)	Shares	Value ($)
Media—3.3%		
Cablevision Systems (NY Group), Cl. A	26,917	357,727
CBS, Cl. B	87,542	2,869,627
Comcast, Cl. A	362,567	11,591,267
DIRECTV, Cl. A	88,703 [a]	4,330,480
Discovery Communications, Cl. A	34,731 [a]	1,875,474
Gannett	33,440	492,571
Interpublic Group of Cos.	63,291	686,707
McGraw-Hill	37,348	1,680,660
News, Cl. A	285,107	6,355,035
Omnicom Group	36,668	1,782,065
Scripps Networks Interactive, Cl. A	13,297	756,067
Time Warner	131,125	5,048,313
Time Warner Cable	42,404	3,481,368
Viacom, Cl. B	71,427	3,358,498
Walt Disney	240,973	11,687,190
Washington Post, Cl. B	710 [b]	265,412
		56,618,461
Pharmaceuticals & Biotechnology—7.9%		
Abbott Laboratories	212,557	13,703,550
Agilent Technologies	47,409	1,860,329
Alexion Pharmaceuticals	25,935 [a]	2,575,345
Allergan	41,116	3,806,108
Amgen	105,221	7,685,342
Biogen Idec	32,251 [a]	4,656,399
Bristol-Myers Squibb	228,533	8,215,761
Celgene	59,310 [a]	3,805,330
Eli Lilly & Co.	138,121	5,926,772
Forest Laboratories	34,806 [a]	1,217,862
Gilead Sciences	102,392 [a]	5,250,662
Hospira	21,233 [a]	742,730
Johnson & Johnson	371,029 [b]	25,066,719
Life Technologies	23,827 [a]	1,071,977
Merck & Co.	409,702	17,105,059
Mylan	57,557 [a]	1,229,993
PerkinElmer	14,978	386,432
Perrigo	12,762	1,505,023

Common Stocks (continued)	Shares		Value ($)
Pharmaceuticals & Biotechnology (continued)			
Pfizer	1,011,965		23,275,195
Thermo Fisher Scientific	49,325		2,560,461
Waters	11,894	a	945,216
Watson Pharmaceuticals	17,661	a	1,306,737
			133,899,002
Real Estate—2.1%			
American Tower	52,568		3,675,029
Apartment Investment & Management, Cl. A	16,284	c	440,157
AvalonBay Communities	12,995	c	1,838,533
Boston Properties	20,089	c	2,177,045
CBRE Group, Cl. A	45,441	a	743,415
Equity Residential	40,824	c	2,545,785
HCP	56,646	c	2,500,921
Health Care REIT	28,866	c	1,682,888
Host Hotels & Resorts	93,355	c	1,476,876
Kimco Realty	54,312	c	1,033,557
Plum Creek Timber	22,426	c	890,312
ProLogis	60,929	c	2,024,671
Public Storage	19,371	c	2,797,366
Simon Property Group	40,985	c	6,379,725
Ventas	39,527	c	2,494,944
Vornado Realty Trust	24,562	c	2,062,717
Weyerhaeuser	73,766	c	1,649,408
			36,413,349
Retailing—3.9%			
Abercrombie & Fitch, Cl. A	11,988		409,270
Amazon.com	48,963	a	11,180,701
AutoNation	4,721	a,b	166,557
AutoZone	3,591	a	1,318,507
Bed Bath & Beyond	31,875	a	1,969,875
Best Buy	37,813	b	792,560
Big Lots	8,410	a	343,044
CarMax	31,714	a	822,661
Dollar Tree	31,428	a	1,690,826
Expedia	11,971		575,446
Family Dollar Stores	15,690		1,043,071

Common Stocks (continued)	Shares		Value ($)
Retailing (continued)			
GameStop, Cl. A	18,872	[b]	346,490
Gap	44,381		1,214,264
Genuine Parts	20,478		1,233,799
Home Depot	207,293		10,984,456
J.C. Penney	20,198	[b]	470,815
Kohl's	33,528		1,525,189
Limited Brands	33,548		1,426,796
Lowe's	159,616		4,539,479
Macy's	55,766		1,915,562
Netflix	7,217	[a,b]	494,148
Nordstrom	22,081		1,097,205
O'Reilly Automotive	17,085	[a]	1,431,210
Priceline.com	6,734	[a]	4,474,878
Ross Stores	30,734		1,919,953
Sears Holdings	4,931	[a,b]	294,381
Staples	93,132		1,215,373
Target	89,441		5,204,572
Tiffany & Co.	17,479		925,513
TJX	100,236		4,303,131
TripAdvisor	13,824	[a]	617,795
Urban Outfitters	15,477	[a]	427,010
			66,374,537
Semiconductors & Equipment—2.3%			
Advanced Micro Devices	82,112	[a]	470,502
Altera	44,214		1,496,202
Analog Devices	39,273		1,479,414
Applied Materials	173,812		1,991,886
Broadcom, Cl. A	66,085	[a]	2,233,673
First Solar	7,628	[a,b]	114,878
Intel	679,584		18,110,914
KLA-Tencor	22,841		1,124,919
Lam Research	26,869	[a,b]	1,014,036
Linear Technology	30,561		957,476
LSI	75,504	[a]	480,960
Microchip Technology	26,011	[b]	860,444

Common Stocks (continued)	Shares		Value ($)
Semiconductors & Equipment (continued)			
Micron Technology	138,381	a	873,184
NVIDIA	82,627	a	1,141,905
Teradyne	24,552	a	345,201
Texas Instruments	154,834		4,442,187
Xilinx	35,039		1,176,259
			38,314,040
Software & Services—9.4%			
Accenture, Cl. A	87,556		5,261,240
Adobe Systems	67,074	a	2,171,185
Akamai Technologies	24,722	a	784,923
Autodesk	29,599	a	1,035,669
Automatic Data Processing	66,252		3,687,586
BMC Software	22,849	a	975,195
CA	47,840		1,295,986
Citrix Systems	24,955	a	2,094,723
Cognizant Technology Solutions, Cl. A	40,932	a	2,455,920
Computer Sciences	21,610		536,360
eBay	154,927	a	6,508,483
Electronic Arts	46,783	a	577,770
Fidelity National Information Services	31,277		1,065,920
Fiserv	18,558	a	1,340,259
Google, Cl. A	34,147	a	19,807,650
International Business Machines	156,130		30,535,905
Intuit	39,726		2,357,738
MasterCard, Cl. A	14,379		6,184,552
Microsoft	1,006,157		30,778,343
Oracle	524,535		15,578,690
Paychex	43,587		1,369,068
Red Hat	26,641	a	1,504,684
SAIC	37,552		455,130
Salesforce.com	18,634	a	2,576,337
Symantec	98,049	a	1,432,496
Teradata	22,084	a	1,590,269
Total System Services	20,172		482,716
VeriSign	22,197	a	967,123

Common Stocks (continued)	Shares		Value ($)
Software & Services (continued)			
Visa, Cl. A	67,350		8,326,481
Western Union	83,211		1,401,273
Yahoo!	163,531	a	2,588,696
			157,728,370
Technology Hardware & Equipment—7.8%			
Amphenol, Cl. A	21,429		1,176,881
Apple	126,321	a	73,771,464
Cisco Systems	724,802		12,444,850
Corning	205,264		2,654,064
Dell	201,237	a	2,519,487
EMC	283,569	a	7,267,873
F5 Networks	10,419	a	1,037,316
FLIR Systems	22,461		437,989
Harris	15,059		630,219
Hewlett-Packard	267,418		5,377,776
Jabil Circuit	24,327		494,568
JDS Uniphase	31,303	a,b	344,333
Juniper Networks	70,645	a	1,152,220
Lexmark International, Cl. A	9,956		264,630
Molex	19,018	b	455,291
Motorola Solutions	39,583		1,904,338
NetApp	48,862	a	1,554,789
QUALCOMM	231,529		12,891,535
SanDisk	33,020	a	1,204,570
Seagate Technology	51,083		1,263,283
TE Connectivity	57,400		1,831,634
Western Digital	31,891	a	972,038
Xerox	175,188		1,378,730
			133,029,878
Telecommunication Services—3.2%			
AT&T	792,604		28,264,259
CenturyLink	83,616		3,301,996
Crown Castle International	34,803	a	2,041,544

Common Stocks (continued)	Shares		Value ($)
Telecommunication Services (continued)			
Frontier Communications	135,514	b	519,019
MetroPCS Communications	37,109	a	224,509
Sprint Nextel	418,106	a	1,363,026
Verizon Communications	383,801		17,056,116
Windstream	80,533	b	777,949
			53,548,418
Transportation—1.9%			
C.H. Robinson Worldwide	22,149		1,296,381
CSX	142,006		3,175,254
Expeditors International of Washington	28,782		1,115,302
FedEx	42,478		3,891,410
Norfolk Southern	44,544		3,196,923
Ryder System	6,897		248,361
Southwest Airlines	107,817		994,073
Union Pacific	64,386		7,681,894
United Parcel Service, Cl. B	128,867		10,149,565
			31,749,163
Utilities—3.6%			
AES	83,991	a	1,077,605
AGL Resources	16,031		621,201
Ameren	33,246		1,115,071
American Electric Power	65,855		2,627,614
CenterPoint Energy	57,365		1,185,735
CMS Energy	35,654		837,869
Consolidated Edison	38,918		2,420,310
Dominion Resources	77,010		4,158,540
DTE Energy	22,870		1,356,877
Duke Energy	180,412		4,160,301
Edison International	44,705		2,065,371
Entergy	23,992		1,628,817
Exelon	115,035		4,327,617
FirstEnergy	57,041		2,805,847
Integrys Energy Group	9,923		564,321

Common Stocks (continued)	Shares		Value ($)
Utilities (continued)			
NextEra Energy	56,183		3,865,952
NiSource	37,374		925,007
Northeast Utilities	42,468		1,648,183
NRG Energy	28,648	a	497,329
ONEOK	27,862		1,178,841
Pepco Holdings	31,659	b	619,567
PG&E	57,027		2,581,612
Pinnacle West Capital	14,687		759,905
PPL	77,967		2,168,262
Progress Energy	40,138		2,415,103
Public Service Enterprise Group	67,146		2,182,245
SCANA	15,467		739,941
Sempra Energy	32,568		2,243,284
Southern	117,188		5,425,804
TECO Energy	27,160		490,510
Wisconsin Energy	32,068		1,268,931
Xcel Energy	66,376		1,885,742
			61,849,314
Total Common Stocks (cost $1,131,657,315)			**1,663,176,820**

Short-Term Investments—.1%	Principal Amount ($)		Value ($)
U.S. Treasury Bills;			
0.07%, 9/20/12 (cost $2,064,657)	2,065,000	d	**2,064,678**

Other Investment—1.9%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $32,624,047)	32,624,047	e	**32,624,047**

Investment of Cash Collateral for Securities Loaned—2.1%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $35,982,045)	35,982,045 [e]	**35,982,045**
Total Investments (cost $1,202,328,064)	**102.2%**	**1,733,847,590**
Liabilities, Less Cash and Receivables	**(2.2%)**	**(36,543,643)**
Net Assets	**100.0%**	**1,697,303,947**

REIT—Real Estate Investment Trust

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At June 30, 2012, the value of the fund's securities on loan was $35,800,869 and the value of the collateral held by the fund was $35,982,045.*

[c] *Investment in real estate investment trust.*

[d] *Held by or on behalf of a counterparty for open financial futures positions.*

[e] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Energy	10.7	Media	3.3
Software & Services	9.4	Telecommunication Services	3.2
Capital Goods	7.9	Banks	2.9
Pharmaceuticals & Biotechnology	7.9	Food & Staples Retailing	2.4
Technology Hardware & Equipment	7.8	Semiconductors & Equipment	2.3
Food, Beverage & Tobacco	6.5	Household & Personal Products	2.2
Diversified Financials	5.5	Real Estate	2.1
Short-Term/Money Market Investments	4.1	Consumer Services	2.0
Retailing	3.9	Transportation	1.9
Health Care Equipment & Services	3.8	Consumer Durables & Apparel	.9
Utilities	3.6	Automobiles & Components	.6
Insurance	3.5	Commercial & Professional Services	.5
Materials	3.3		**102.2**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF FINANCIAL FUTURES

June 30, 2012 (Unaudited)

	Contracts	Market Value Covered by Contracts ($)	Expiration	Unrealized Appreciation at 6/30/2012 ($)
Financial Futures Long				
Standard & Poor's 500 E-mini	540	36,622,800	September 2012	**998,142**

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $35,800,869)—Note 1(b):		
Unaffiliated issuers	1,133,721,972	1,665,241,498
Affiliated issuers	68,606,092	68,606,092
Cash		577,763
Dividends and securities lending income receivable		2,200,050
Receivable for investment securities sold		1,500,380
Receivable for futures variation margin—Note 4		951,639
Prepaid expenses		63,020
		1,739,140,442
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		372,881
Liability for securities on loan—Note 1(b)		35,982,045
Payable for investment securities purchased		2,683,938
Payable for shares of Common Stock redeemed		2,650,900
Accrued expenses		146,731
		41,836,495
Net Assets ($)		**1,697,303,947**
Composition of Net Assets ($):		
Paid-in capital		1,207,637,880
Accumulated undistributed investment income—net		539,520
Accumulated net realized gain (loss) on investments		(43,391,121)
Accumulated net unrealized appreciation (depreciation) on investments (including $998,142 net unrealized appreciation on financial futures)		532,517,668
Net Assets ($)		**1,697,303,947**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	1,519,266,555	178,037,392
Shares Outstanding	49,908,594	5,841,931
Net Asset Value Per Share ($)	**30.44**	**30.48**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2012 (Unaudited)

Investment Income ($):	
Income:	
Cash Dividends:	
Unaffiliated issuers	18,295,226
Affiliated issuers	9,739
Income from securities lending—Note 1(b)	61,075
Interest	275
Total Income	**18,366,315**
Expenses:	
Management fee—Note 3(a)	2,101,670
Distribution fees—Note 3(b)	217,880
Prospectus and shareholders' reports	107,484
Directors' fees and expenses—Note 3(d)	56,764
Professional fees	37,172
Shareholder servicing costs—Note 3(c)	20,869
Loan commitment fees—Note 2	8,430
Registration fees	1,395
Miscellaneous	62,585
Total Expenses	**2,614,249**
Less—reduction in fees due to earnings credits—Note 3(c)	(4)
Net Expenses	**2,614,245**
Investment Income—Net	**15,752,070**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	5,700,679
Net realized gain (loss) on financial futures	4,161,418
Net Realized Gain (Loss)	**9,862,097**
Net unrealized appreciation (depreciation) on investments	128,969,682
Net unrealized appreciation (depreciation) on financial futures	47,646
Net Unrealized Appreciation (Depreciation)	**129,017,328**
Net Realized and Unrealized Gain (Loss) on Investments	**138,879,425**
Net Increase in Net Assets Resulting from Operations	**154,631,495**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations ($):		
Investment income—net	15,752,070	30,655,167
Net realized gain (loss) on investments	9,862,097	87,274,296
Net unrealized appreciation (depreciation) on investments	129,017,328	(84,167,175)
Net Increase (Decrease) in Net Assets Resulting from Operations	**154,631,495**	**33,762,288**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(14,295,314)	(28,344,208)
Service Shares	(1,406,908)	(2,688,460)
Net realized gain on investments:		
Initial Shares	(77,220,676)	(10,509,094)
Service Shares	(8,527,384)	(1,112,437)
Total Dividends	**(101,450,282)**	**(42,654,199)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	88,205,237	171,025,336
Service Shares	13,380,487	28,394,145
Dividends reinvested:		
Initial Shares	91,515,990	38,853,302
Service Shares	9,934,292	3,800,897
Cost of shares redeemed:		
Initial Shares	(195,582,961)	(349,530,185)
Service Shares	(18,924,036)	(31,935,289)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(11,470,991)**	**(139,391,794)**
Total Increase (Decrease) in Net Assets	**41,710,222**	**(148,283,705)**
Net Assets ($):		
Beginning of Period	1,655,593,725	1,803,877,430
End of Period	**1,697,303,947**	**1,655,593,725**
Undistributed investment income—net	539,520	489,672

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Capital Share Transactions:		
Initial Shares		
Shares sold	2,833,750	5,767,892
Shares issued for dividends reinvested	2,915,900	1,300,359
Shares redeemed	(6,299,691)	(11,714,021)
Net Increase (Decrease) in Shares Outstanding	**(550,041)**	**(4,645,770)**
Service Shares		
Shares sold	435,939	963,854
Shares issued for dividends reinvested	316,073	127,057
Shares redeemed	(609,079)	(1,074,192)
Net Increase (Decrease) in Shares Outstanding	**142,933**	**16,719**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	29.48	29.67	26.31	22.98	37.40	36.15
Investment Operations:						
Investment income—net[a]	.29	.54	.48	.48	.64	.64
Net realized and unrealized gain (loss) on investments	2.52	.02	3.37	4.85	(14.40)	1.26
Total from Investment Operations	2.81	.56	3.85	5.33	(13.76)	1.90
Distributions:						
Dividends from investment income—net	(.29)	(.55)	(.49)	(.48)	(.66)	(.65)
Dividends from net realized gain on investments	(1.56)	(.20)	–	(1.52)	–	–
Total Distributions	(1.85)	(.75)	(.49)	(2.00)	(.66)	(.65)
Net asset value, end of period	30.44	29.48	29.67	26.31	22.98	37.40
Total Return (%)	9.36[b]	1.88	14.84	26.33	(37.14)	5.26
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.28[c]	.27	.27	.29	.28	.27
Ratio of net expenses to average net assets	.28[c]	.27	.27	.29	.28	.27
Ratio of net investment income to average net assets	1.86[c]	1.81	1.78	2.12	2.04	1.70
Portfolio Turnover Rate	1.44[b]	3.27	4.46	5.42	4.69	4.54
Net Assets, end of period ($ x 1,000)	1,519,267	1,487,417	1,635,095	1,593,165	1,464,344	2,702,209

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	29.51	29.70	26.34	23.00	37.41	36.16
Investment Operations:						
Investment income—net[a]	.25	.47	.41	.43	.57	.55
Net realized and unrealized gain (loss) on investments	2.53	.02	3.38	4.85	(14.42)	1.26
Total from Investment Operations	2.78	.49	3.79	5.28	(13.85)	1.81
Distributions:						
Dividends from investment income—net	(.25)	(.48)	(.43)	(.42)	(.56)	(.56)
Dividends from net realized gain on investments	(1.56)	(.20)	–	(1.52)	–	–
Total Distributions	(1.81)	(.68)	(.43)	(1.94)	(.56)	(.56)
Net asset value, end of period	30.48	29.51	29.70	26.34	23.00	37.41
Total Return (%)	9.25[b]	1.62	14.54	26.05	(37.32)	4.99
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.53[c]	.52	.52	.54	.53	.52
Ratio of net expenses to average net assets	.53[c]	.52	.52	.54	.53	.52
Ratio of net investment income to average net assets	1.61[c]	1.56	1.53	1.86	1.72	1.45
Portfolio Turnover Rate	1.44[b]	3.27	4.46	5.42	4.69	4.54
Net Assets, end of period ($ x 1,000)	178,037	168,177	168,782	150,369	124,614	532,711

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Stock Index Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a non-diversified open-end management investment company, that is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of life insurance companies. The fund's investment objective is to match the total return of the Standard and Poor's® 500 Composite Stock Price Index. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser. Mellon Capital Management Corporation ("Mellon Capital"), an indirect wholly-owned subsidiary of BNY Mellon, serves as the fund's index manager.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 400 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial shares (250 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the distribution plan, shareholder services plan, the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These 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).

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

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are categorized within Level 1 of the fair value hierarchy.

U.S. Treasury Bills are valued at the mean price between quoted bid prices and asked prices by an independent pricing service (the "Service") approved by the Board of Directors. These securities are generally categorized within Level 2 of the fair value hierarchy.

The Service's procedures are reviewed by Dreyfus under the general supervision of the Board of Directors.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant American Depository Receipts and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

Financial futures, which are traded on an exchange, are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on each business day. These securities are generally categorized within Level 1 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 2012 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	1,663,176,820	–	–	**1,663,176,820**
Mutual Funds	68,606,092	–	–	**68,606,092**
U.S. Treasury	–	2,064,678	–	**2,064,678**
Other Financial Instruments:				
Financial Futures††	998,142	–	–	**998,142**

† *See Statement of Investments for additional detailed categorizations.*
†† *Amount shown represents unrealized appreciation at period end.*

For the period ended June 30, 2012, there were no transfers of exchange traded securities, U.S. Treasuries or financial futures between Level 1 and Level 2 of the fair value hierarchy.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by Dreyfus, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended June 30, 2012, The Bank of New York Mellon earned $26,175 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Other investment companies advised by Dreyfus are considered to be "affiliated" with the fund.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended June 30, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 6/30/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	43,932,285	88,837,504	100,145,742	32,624,047	1.9
Dreyfus Institutional Cash Advantage Fund	17,596,811	61,747,871	43,362,637	35,982,045	2.1
Total	**61,529,096**	**150,585,375**	**143,508,379**	**68,606,092**	**4.0**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid on a quarterly basis. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2012, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2011 was as follows: ordinary income $31,032,668 and long-term capital gains $11,621,531. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2012, the fund did not borrow under the Facilities.

NOTE 3—Management Fee, Index Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement with Dreyfus, the management fee is computed at the annual rate of .245% of the value of the fund's average daily net assets and is payable monthly.

Dreyfus has agreed to pay Mellon Capital a monthly index-management fee at the annual rate of .07% of the value of the fund's average daily net assets.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2012, Service shares were charged $217,880 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of the Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares' shareholder accounts. During the period ended June 30, 2012, Initial shares were charged $15,203 pursuant to the Shareholders Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency and cash management services for the fund. During the period ended June 30, 2012, the fund was charged $563 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

Dreyfus has agreed to bear the cost of custody fees.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended June 30, 2012, the fund was charged $84 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $4.

During the period ended ended June 30, 2012, the fund was charged $3,183 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $332,897, Plan fees $35,401, Shareholder Services Plan fees $1,000, Chief Compliance Officer fees $3,183 and transfer agency per account fees $400.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities and financial futures, during the period ended June 30, 2012, amounted to $24,421,381 and $101,558,875, respectively.

Financial Futures: In the normal course of pursuing its investment objective, the fund is exposed to market risk, including equity price risk, as a result of changes in value of underlying financial instruments. The fund invests in financial futures in order to manage its exposure to or protect against changes in the market. A financial futures contract represents a commitment for the future purchase or a sale of an asset at a specified date. Upon entering into such contracts, these investments require initial margin deposits with a counterparty, which consist of cash or cash equivalents. The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change. Accordingly, variation margin payments are received or made to reflect daily unrealized gains or losses which are recorded in the Statement of Operations. When the contracts are closed, the fund recognizes a realized gain or loss. There is minimal counterparty credit risk to the fund with financial futures since they are exchange traded, and the exchange's clearinghouse guarantees the financial futures against default. Financial futures open at June 30, 2012 are set forth in the Statement of Financial Futures.

The following summarizes the average market value of derivatives outstanding during the period ended June 30, 2012:

	Average Market Value ($)
Equity financial futures contracts	35,483,693

At June 30, 2012, accumulated net unrealized appreciation on investments was $531,519,526, consisting of $714,418,854 gross unrealized appreciation and $182,899,328 gross unrealized depreciation.

At June 30, 2012, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

NOTE 5—Pending Legal Matters:

The fund and more than two hundred other entities have been named as defendants in two pending litigations (Deutsche Bank Trust Co., Americas et al. v. Adaly Opportunity Fund TD Secs. Inc. et al., No. 11-cv-04784, filed July 12, 2011 in the United States District Court for the Southern District of New York, and Niese et al. v. AllianceBernstein L.P. et al., No. 11-cv-04538, filed July 1, 2011 in the United States District Court for the Southern District of New York) against shareholders of the Tribune Company who received payment for their shares in June or December 2007, as part of a leveraged buyout of the company (the "LBO"). Approximately one year after the LBO was concluded, the Tribune Company filed for bankruptcy. Thereafter, in approximately June 2011, certain Tribune Company creditors filed dozens of complaints in various courts throughout the country, including complaints in the two actions referred to above, alleging that the payments made to shareholders in the LBO were "fraudulent conveyances," and that the shareholders must return the payments they received for their shares to satisfy the plaintiffs' unpaid claims. These cases have been consolidated for pre-trial proceedings in a multi-district litigation in the United States District Court for the Southern District of New York (S.D.N.Y. No. 11-md-2296 (WHP)).

In addition, there was a case pending in United States Bankruptcy Court for the District of Delaware brought by the Unsecured Creditors

Committee of the Tribune Company that has since been transferred to a multi-district litigation in the United States District Court for the Southern District of New York (The Official Committee of Unsecured Creditors of Tribune Co. v. Fitzsimons et al., formerly Bankr. D. Del. Adv. Pro. No. 10-54010 (KJC) and now S.D.N.Y. No. 12-cv-2652 (WHP)). The case was originally filed on November 1, 2010. In this case, the Creditors Committee seeks recovery for alleged "fraudulent conveyances" from more than 32,000 Tribune shareholders, including the fund, in a Third Amended Complaint filed in January 2012.

At this stage in the proceedings, it is not possible to assess with any reasonable certainty the probable outcomes of the pending litigations. Consequently, at this time, management is unable to estimate the possible loss that may result.

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Directors held on March 6, 2012, the Board considered the renewal of the fund's Management Agreement pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"), and the Index Management Agreement (together, the "Agreements"), pursuant to which Mellon Capital Management Corporation (the "Index Manager") provides day to day management of the fund's investments. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus and the Index Manager. In considering the renewal of the Agreements, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board considered information previously provided to them in presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and Dreyfus representatives confirmed that there had been no material changes in this information. Dreyfus provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including the distribution channel(s) for the fund.

The Board also considered research support available to, and portfolio management capabilities of, the fund's portfolio management personnel and that Dreyfus also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board also considered Dreyfus' extensive administrative, accounting, and compliance infrastructures, as well as Dreyfus' supervisory activities over the Index Manager. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended December 31, 2011, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. The Board discussed the results of the comparisons and noted that the fund's total return performance was above the Performance Group and Performance Universe medians for the various periods and ranked in the first quartile of the Performance Universe in all periods and in the first quartile of the Performance Group for four of the six periods shown. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. The Board noted that the fund's contractual management fee was below the Expense Group median and the fund's actual management fee and total expenses were below the Expense Group and the Expense Universe medians.

Dreyfus representatives reviewed with the Board the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Index Manager or its affiliates for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

The Board considered the fee to the Index Manager in relation to the fee paid to Dreyfus by the fund and the respective services provided by the Index Manager and Dreyfus. The Board also noted the Index Manager's fee is paid by Dreyfus (out of its fee from the fund) and not the fund.

Analysis of Profitability and Economies of Scale. Dreyfus representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The

Board previously had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board's counsel stated that the Board should consider the profitability analysis (1) as part of their evaluation of whether the fees under the Agreements bear a reasonable relationship to the mix of services provided by Dreyfus and the Index Manager, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Since Dreyfus, and not the fund, pays the Index Manager pursuant to the Index Management Agreement, the Board did not consider the Index Manager's profitability to be relevant to its deliberations. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that, if a fund's assets had been stable or decreasing, the possibility that Dreyfus may have realized any economies of scale would be less. Dreyfus representatives also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to Dreyfus and the Index Manager from acting as investment adviser and index manager, respectively, and noted that there were no soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreements. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus and the Index Manager are adequate and appropriate.
- The Board was satisfied with the fund's performance.
- The Board concluded that the fees paid to Dreyfus and the Index Manager were reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreements was in the best interests of the fund and its shareholders.

For More Information

Dreyfus Stock Index Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Index Fund Manager

Mellon Capital Management
Corporation
500 Grant Street
Pittsburgh, PA 15258

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent &
Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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Dreyfus Variable Investment Fund, Appreciation Portfolio

SEMIANNUAL REPORT June 30, 2012

BNY MELLON

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Variable Investment Fund, Appreciation Portfolio, covering the six-month period from January 1, 2012, through June 30, 2012. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Economic optimism helped drive stock prices higher in early 2012 when investors responded positively to improving U.S. employment trends and measures by European policymakers to address the region's sovereign debt crisis. However, political developments later raised doubts about some of Europe's proposed solutions, and U.S. economic data weakened in the spring. Consequently, U.S. stocks gave back their previous gains, and most major market indices ended the first half of the year close to where they began.

Despite the recent downturn in market sentiment, we believe the U.S. and global economies are likely to remain on mildly upward trajectories. In our judgment, current sluggishness is at least partly due to the lagging effects of tighter monetary policies in some areas of the world, and we expect stronger growth when a shift to more accommodative policies begins to have an impact on global economic activity. In addition, the adjustment among U.S. exporters to weaker European demand and slower economic growth in certain emerging markets should be largely completed later this year, setting the stage for better business conditions in 2013.

As always, we encourage you to discuss our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 16, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through June 30, 2012, as provided by Fayez Sarofim, Portfolio Manager of Fayez Sarofim & Co., Sub-Investment Adviser

Fund and Market Performance Overview

For the six-month period ended June 30, 2012, Dreyfus Variable Investment Fund, Appreciation Portfolio's Initial shares produced a total return of 7.22%, and its Service shares produced a total return of 7.10%.[1] In comparison, the total return of the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), was 9.48% for the same period.[2]

Mixed economic data fueled heightened market volatility as gains over the first quarter of 2012 were partly offset by declines during the second quarter. The fund produced lower returns than its benchmark, mainly due to investors' preference for domestically oriented businesses rather than the multinational companies on which the fund focuses.

The Fund's Investment Approach

The fund seeks long-term capital growth consistent with the preservation of capital. Its secondary goal is current income. To pursue these goals, the fund normally invests at least 80% of its assets in common stocks. The fund focuses on blue-chip companies with total market capitalizations of more than $5 billion at the time of purchase, including multinational companies. These are established companies that have demonstrated sustained patterns of profitability, strong balance sheets, an expanding global presence and the potential to achieve predictable, above-average earnings growth.

In choosing stocks, the fund first identifies economic sectors it believes will expand over the next three to five years or longer. Using fundamental analysis, the fund then seeks companies within these sectors that have proven track records and dominant positions in their industries. The fund employs a "buy-and-hold" investment strategy, which generally has resulted in an annual portfolio turnover of below 15%. A low portfolio turnover rate helps reduce the fund's trading costs and minimizes tax liability by limiting the distribution of capital gains.[3]

Macroeconomic Developments Fueled Market Volatility

The reporting period began with a strong rally among U.S. stocks amid employment gains and other encouraging domestic economic news. In addition, a quantitative easing program in Europe appeared to forestall a more severe banking crisis in the region, and monetary policymakers in China seemed to have engineered a "soft landing" and lower inflation in a major engine of global growth. Consequently, investors grew more tolerant of risks during the first quarter of 2012, and they focused on global companies expected to benefit from better business conditions.

However, these positive influences were called into question in the second quarter, when the U.S. labor market's rebound slowed. Meanwhile, proposed programs to relieve fiscal pressures in Europe encountered political resistance. These headwinds caused the S&P 500 Index to fall over the second quarter of the year, partly offsetting earlier gains.

Stock Selections Produced Mixed Results

The fund's relative performance was undermined by its overweighted position in the energy sector, where falling oil and natural gas prices pressured earnings of energy producers such as Occidental Petroleum and Royal Dutch Shell, Cl. A, ADR, while France's Total, ADR also was hurt by the European debt crisis.

The fund also encountered shortfalls stemming from underweighted exposure to the financials sector, which rebounded from depressed levels despite ongoing debt and corporate governance issues. In the consumer discretionary sector, the global economic slowdown constrained results from casual dining giant McDonald's, and a deteriorating economic outlook and pricing pressures in Brazil hurt the earnings of McDonald's franchisee Arcos Dorados Holdings, Cl. A. Other laggards included global metals producer Freeport-McMoRan Copper & Gold, which suffered as growth slowed in the emerging markets, and U.S. pharmacy chain Walgreen, which encountered negative investor reaction to an acquisition in Europe.

The fund produced better relative results in the information technology sector, where electronics innovator Apple continued to score successes with its smartphone and tablet computer products. In other areas, tobacco companies Philip Morris International and Altria Group advanced as investors favored traditionally defensive stocks, which have exhibited consistent earnings and strong cash flows, as did beverages leader The Coca-Cola Companies and retail giant Wal-Mart Stores.

We added two companies to the fund during the reporting period. We expect global brewer SABMiller to grow along with alcohol consumption in the emerging markets, and several new and very large discoveries have created a turnaround story at Statoil. Entering 2012, Statoil now finds itself with an enviable slate of major Norwegian oil discoveries and participation in world class discoveries in Brazil, Tanzania and the Guf of Mexico.

Positioned for Continued Volatility

While the U.S. economy currently shows signs of moderate strength and equity valuations generally are attractive, we believe that the European sovereign debt crisis and global deleveraging will continue to stress equity markets. In such an environment, well-established companies with solid business fundamentals and generous dividend yields are likely to remain attractive to investors. As of midyear, we have continued to find a relatively large number of investments meeting our criteria in the consumer staples and energy sectors.

July 16, 2012

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

Fund shares are only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects monthly reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in an index.*

3 *Achieving tax efficiency is not a part of the fund's investment objective, and there can be no guarantee that the fund will achieve any particular level of taxable distributions in future years. In periods when the manager has to sell significant amounts of securities (e.g., during periods of significant net redemptions or changes in index components) funds can be expected to be less tax efficient than during periods of more stable market conditions and asset flows.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Variable Investment Fund, Appreciation Portfolio from January 1, 2012 to June 30, 2012. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.17	$ 5.46
Ending value (after expenses)	$1,072.20	$1,071.00

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.07	$ 5.32
Ending value (after expenses)	$1,020.84	$1,019.59

† *Expenses are equal to the fund's annualized expense ratio of .81% for Initial Shares and 1.06% for Service Shares, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2012 (Unaudited)

Common Stocks—99.0%	Shares		Value ($)
Capital Goods—3.2%			
Caterpillar	84,400		7,166,404
General Electric	194,800		4,059,632
United Technologies	79,000		5,966,870
			17,192,906
Consumer Durables & Apparel—1.7%			
Christian Dior	65,500		**8,972,887**
Consumer Services—3.1%			
Arcos Dorados Holdings, Cl. A	125,000	a	1,847,500
McDonald's	170,900		15,129,777
			16,977,277
Diversified Financials—3.5%			
BlackRock	28,000		4,754,960
Franklin Resources	41,000		4,550,590
JPMorgan Chase & Co.	267,300		9,550,629
			18,856,179
Energy—19.3%			
Chevron	205,900		21,722,450
ConocoPhillips	165,100		9,225,788
Exxon Mobil	328,364		28,098,108
Imperial Oil	100,000	a	4,172,000
Occidental Petroleum	153,100		13,131,387
Phillips 66	82,550	b	2,743,962
Royal Dutch Shell, Cl. A, ADR	182,500		12,305,975
Statoil, ADR	145,000	a	3,459,700
Total, ADR	204,400	a	9,187,780
			104,047,150
Food & Staples Retailing—3.7%			
Wal-Mart Stores	171,600		11,963,952
Walgreen	134,300		3,972,594
Whole Foods Market	45,100		4,298,932
			20,235,478

Common Stocks (continued)	Shares	Value ($)
Food, Beverage & Tobacco—24.4%		
Altria Group	476,100	16,449,255
Coca-Cola	460,600	36,014,314
Kraft Foods, Cl. A	160,000	6,179,200
Nestle, ADR	317,400	18,961,476
PepsiCo	142,900	10,097,314
Philip Morris International	456,100	39,799,286
SABMiller	110,000	4,401,654
		131,902,499
Health Care Equipment & Services—1.7%		
Intuitive Surgical	12,000 [b]	6,645,480
Medtronic	60,200	2,331,546
		8,977,026
Household & Personal Products—4.2%		
Estee Lauder, Cl. A	133,400	7,219,608
Procter & Gamble	255,000	15,618,750
		22,838,358
Materials—4.4%		
Air Products & Chemicals	20,000	1,614,600
Freeport-McMoRan Copper & Gold	200,000	6,814,000
Praxair	95,200	10,351,096
Rio Tinto, ADR	100,000 [a]	4,781,000
		23,560,696
Media—3.8%		
McGraw-Hill	107,100	4,819,500
News, Cl. A	283,136	6,311,101
Time Warner Cable	45,000	3,694,500
Walt Disney	120,000	5,820,000
		20,645,101

Common Stocks (continued)	Shares		Value ($)
Pharmaceuticals & Biotechnology—8.3%			
Abbott Laboratories	181,800		11,720,646
Johnson & Johnson	212,900	a	14,383,524
Merck & Co.	63,200		2,638,600
Novo Nordisk, ADR	56,300		8,182,642
Roche Holding, ADR	185,700		8,025,954
			44,951,366
Retailing—2.0%			
Target	189,700		**11,038,643**
Semiconductors & Equipment—4.1%			
Intel	592,900		15,800,785
Texas Instruments	213,300		6,119,577
			21,920,362
Software & Services—3.6%			
Automatic Data Processing	85,400		4,753,364
International Business Machines	75,000		14,668,500
			19,421,864
Technology Hardware & Equipment—8.0%			
Apple	68,000	b	39,712,000
QUALCOMM	62,800		3,496,704
			43,208,704
Total Common Stocks (cost $319,181,830)			**534,746,496**

Other Investment—.9%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $4,843,374)	4,843,374	c	**4,843,374**

Investment of Cash Collateral for Securities Loaned—5.3%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $28,594,614)	28,594,614 [c]	**28,594,614**
Total Investments (cost $352,619,818)	**105.2%**	**568,184,484**
Liabilities, Less Cash and Receivables	**(5.2%)**	**(27,847,951)**
Net Assets	**100.0%**	**540,336,533**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At June 30, 2012, the value of the fund's securities on loan was $28,761,993 and the value of the collateral held by the fund was $28,594,614.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Food, Beverage & Tobacco	24.4	Food & Staples Retailing	3.7
Energy	19.3	Software & Services	3.6
Pharmaceuticals & Biotechnology	8.3	Diversified Financials	3.5
Technology Hardware & Equipment	8.0	Capital Goods	3.2
Money Market Investments	6.2	Consumer Services	3.1
Materials	4.4	Retailing	2.0
Household & Personal Products	4.2	Health Care Equipment & Services	1.7
Semiconductors & Equipment	4.1	Consumer Durables & Apparel	1.7
Media	3.8		**105.2**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $28,761,993)—Note 1(b):		
Unaffiliated issuers	319,181,830	534,746,496
Affiliated issuers	33,437,988	33,437,988
Cash		368,559
Dividends and securities lending income receivable		1,187,425
Prepaid expenses		6,481
		569,746,949
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		280,501
Due to Fayez & Sarofim & Co.		93,451
Liability for securities on loan—Note 1(b)		28,594,614
Payable for shares of Beneficial Interest redeemed		364,136
Accrued expenses		77,714
		29,410,416
Net Assets ($)		**540,336,533**
Composition of Net Assets ($):		
Paid-in capital		324,084,652
Accumulated undistributed investment income—net		166,427
Accumulated net realized gain (loss) on investments		520,788
Accumulated net unrealized appreciation (depreciation) on investments		215,564,666
Net Assets ($)		**540,336,533**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	350,767,009	189,569,524
Shares Outstanding	8,837,354	4,800,969
Net Asset Value Per Share ($)	**39.69**	**39.49**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2012 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $320,552 foreign taxes withheld at source):	
Unaffiliated issuers	7,538,751
Affiliated issuers	2,343
Income from securities lending—Note 1(b)	65,514
Total Income	**7,606,608**
Expenses:	
Investment advisory fee—Note 3(a)	1,424,285
Sub-investment advisory fee—Note 3(a)	581,750
Distribution fees—Note 3(b)	231,853
Prospectus and shareholders' reports	51,593
Professional fees	33,672
Trustees' fees and expenses—Note 3(c)	22,859
Custodian fees—Note 3(b)	20,938
Shareholder servicing costs—Note 3(b)	8,455
Interest expense—Note 2	2,094
Loan commitment fees—Note 2	1,322
Miscellaneous	10,293
Total Expenses	**2,389,114**
Less—reduction in fees due to earnings credits—Note 3(b)	(5)
Net Expenses	**2,389,109**
Investment Income—Net	**5,217,499**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	3,171,271
Net unrealized appreciation (depreciation) on investments	28,790,055
Net Realized and Unrealized Gain (Loss) on Investments	**31,961,326**
Net Increase in Net Assets Resulting from Operations	**37,178,825**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations ($):		
Investment income—net	5,217,499	8,849,225
Net realized gain (loss) on investments	3,171,271	(368,068)
Net unrealized appreciation (depreciation) on investments	28,790,055	31,468,680
Net Increase (Decrease) in Net Assets Resulting from Operations	**37,178,825**	**39,949,837**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(9,404,205)	(5,339,622)
Service Shares	(4,490,090)	(2,014,556)
Total Dividends	**(13,894,295)**	**(7,354,178)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	35,346,641	46,939,033
Service Shares	31,669,252	64,879,366
Dividends reinvested:		
Initial Shares	9,404,205	5,339,622
Service Shares	4,490,090	2,014,556
Cost of shares redeemed:		
Initial Shares	(35,109,727)	(58,474,591)
Service Shares	(29,352,972)	(28,370,572)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**16,447,489**	**32,327,414**
Total Increase (Decrease) in Net Assets	**39,732,019**	**64,923,073**
Net Assets ($):		
Beginning of Period	500,604,514	435,681,441
End of Period	**540,336,533**	**500,604,514**
Undistributed investment income—net	166,427	8,843,223

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Capital Share Transactions:		
Initial Shares		
Shares sold	893,297	1,285,530
Shares issued for dividends reinvested	232,178	147,422
Shares redeemed	(879,967)	(1,599,685)
Net Increase (Decrease) in Shares Outstanding	**245,508**	**(166,733)**
Service Shares		
Shares sold	808,739	1,791,766
Shares issued for dividends reinvested	111,461	55,897
Shares redeemed	(734,535)	(789,159)
Net Increase (Decrease) in Shares Outstanding	**185,665**	**1,058,504**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	37.99	35.44	31.40	28.88	44.86	42.55
Investment Operations:						
Investment income—net[a]	.40	.73	.64	.63	.67	.66
Net realized and unrealized gain (loss) on investments	2.37	2.42	4.09	4.95	(13.01)	2.32
Total from Investment Operations	2.77	3.15	4.73	5.58	(12.34)	2.98
Distributions:						
Dividends from investment income—net	(1.07)	(.60)	(.69)	(.78)	(.77)	(.67)
Dividends from net realized gain on investments	–	–	–	(2.28)	(2.87)	–
Total Distributions	(1.07)	(.60)	(.69)	(3.06)	(3.64)	(.67)
Net asset value, end of period	39.69	37.99	35.44	31.40	28.88	44.86
Total Return (%)	7.22[b]	9.01	15.32	22.56	(29.55)	7.14
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.81[c]	.80	.81	.80	.81	.80
Ratio of net expenses to average net assets	.81[c]	.80	.81	.80	.81	.80
Ratio of net investment income to average net assets	2.04[c]	1.99	2.01	2.31	1.82	1.52
Portfolio Turnover Rate	3.13[b]	4.24	11.90	1.49	3.41	5.17
Net Assets, end of period ($ x 1,000)	350,767	326,445	310,385	290,073	274,782	569,422

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	37.74	35.23	31.21	28.70	44.59	42.32
Investment Operations:						
Investment income—net[a]	.35	.63	.58	.59	.58	.56
Net realized and unrealized gain (loss) on investments	2.34	2.42	4.05	4.89	(12.94)	2.30
Total from Investment Operations	2.69	3.05	4.63	5.48	(12.36)	2.86
Distributions:						
Dividends from investment income—net	(.94)	(.54)	(.61)	(.69)	(.66)	(.59)
Dividends from net realized gain on investments	–	–	–	(2.28)	(2.87)	–
Total Distributions	(.94)	(.54)	(.61)	(2.97)	(3.53)	(.59)
Net asset value, end of period	39.49	37.74	35.23	31.21	28.70	44.59
Total Return (%)	7.10[b]	8.74	15.04	22.23	(29.72)	6.85
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.06[c]	1.05	1.06	1.05	1.06	1.05
Ratio of net expenses to average net assets	1.06[c]	1.05	1.06	1.05	1.06	1.05
Ratio of net investment income to average net assets	1.79[c]	1.75	1.74	2.15	1.61	1.27
Portfolio Turnover Rate	3.13[b]	4.24	11.90	1.49	3.41	5.17
Net Assets, end of period ($ x 1,000)	189,570	174,160	125,296	71,893	88,606	121,006

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Variable Investment Fund (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company currently offering seven series, including the Appreciation Portfolio (the "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund's investment objective is to seek long-term capital growth consistent with the preservation of capital. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser. Fayez Sarofim & Co. ("Sarofim & Co.") serves as the fund's sub-investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These 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).

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

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Company's Board of Trustees. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 2012 in valuing the fund's investments:

	Level 1–Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3–Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities–Domestic†	450,447,928	–	–	**450,447,928**
Equity Securities–Foreign†	84,298,568	–	–	**84,298,568**
Mutual Funds	33,437,988	–	–	**33,437,988**

† *See Statement of Investments for additional detailed categorizations.*

For the period ended June 30, 2012, there were no transfers of exchange traded securities between Level 1 and Level 2 of the fair value hierarchy.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. At June 30, 2012, the value of the collateral was 99.4% of the market value of the securities on loan. The fund received additional collateral subsequent to period end which resulted in the market value of the collateral to be at least 100% of the market value of the securities on loan. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by Dreyfus, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended June 30, 2012, The Bank of New York Mellon earned $28,078 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Other investment companies advised by Dreyfus are considered to be "affiliated" with the fund.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended June 30, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 6/30/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	7,593,542	34,894,354	37,644,522	4,843,374	.9
Dreyfus Institutional Cash Advantage Fund	2,642,191	146,901,891	120,949,468	28,594,614	5.3
Total	**10,235,733**	**181,796,245**	**158,593,990**	**33,437,988**	**6.2**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Effective March 31, 2012, dividends from investment income-net are declared and paid quarterly. Prior to the effective date, dividends from investment income-net were declared and paid annually. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2012, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. The 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The fund has an unused capital loss carryover of $1,621,087 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to December 31, 2011. If not applied, $658,768 of the carryover expires in fiscal year 2017, $732,796 expires in fiscal year 2018 and $229,523 of post-enactment long-term capital losses can be carried forward for an unlimited period.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2011 was as follows: ordinary income $7,354,178. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York

Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing.

The average amount of borrowings outstanding under the Facilities during the period ended June 30, 2012 was approximately $356,600, with a related weighted average annualized interest rate of 1.18%.

NOTE 3—Investment Advisory Fee, Sub-Investment Advisory Fee and Other Transactions With Affiliates:

(a) Pursuant to an investment advisory agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .5325% of the value of the fund's average daily net assets. Pursuant to a sub-investment advisory agreement with Sarofim & Co., the fund pays Sarofim & Co. a monthly sub-investment advisory fee at the annual rate of .2175% of the value of the fund's average daily net assets. Both fees are payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2012, Service shares were charged $231,853 pursuant to the Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency and cash management services for the fund. During the period ended June 30, 2012, the fund was charged $712 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2012, the fund was charged $20,938 pursuant to the custody agreement.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended June 30, 2012, the fund was charged $97 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $5.

During the period ended June 30, 2012, the fund was charged $3,183 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: investment advisory fees $228,793, Plan fees $37,503, custodian fees $10,567, Chief Compliance Officer fees $3,183 and transfer agency per account fees $455.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2012, amounted to $28,428,848 and $16,623,860, respectively.

At June 30, 2012, accumulated net unrealized appreciation on investments was $215,564,666, consisting of $226,951,311 gross unrealized appreciation and $11,386,645 gross unrealized depreciation.

At June 30, 2012, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

INFORMATION ABOUT THE RENEWAL OF THE FUND'S INVESTMENT ADVISORY AND SUB-INVESTMENT ADVISORY AGREEMENTS (Unaudited)

At a meeting of the fund's Board of Trustees held on March 6, 2012, the Board considered the renewal of the fund's Investment Advisory Agreement, pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"), and the Sub-Investment Advisory Agreement (together, the "Agreements"), pursuant to which Fayez Sarofim & Co. (the "Sub-Adviser") provides day-to-day management of the fund's investments. The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus and the Sub-Adviser. In considering the renewal of the Agreements, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board considered information previously provided to them in presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and Dreyfus representatives confirmed that there had been no material changes in this information. Dreyfus provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including the distribution channel(s) for the fund.

The Board also considered research support available to, and portfolio management capabilities of, the fund's portfolio management personnel and that Dreyfus also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board also considered Dreyfus' extensive administrative, accounting, and compliance infrastructures, as well as Dreyfus' supervisory activities over the Sub-Adviser. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended December 31, 2011, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. The Board discussed the results of the comparisons and noted that the fund's total return performance was above the Performance Group and Performance Universe medians, and the fund ranked first in Performance Group and ranked in the first quartile of the Performance Universe for all periods. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. The Board noted that the fund's contractual management fee was at the Expense Group median, the fund's actual management fee was at the Expense Group median and above the Expense Universe median and the fund's total expenses were slightly above the Expense Group median and below the Expense Universe median.

Dreyfus representatives reviewed with the Board the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Sub-Adviser or its affiliates for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

The Board considered the fee to the Sub-Adviser in relation to the fee paid to Dreyfus by the fund and the respective services provided by the Sub-Adviser and Dreyfus.

<u>Analysis of Profitability and Economies of Scale.</u> Dreyfus representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The Board previously had been provided with information prepared by an independent consulting

firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board's counsel stated that the Board should consider the profitability analysis (1) as part of their evaluation of whether the fees under the Agreements bear a reasonable relationship to the mix of services provided by Dreyfus and the Sub-Adviser, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Dreyfus representatives also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to Dreyfus and the Sub-Adviser from acting as investment adviser and sub-investment adviser, respectively, and noted the soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreements. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus and the Sub-Adviser are adequate and appropriate.
- The Board was satisfied with the fund's performance.
- The Board concluded that the fees paid to Dreyfus and the Sub-Adviser were reasonable in light of the considerations described above.

- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreements was in the best interests of the fund and its shareholders.

For More Information

Dreyfus Variable Investment Fund, Appreciation Portfolio
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Sub-Investment Adviser

Fayez Sarofim & Co.
Two Houston Center
Suite 2907
Houston, TX 77010

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT June 30, 2012

BNY MELLON

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

The Dreyfus Socially Responsible Growth Fund, Inc.

The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this semiannual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the six-month period from January 1, 2012, through June 30, 2012. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

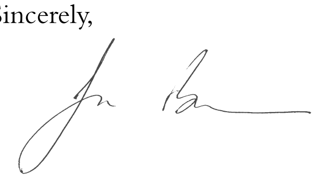
Economic optimism helped drive stock prices higher in early 2012 when investors responded positively to improving U.S. employment trends and measures by European policymakers to address the region's sovereign debt crisis. However, political developments later raised doubts about some of Europe's proposed solutions, and U.S. economic data weakened in the spring. Consequently, U.S. stocks gave back their previous gains, and most major market indices ended the first half of the year close to where they began.

Despite the recent downturn in market sentiment, we believe the U.S. and global economies are likely to remain on mildly upward trajectories. In our judgment, current sluggishness is at least partly due to the lagging effects of tighter monetary policies in some areas of the world, and we expect stronger growth when a shift to more accommodative policies begins to have an impact on global economic activity. In addition, the adjustment among U.S. exporters to weaker European demand and slower economic growth in certain emerging markets should be largely completed later this year, setting the stage for better business conditions in 2013.

As always, we encourage you to discuss our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,



Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 16, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through June 30, 2012, as provided by Jocelin Reed, Warren Chiang, C. Wesley Boggs and Ronald Gala, Portfolio Managers

Market and Fund Performance Overview

For the six-month period ended June 30, 2012, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 8.27%, and the fund's Service shares returned 8.15%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a total return of 9.48% for the same period.[2]

Mixed economic data fueled heightened market volatility as gains over the first quarter of 2012 were partly offset by declines during the second quarter. The fund produced lower returns than its benchmark, chiefly due to shortfalls in the consumer discretionary and information technology sectors.

The Fund's Investment Approach

The fund seeks capital growth, with current income as a secondary objective. To pursue these goals, the fund invests at least 80% of its assets in the common stocks of companies that, in our opinion, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America. In selecting stocks, we use quantitative research to identify and rank stocks within an industry or sector. Next, using fundamental analysis, we designate the most attractive of the higher ranked securities as potential purchase candidates. We then evaluate whether each company meets the fund's socially responsible investment criteria in order to determine whether the company is eligible for purchase or retention by the fund. With respect to those eligible securities, we then select investments that we consider to be the most attractive based on financial considerations.

The fund normally focuses on large-cap growth stocks; however, the fund also may invest in value-oriented stocks, midcap stocks and small-cap stocks.

Macroeconomic Developments Fueled Market Volatility

The first quarter of 2012 began with a strong rally among U.S. stocks amid employment gains and other encouraging domestic economic news. In addition, a quantitative easing program in Europe appeared to forestall a more severe banking crisis in the region, and monetary policymakers in China seemed to have engineered a "soft landing" and lower inflation in a major engine of global growth. Consequently, investors grew more tolerant of risks, and they turned their focus to companies expected to benefit from better business conditions worldwide.

However, these positive influences were called into question in the second quarter, when the U.S. labor market's rebound slowed as the public sector shed jobs and employment gains in the private sector proved more anemic than expected. Meanwhile, proposed austerity programs to relieve fiscal pressures in Europe encountered political resistance. These headwinds caused the S&P 500 Index to fall over the second quarter of the year, partly offsetting earlier gains.

Security Selection Strategy Produced Mixed Results

In this challenging market environment, the fund suffered disappointments in the consumer discretionary sector. Although the sector fared relatively well for the benchmark, the fund's security selections dampened relative performance. Electronics retailer Best Buy reported weak quarterly earnings due to slower sales of entertainment products and sluggish demand in China. Office supplies seller Staples was hurt by falling paper sales and management turnover. Apparel chain Kohl's encountered inventory management issues and greater competitive pressures.

In the information technology sector, underweighted exposure to electronics innovator Apple dampened relative results, as did overweighted positions in hardware manufacturers Dell and Hewlett-Packard, which saw personal computer sales eroded by mobile devices. In the industrials sector, heavy equipment maker Caterpillar was hurt by the global economic slowdown, especially in the emerging markets. Finally, underweighted exposure to the financials sector prevented the fund from participating more fully in a rebound among large, diversified financial institutions.

The fund achieved better results in the consumer staples sector, where organic grocer Whole Foods Market benefited from more robust spending by a relatively affluent customer base. In the health care sector, the fund scored success through an emphasis on biotechnology firms, such as Biogen Idec and Gilead Sciences, which was sold during the reporting period, and relatively light positions in traditional pharmaceutical developers.

Social Responsibility: Serving a Diverse Population

We take seriously our mandate to invest in socially responsible companies. One example is cosmetics maker Estee Lauder Companies, which has a history of diversity in its workforce and promotes a line of products specifically formulated for women of color. Moreover, Estee Lauder is a leader in the development of organic and healthy beauty products. These ventures are not just good social policy; they are sound business decisions as the company makes inroads into the emerging markets and a growing population of middle class consumers.

A Growth-Oriented Investment Posture

Our bottom-up security selection process has found a number of growth-oriented opportunities but fewer of the value-oriented variety, particularly among financial companies. In addition, we have favored companies with a presence in emerging markets. In our judgment, these strategies position the fund for potential market gains while managing risks.

July 16, 2012

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

The fund's socially responsible investment criteria may limit the number of investment opportunities available to the fund, and as a result, at times, the fund may produce more modest gains than funds that are not subject to such special investment considerations.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from January 1, 2012 to June 30, 2012. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.35	$ 5.74
Ending value (after expenses)	$1,082.70	$1,081.50

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.22	$ 5.57
Ending value (after expenses)	$1,020.69	$1,019.34

† *Expenses are equal to the fund's annualized expense ratio of .84% for Initial Shares and 1.11% for Service Shares, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2012 (Unaudited)

Common Stocks—99.5%	Shares		Value ($)
Automobiles & Components—1.0%			
Thor Industries	78,400		**2,148,944**
Banks—6.3%			
Comerica	132,700		4,075,217
First Horizon National	170,520		1,474,998
KeyCorp	523,300		4,050,342
People's United Financial	85,300		990,333
PNC Financial Services Group	26,350		1,610,249
Regions Financial	260,700		1,759,725
			13,960,864
Capital Goods—8.5%			
3M	33,500		3,001,600
Caterpillar	19,900		1,689,709
Cummins	28,200		2,732,862
Donaldson	52,050		1,736,909
Fluor	21,600		1,065,744
General Electric	151,300		3,153,092
Parker Hannifin	27,700		2,129,576
United Technologies	43,875		3,313,879
			18,823,371
Commercial & Professional Services—.4%			
Brink's	39,850		**923,723**
Consumer Services—1.6%			
Marriott International, Cl. A	87,400		**3,426,080**
Diversified Financials—5.2%			
American Express	57,800		3,364,538
Discover Financial Services	90,300		3,122,574
NASDAQ OMX Group	73,500		1,666,245
Northern Trust	37,900		1,744,158
Waddell & Reed Financial, Cl. A	49,950		1,512,486
			11,410,001
Energy—8.9%			
Apache	31,700		2,786,113
Denbury Resources	197,500	a	2,984,225
Devon Energy	47,450		2,751,626
EnCana	89,300		1,860,119

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Bristow Group	23,700		963,879
Hess	26,700		1,160,115
Nexen	140,425		2,371,778
Noble Energy	27,900		2,366,478
Pioneer Natural Resources	18,400		1,623,064
Venoco	76,823	a,b	768,998
			19,636,395
Food & Staples Retailing—4.0%			
Costco Wholesale	46,900		4,455,500
Kroger	49,100		1,138,629
Whole Foods Market	34,550		3,293,306
			8,887,435
Food, Beverage & Tobacco—4.2%			
Bunge	18,800		1,179,512
Campbell Soup	101,200	b	3,378,056
Coca-Cola Enterprises	48,000		1,345,920
ConAgra Foods	62,600		1,623,218
Hormel Foods	54,300		1,651,806
			9,178,512
Health Care Equipment & Services—3.2%			
Becton Dickinson & Co.	14,475		1,082,006
DaVita	40,600	a	3,987,326
Humana	24,900		1,928,256
			6,997,588
Household & Personal Products—2.9%			
Clorox	15,500		1,123,130
Estee Lauder, Cl. A	69,500		3,761,340
Procter & Gamble	23,625		1,447,031
			6,331,501
Insurance—1.2%			
Aflac	62,000		**2,640,580**
Materials—2.5%			
Ball	58,200		2,389,110
Domtar	28,000		2,147,880

Common Stocks (continued)	Shares		Value ($)
Materials (continued)			
Rockwood Holdings	23,100		1,024,485
			5,561,475
Media—1.2%			
Discovery Communications, Cl. A	50,700	a	**2,737,800**
Pharmaceuticals & Biotechnology—11.0%			
Agilent Technologies	61,000		2,393,640
Amgen	16,675		1,217,942
AstraZeneca, ADR	51,650		2,311,337
Biogen Idec	20,700	a	2,988,666
Bristol-Myers Squibb	152,200		5,471,590
Celgene	33,400	a	2,142,944
Life Technologies	78,300	a	3,522,717
Novartis, ADR	41,800		2,336,620
Waters	23,400	a	1,859,598
			24,245,054
Retailing—5.4%			
Best Buy	132,200		2,770,912
Kohl's	67,600		3,075,124
Nordstrom	48,900		2,429,841
O'Reilly Automotive	19,000	a	1,591,630
Staples	146,800		1,915,740
			11,783,247
Semiconductors & Equipment—2.5%			
Advanced Micro Devices	353,700	a	2,026,701
Applied Materials	311,900		3,574,374
			5,601,075
Software & Services—11.8%			
Accenture, Cl. A	19,600		1,177,764
BMC Software	25,500	a	1,088,340
CA	72,550		1,965,379
International Business Machines	29,575		5,784,279
Intuit	29,500		1,750,825
Microsoft	156,100		4,775,099
Oracle	120,075		3,566,228

Common Stocks (continued)	Shares		Value ($)
Software & Services (continued)			
Symantec	137,750	a	2,012,527
VistaPrint	75,800	a,b	2,448,340
Western Union	87,625		1,475,605
			26,044,386
Technology Hardware & Equipment—10.1%			
Apple	11,450	a	6,686,800
Avnet	43,575	a	1,344,724
Cisco Systems	204,375		3,509,119
Dell	246,600	a	3,087,432
EMC	114,525	a	2,935,276
Hewlett-Packard	101,600		2,043,176
Motorola Solutions	57,500		2,766,325
			22,372,852
Telecommunication Services—3.0%			
Verizon Communications	150,500		**6,688,220**
Transportation—1.1%			
United Parcel Service, Cl. B	29,400		**2,315,544**
Utilities—3.5%			
Consolidated Edison	47,700		2,966,463
Pinnacle West Capital	47,100		2,436,954
Xcel Energy	82,700		2,349,507
			7,752,924
Total Common Stocks (cost $198,448,698)			**219,467,571**

Other Investment—.6%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,287,114)	1,287,114	c	**1,287,114**

Investment of Cash Collateral for Securities Loaned—1.5%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $3,272,220)	3,272,220 [c]	**3,272,220**
Total Investments (cost $203,008,032)	**101.6%**	**224,026,905**
Liabilities, Less Cash and Receivables	**(1.6%)**	**(3,575,123)**
Net Assets	**100.0%**	**220,451,782**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At June 30, 2012, the value of the fund's securities on loan was $3,297,793 and the value of the collateral held by the fund was $3,272,220.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Software & Services	11.8	Telecommunication Services	3.0
Pharmaceuticals & Biotechnology	11.0	Household & Personal Products	2.9
Technology Hardware & Equipment	10.1	Semiconductors & Equipment	2.5
Capital Goods	8.5	Materials	2.5
Energy	8.9	Money Market Investments	2.1
Banks	6.3	Consumer Services	1.6
Retailing	5.4	Transportation	1.1
Diversified Financials	5.2	Insurance	1.2
Food, Beverage & Tobacco	4.2	Media	1.2
Food & Staples Retailing	4.0	Automobiles & Components	1.0
Utilities	3.5	Commercial & Professional Services	.4
Health Care Equipment & Services	3.2		**101.6**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $3,297,793)—Note 1(b):		
Unaffiliated issuers	198,448,698	219,467,571
Affiliated issuers	4,559,334	4,559,334
Cash		24,047
Dividends and securities lending income receivable		194,044
Prepaid expenses		6,064
		224,251,060
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		147,363
Liability for securities on loan—Note 1(b)		3,272,220
Payable for shares of Common Stock redeemed		302,538
Interest payable—Note 2		142
Accrued expenses		77,015
		3,799,278
Net Assets ($)		**220,451,782**
Composition of Net Assets ($):		
Paid-in capital		201,985,477
Accumulated undistributed investment income—net		1,093,552
Accumulated net realized gain (loss) on investments		(3,646,120)
Accumulated net unrealized appreciation (depreciation) on investments		21,018,873
Net Assets ($)		**220,451,782**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	214,041,635	6,410,147
Shares Outstanding	6,658,856	200,595
Net Asset Value Per Share ($)	**32.14**	**31.96**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2012 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends (net of $15,810 foreign taxes withheld at source):	
Unaffiliated issuers	1,995,371
Affiliated issuers	395
Income from securities lending—Note 1(b)	67,993
Total Income	**2,063,759**
Expenses:	
Management fee—Note 3(a)	854,196
Professional fees	47,597
Prospectus and shareholders' reports	29,512
Custodian fees—Note 3(c)	8,997
Distribution fees—Note 3(b)	8,236
Shareholder servicing costs—Note 3(c)	5,437
Directors' fees and expenses—Note 3(d)	4,075
Loan commitment fees—Note 2	795
Interest expense—Note 2	142
Miscellaneous	7,040
Total Expenses	**966,027**
Less—reduction in fees due to earnings credits—Note 3(c)	(4)
Net Expenses	**966,023**
Investment Income—Net	**1,097,736**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	7,276,602
Net unrealized appreciation (depreciation) on investments	9,306,353
Net Realized and Unrealized Gain (Loss) on Investments	**16,582,955**
Net Increase in Net Assets Resulting from Operations	**17,680,691**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations ($):		
Investment income—net	1,097,736	1,809,131
Net realized gain (loss) on investments	7,276,602	25,953,466
Net unrealized appreciation (depreciation) on investments	9,306,353	(25,448,830)
Net Increase (Decrease) in Net Assets Resulting from Operations	**17,680,691**	**2,313,767**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(1,775,288)	(1,991,777)
Service Shares	(37,298)	(43,526)
Total Dividends	**(1,812,586)**	**(2,035,303)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	5,920,013	11,511,549
Service Shares	640,850	769,413
Dividends reinvested:		
Initial Shares	1,775,288	1,991,777
Service Shares	37,298	43,526
Cost of shares redeemed:		
Initial Shares	(17,078,050)	(33,671,498)
Service Shares	(892,243)	(1,130,073)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(9,596,844)**	**(20,485,306)**
Total Increase (Decrease) in Net Assets	**6,271,261**	**(20,206,842)**
Net Assets ($):		
Beginning of Period	214,180,521	234,387,363
End of Period	**220,451,782**	**214,180,521**
Undistributed investment income—net	1,093,552	1,808,402

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Capital Share Transactions:		
Initial Shares		
Shares sold	180,154	379,277
Shares issued for dividends reinvested	51,894	64,396
Shares redeemed	(528,414)	(1,109,212)
Net Increase (Decrease) in Shares Outstanding	**(296,366)**	**(665,539)**
Service Shares		
Shares sold	19,932	25,572
Shares issued for dividends reinvested	1,096	1,415
Shares redeemed	(28,055)	(37,964)
Net Increase (Decrease) in Shares Outstanding	**(7,027)**	**(10,977)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	29.91	29.90	26.26	19.86	30.50	28.45
Investment Operations:						
Investment income—net[a]	.16	.24	.25	.21	.19	.17
Net realized and unrealized gain (loss) on investments	2.33	.04	3.62	6.40	(10.64)	2.04
Total from Investment Operations	2.49	.28	3.87	6.61	(10.45)	2.21
Distributions:						
Dividends from investment income—net	(.26)	(.27)	(.23)	(.21)	(.19)	(.16)
Net asset value, end of period	32.14	29.91	29.90	26.26	19.86	30.50
Total Return (%)	8.27[b]	.90	14.82	33.75	(34.42)	7.78
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.84[c]	.85	.89	.89	.85	.82
Ratio of net expenses to average net assets	.84[c]	.85	.89	.89	.85	.82
Ratio of net investment income to average net assets	.97[c]	.80	.93	.97	.72	.58
Portfolio Turnover Rate	25.79[b]	67.88	32.75	34.00	31.74	22.71
Net Assets, end of period ($ x 1,000)	214,042	208,013	227,893	222,600	184,813	331,313

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	29.70	29.71	26.10	19.71	30.25	28.21
Investment Operations:						
Investment income—net [a]	.11	.17	.18	.16	.12	.10
Net realized and unrealized gain (loss) on investments	2.33	.02	3.60	6.37	(10.55)	2.02
Total from Investment Operations	2.44	.19	3.78	6.53	(10.43)	2.12
Distributions:						
Dividends from investment income—net	(.18)	(.20)	(.17)	(.14)	(.11)	(.08)
Net asset value, end of period	31.96	29.70	29.71	26.10	19.71	30.25
Total Return (%)	8.15[b]	.65	14.54	33.44	(34.58)	7.49
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.11[c]	1.10	1.14	1.14	1.10	1.07
Ratio of net expenses to average net assets	1.11[c]	1.10	1.14	1.14	1.10	1.07
Ratio of net investment income to average net assets	.71[c]	.55	.68	.72	.47	.33
Portfolio Turnover Rate	25.79[b]	67.88	32.75	34.00	31.74	22.71
Net Assets, end of period ($ x 1,000)	6,410	6,167	6,494	6,070	5,008	8,924

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified open-end management investment company. The fund's investment objective seeks to provide capital growth. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 300 million shares of $.001 par value Common Stock. The fund currently offers two classes of shares: Initial shares (150 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the distribution plan, shareholder services plan and the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These 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).

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

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the fund's Board of Directors. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 2012 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	208,139,377	–	–	**208,139,377**
Equity Securities– Foreign†	11,328,194	–	–	**11,328,194**
Mutual Funds	4,559,334	–	–	**4,559,334**

† *See Statement of Investments for additional detailed categorizations.*

For the period ended June 30, 2012, there were no transfers of exchange traded securities between Level 1 and Level 2 of the fair value hierarchy.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. At June 30, 2012, the value of the collateral was 99.2% of the market value of the securities on loan. The fund received additional collateral subsequent to period end which resulted in the market value of the collateral to be at least 100% of the market value of the securities on loan. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended June 30, 2012, The Bank of New York Mellon earned $29,140 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Other investment companies advised by Dreyfus are considered to be "affiliated" with the fund.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended June 30, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 6/30/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	1,532,244	9,167,347	9,412,477	1,287,114	.6
Dreyfus Institutional Cash Advantage Fund	8,730,754	49,677,072	55,135,606	3,272,220	1.5
Total	**10,262,998**	**58,844,419**	**64,548,083**	**4,559,334**	**2.1**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2012, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. The 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The fund has an unused capital loss carryover of $9,706,774 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to December 31, 2011. If not applied, the carryover expires in fiscal year 2017.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2011was as follows: ordinary income $2,035,303. The tax character of current year distributions will be determined at the end of the current fiscal year.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing.

The average amount of borrowings outstanding under the Facilities during the period ended June 30, 2012, was approximately $24,200 with a related weighted average annualized interest rate of 1.18%.

NOTE 3—Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2012, Service shares were charged $8,236 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of the Initial shares average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency and cash management services for the fund. During the period ended June 30, 2012, the fund was charged $548 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2012, the fund was charged $8,997 pursuant to the custody agreement.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions.

During the period ended June 30, 2012, the fund was charged $89 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $4.

During the period ended June 30, 2012, the fund was charged $3,183 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $132,279, Shareholder Services Plan fees $6,000, Plan fees $1,276, custodian fees $4,185, Chief Compliance Officer fees $3,183 and transfer agency per account fees $440.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2012, amounted to $58,411,528 and $68,165,791, respectively.

At June 30, 2012, accumulated net unrealized appreciation on investments was $21,018,873, consisting of $32,032,686 gross unrealized appreciation and $11,013,813 gross unrealized depreciation.

At June 30, 2012, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

NOTES

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144 Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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Dreyfus Investment Portfolios, Technology Growth Portfolio

SEMIANNUAL REPORT June 30, 2012

BNY MELLON

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

FOR MORE INFORMATION

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Investment Portfolios, Technology Growth Portfolio, covering the six-month period from January 1, 2012, through June 30, 2012. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

Economic optimism helped drive stock prices higher in early 2012 when investors responded positively to improving U.S. employment trends and measures by European policymakers to address the region's sovereign debt crisis. However, political developments later raised doubts about some of Europe's proposed solutions, and U.S. economic data weakened in the spring. Consequently, U.S. stocks gave back their previous gains, and most major market indices ended the first half of the year close to where they began.

Despite the recent downturn in market sentiment, we believe the U.S. and global economies are likely to remain on mildly upward trajectories. In our judgment, current sluggishness is at least partly due to the lagging effects of tighter monetary policies in some areas of the world, and we expect stronger growth when a shift to more accommodative policies begins to have an impact on global economic activity. In addition, the adjustment among U.S. exporters to weaker European demand and slower economic growth in certain emerging markets should be largely completed later this year, setting the stage for better business conditions in 2013.

As always, we encourage you to discuss our observations with your financial advisor.

Thank you for your continued confidence and support.

Sincerely,

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 16, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through June 30, 2012, as provided by Barry K. Mills, CFA, Portfolio Manager

Fund and Market Performance Overview

For the six-month period ended June 30, 2012, Dreyfus Investment Portfolios, Technology Growth Portfolio's Initial shares produced a total return of 11.11%, and its Service shares produced a total return of 10.98%.[1] The fund's benchmarks, the Morgan Stanley High Technology 35 Index ("MS High Tech 35 Index") and the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced total returns of 10.25% and 9.48%, respectively, over the same period.[2,3]

Mixed economic data fueled heightened market volatility as gains over the first quarter of 2012 were offset to a degree by declines during the second quarter. The fund produced higher returns than its benchmark, mainly due to the success of our security selection strategy among wireless communications technology providers.

The Fund's Investment Approach

The fund seeks capital appreciation. To pursue this goal the fund normally invests at least 80% of its net assets in the stocks of growth companies of any size that Dreyfus believes to be leading producers or beneficiaries of technological innovation. In choosing stocks, the fund looks for technology companies with the potential for strong earnings or revenue growth rates, although some of the fund's investments may currently be experiencing losses. The fund's investment process centers on a multi-dimensional approach that looks for opportunities across emerging growth, cyclical or stable growth companies. The fund's investment approach seeks companies that appear to have strong earnings momentum, positive earnings revisions, favorable growth, product or market cycles and/or favorable valuations.

Macroeconomic Developments Fueled Market Volatility

The reporting period began with a strong rally among U.S. stocks amid employment gains and other encouraging domestic economic news. In addition, a quantitative easing program in Europe appeared to forestall a more severe banking crisis in the region, and monetary policymakers in China seemed to have engineered a "soft landing" and lower inflation in a major engine of global growth. Consequently, investors grew more tolerant of risks during the first quarter of 2012, and they focused on global companies expected to benefit from better business conditions. However, these positive influences were called into question in the second quarter, when the U.S. labor market's rebound slowed. At the same time, measures designed to relieve fiscal pressures in Europe encountered political resistance, threatening proposed bailout programs. These headwinds caused most stock market averages, including the S&P 500 Index, to fall over the second quarter of the year, partly offsetting previous gains.

Volatility in the technology sector was fueled by the ongoing trend toward cloud computing and mobile devices, as some companies led the new technologies' advance while others were slow to adapt to the changing marketplace. In addition, some technology firms struggled with reduced business spending in the uncertain economic climate.

Security Selection Strategy Buoyed Fund Results

Strong stock selections among wireless communications companies enabled the fund to participate fully in the technology market's gains. For example, the fund avoided wireless handset maker Nokia, which continued to struggle with disappointing new smartphone products. Semiconductor maker Skyworks Solutions encountered rising demand as handset manufacturers introduced products using 4G wireless service. Electronics innovator Apple continued to score successes with its smartphone and tablet computer products. Among landline technology providers, communications networking equipment provider Ciena advanced in anticipation of optical upgrades to wired telephone networks. Conversely, the fund benefited from lack of exposure to communications networking equipment maker Juniper Networks, which struggled with reduced capital spending by carriers.

As is to be expected from a broad-based technology portfolio, some holdings produced relatively disappointing results over the first half of 2012. Video game developer Electronic Arts reported weaker-than-expected earnings stemming from the disappointing launch of a new product. Memory specialist *SanDisk* suffered through bouts of weak flash memory prices. Disk drive maker *Seagate Technology* encountered a glut of unsold inventory when production resumed after floods in Thailand. Internet traffic facilitator Akamai Technologies reduced its profit forecast in light of higher-than-expected capital and operating spending to meet growing demand. Online media giant Google grappled with a difficult transition from PC-based products to mobile applications. The fund also did not participate in relatively strong returns from global commerce platform eBay, which fared well due to strong results in its PayPal electronic payments division.

Positioned for Continued Volatility

While we remain concerned regarding sluggish U.S. economic growth and continued turmoil in Europe, we believe that a number of positive, secular technology trends remain intact. Adoption of cloud computing technologies has accelerated, and the increased popularity of more sophisticated wireless devices is likely to benefit companies all along the industry's supply chain. On the other hand, we have found relatively few opportunities among companies selling legacy technologies such as personal computers and traditional wireless handsets.

July 16, 2012

Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.

The fund's share price is likely to be more volatile than that of other funds that do not concentrate in one sector. The technology sector involves special risks, such as the faster rate of change and obsolescence of technological advances, and has been among the most volatile sectors of the stock market.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: BLOOMBERG L.P. — Reflects reinvestment of net dividends and, where applicable, capital gain distributions. The Morgan Stanley High Technology 35 Index is an unmanaged, equal dollar-weighted index of 35 stocks from the electronics-based subsectors. Investors cannot invest directly in any index.*

3 *SOURCE: LIPPER INC. — Reflects monthly reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500® Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, Technology Growth Portfolio from January 1, 2012 to June 30, 2012. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.36	$ 5.67
Ending value (after expenses)	$1,111.10	$1,109.80

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended June 30, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.17	$ 5.42
Ending value (after expenses)	$1,020.74	$1,019.49

† *Expenses are equal to the fund's annualized expense ratio of .83% for Initial Shares and 1.08% for Service Shares, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

June 30, 2012 (Unaudited)

Common Stocks–97.1%	Shares		Value ($)
Computers & Peripherals–14.2%			
Apple	24,551		14,337,784
Cognizant Technology Solutions, Cl. A	111,845	a	6,710,700
Fortinet	120,800	a	2,804,976
Teradata	124,910	a	8,994,769
			32,848,229
Diversified Telecommunications–4.9%			
Ciena	569,090	a,b	9,316,003
LogMeIn	68,850	a,b	2,101,302
			11,417,305
Household Durables–3.8%			
Amphenol, Cl. A	84,150		4,621,518
Garmin	105,770	b	4,049,933
			8,671,451
Internet & Catalog Retail–6.7%			
Amazon.com	42,970	a	9,812,199
Priceline.com	8,660	a	5,754,743
			15,566,942
Internet Software & Services–12.1%			
F5 Networks	90,720	a	9,032,083
Google, Cl. A	13,490	a	7,825,144
LinkedIn, Cl. A	104,480	a,b	11,103,090
			27,960,317
Professional Services–4.4%			
MasterCard, Cl. A	11,470		4,933,362
Paychex	168,450		5,291,015
			10,224,377

Common Stocks (continued)	Shares		Value ($)
Semiconductor Equipment—8.2%			
Analog Devices	234,860		8,847,176
Skyworks Solutions	365,730	a	10,010,030
			18,857,206
Semiconductors—19.1%			
Broadcom, Cl. A	317,840	a	10,742,992
QUALCOMM	156,570		8,717,818
Taiwan Semiconductor Manufacturing, ADR	485,800		6,781,768
Texas Instruments	295,650		8,482,199
Xilinx	282,040		9,468,083
			44,192,860
Software—23.7%			
Akamai Technologies	277,780	a	8,819,515
Citrix Systems	66,600	a	5,590,404
Electronic Arts	303,342	a	3,746,274
Informatica	122,121	a	5,173,046
Oracle	275,443		8,180,657
Red Hat	111,030	a	6,270,974
Salesforce.com	70,290	a	9,718,295
VMware, Cl. A	80,330	a	7,313,243
			54,812,408
Total Common Stocks (cost $195,171,525)			**224,551,095**

Other Investment—2.9%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $6,709,544)	6,709,544	c	**6,709,544**

Investment of Cash Collateral for Securities Loaned—5.1%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $11,701,028)	11,701,028 [c]	**11,701,028**
Total Investments (cost $213,582,097)	**105.1%**	**242,961,667**
Liabilities, Less Cash and Receivables	**(5.1%)**	**(11,803,019)**
Net Assets	**100.0%**	**231,158,648**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At June 30, 2012, the value of the fund's securities on loan was $11,864,683 and the value of the collateral held by the fund was $11,701,028.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Software	23.7	Internet & Catalog Retail	6.7
Semiconductors	19.1	Diversified Telecommunications	4.9
Computers & Peripherals	14.2	Professional Services	4.4
Internet Software & Services	12.1	Household Durables	3.8
Semiconductor Equipment	8.2		
Short-Term/Money Market Investments	8.0		**105.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2012 (Unaudited)

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $11,864,683)—Note 1(b):		
Unaffiliated issuers	195,171,525	224,551,095
Affiliated issuers	18,410,572	18,410,572
Cash		307,801
Dividends and securities lending income receivable		11,957
Receivable for investment securities sold		3,225
Prepaid expenses		3,432
		243,288,082
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		175,426
Liability for securities on loan—Note 1(b)		11,701,028
Payable for shares of Beneficial Interest redeemed		178,654
Payable for investment securities purchased		2,448
Accrued expenses		71,878
		12,129,434
Net Assets ($)		**231,158,648**
Composition of Net Assets ($):		
Paid-in capital		222,258,941
Accumulated Investment (loss)—net		(372,211)
Accumulated net realized gain (loss) on investments		(20,107,652)
Accumulated net unrealized appreciation (depreciation) on investments		29,379,570
Net Assets ($)		**231,158,648**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	83,114,663	148,043,985
Shares Outstanding	6,251,485	11,440,807
Net Asset Value Per Share ($)	**13.30**	**12.94**

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2012 (Unaudited)

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	745,378
Affiliated issuers	6,520
Income from securities lending—Note 1(b)	11,193
Total Income	**763,091**
Expenses:	
Management fee—Note 3(a)	864,068
Distribution fees—Note 3(b)	182,829
Prospectus and shareholders' reports	33,860
Professional fees	28,779
Custodian fees—Note 3(b)	8,332
Trustees' fees and expenses—Note 3(c)	5,012
Shareholder servicing costs—Note 3(b)	2,927
Loan commitment fees—Note 2	1,716
Miscellaneous	7,781
Total Expenses	**1,135,304**
Less—reduction in fees due to earnings credits—Note 3(b)	(2)
Net Expenses	**1,135,302**
Investment (Loss)—Net	**(372,211)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	10,291,750
Net unrealized appreciation (depreciation) on investments	11,694,579
Net Realized and Unrealized Gain (Loss) on Investments	**21,986,329**
Net Increase in Net Assets Resulting from Operations	**21,614,118**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011
Operations ($):		
Investment (loss)—net	(372,211)	(932,927)
Net realized gain (loss) on investments	10,291,750	10,066,680
Net unrealized appreciation (depreciation) on investments	11,694,579	(27,944,303)
Net Increase (Decrease) in Net Assets Resulting from Operations	**21,614,118**	**(18,810,550)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	7,085,611	10,719,132
Service Shares	18,742,099	34,172,366
Cost of shares redeemed:		
Initial Shares	(7,276,413)	(21,000,679)
Service Shares	(8,941,701)	(42,189,252)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**9,609,596**	**(18,298,433)**
Total Increase (Decrease) in Net Assets	**31,223,714**	**(37,108,983)**
Net Assets ($):		
Beginning of Period	199,934,934	237,043,917
End of Period	**231,158,648**	**199,934,934**
Accumulated investment (loss)—net	(372,211)	—
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	530,456	831,404
Shares redeemed	(539,991)	(1,643,642)
Net Increase (Decrease) in Shares Outstanding	**(9,535)**	**(812,238)**
Service Shares		
Shares sold	1,410,148	2,677,951
Shares redeemed	(688,040)	(3,414,028)
Net Increase (Decrease) in Shares Outstanding	**722,108**	**(736,077)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	11.97	12.98	9.99	6.37	10.83	9.44
Investment Operations:						
Investment income (loss)—net[a]	(.01)	(.03)	(.03)	(.01)	.03	(.01)
Net realized and unrealized gain (loss) on investments	1.34	(.98)	3.02	3.67	(4.49)	1.40
Total from Investment Operations	1.33	(1.01)	2.99	3.66	(4.46)	1.39
Distributions:						
Dividends from investment income—net	–	–	–	(.04)	–	–
Net asset value, end of period	13.30	11.97	12.98	9.99	6.37	10.83
Total Return (%)	11.11[b]	(7.78)	29.93	57.67	(41.18)	14.72
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	.83[c]	.83	.81	.86	.85	.84
Ratio of net expenses to average net assets	.83[c]	.83	.81	.75	.65	.77
Ratio of net investment income (loss) to average net assets	(.17)[c]	(.25)	(.33)	(.15)	.39	(.08)
Portfolio Turnover Rate	40.81[b]	79.60	103.90	141.37	118.50	104.97
Net Assets, end of period ($ x 1,000)	83,115	74,929	91,806	73,422	45,890	88,083

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

Service Shares	Six Months Ended June 30, 2012 (Unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per Share Data ($):						
Net asset value, beginning of period	11.66	12.68	9.78	6.24	10.62	9.28
Investment Operations:						
Investment income (loss)—net [a]	(.03)	(.06)	(.06)	(.03)	.01	(.03)
Net realized and unrealized gain (loss) on investments	1.31	(.96)	2.96	3.58	(4.39)	1.37
Total from Investment Operations	1.28	(1.02)	2.90	3.55	(4.38)	1.34
Distributions:						
Dividends from investment income—net	–	–	–	(.01)	–	–
Net asset value, end of period	12.94	11.66	12.68	9.78	6.24	10.62
Total Return (%)	10.98[b]	(8.05)	29.65	57.07	(41.24)	14.44
Ratios/Supplemental Data (%):						
Ratio of total expenses to average net assets	1.08[c]	1.08	1.06	1.11	1.10	1.09
Ratio of net expenses to average net assets	1.08[c]	1.08	1.06	1.00	.90	1.02
Ratio of net investment income (loss) to average net assets	(.41)[c]	(.50)	(.58)	(.42)	.15	(.33)
Portfolio Turnover Rate	40.81[b]	79.60	103.90	141.37	118.50	104.97
Net Assets, end of period ($ x 1,000)	148,044	125,006	145,238	107,123	54,523	83,793

[a] *Based on average shares outstanding at each month end.*
[b] *Not annualized.*
[c] *Annualized.*
See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company, currently offering four series, including the Technology Growth Portfolio (the "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund's investment objective is to seek capital appreciation. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan, the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These 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).

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

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All of the preceding securities are categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and financial futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Company's Board of Trustees. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of June 30, 2012 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	217,769,327	–	–	**217,769,327**
Equity Securities– Foreign†	6,781,768	–	–	**6,781,768**
Mutual Funds	18,410,572	–	–	**18,410,572**

† *See Statement of Investments for additional detailed categorizations.*

For the period ended June 30, 2012, there were no transfers of exchange traded securities between Level 1 and Level 2 of the fair value hierarchy.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. At June 30, 2012, the value of the collateral was 98.6% of the market value of the securities on loan. The fund received additional collateral subsequent to period end which resulted in the market value of the collateral to be at least 100% of the market value of the securities on loan. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended June 30, 2012, The Bank of New York Mellon earned $3,731 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Other investment companies advised by Dreyfus are considered to be "affiliated" with the fund.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended June 30, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 6/30/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	4,277,772	58,136,025	55,704,253	6,709,544	2.9
Dreyfus Institutional Cash Advantage Fund	66,944	70,838,022	59,203,938	11,701,028	5.1
Total	**4,344,716**	**128,974,047**	**114,908,191**	**18,410,572**	**8.0**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2012, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the three-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. The 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The fund has an unused capital loss carryover of $21,178,618 available for federal income tax purposes to be applied against future net realized capital gains, if any, realized subsequent to December 31, 2011. If not applied, $6,076,376 of the carryover expires in fiscal year 2016 and $15,102,242 expires in fiscal year 2017.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2012, the fund did not borrow under the Facilities.

NOTE 3—Management Fee and Other Transactions With Affiliates:

(a) Pursuant to an a management agreement with the Manager, the a management fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares'.The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets.The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products.The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2012, Service shares were charged $182,829 pursuant to the Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency and cash management services for the fund. During the period ended June 30, 2012, the fund was charged $337 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2012, the fund was charged $8,332 pursuant to the custody agreement.

The fund has arrangements with the transfer agent and custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended June 30, 2012, the fund was charged $40 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $2.

During the period ended June 30, 2012, the fund was charged $3,183 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $138,188, Plan fees $29,635, custodian fees $4,200, Chief Compliance Officer fees $3,183 and transfer agency per account fees $220.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2012, amounted to $95,913,090 and $89,044,230, respectively.

At June 30, 2012, accumulated net unrealized appreciation on investments was $29,379,570, consisting of $37,665,255 gross unrealized appreciation and $8,285,685 gross unrealized depreciation.

At June 30, 2012, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

For More Information

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New York, NY 10166

Manager

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Custodian

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200 Park Avenue
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Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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JUNE 30, 2012

Franklin Templeton Variable Insurance Products Trust

SEMIANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Semiannual Report Table of Contents

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts, or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

This semiannual report for Franklin Growth and Income Securities Fund covers the period ended June 30, 2012.

Performance Summary as of 6/30/12

Franklin Growth and Income Securities Fund – Class 2 delivered a +5.66% total return for the six-month period ended 6/30/12.

Performance reflects the Fund's Class 2 operating expenses, but does ***not*** *include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Franklin Growth and Income Securities Fund Class 2

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Fund Risks: All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Convertible securities are subject to the risks of stocks when the underlying stock price is high relative to the conversion price and debt securities when the underlying stock price is low relative to the conversion price. The Fund's investment in foreign securities also involves special risks, including currency fluctuations and economic as well as political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goals and Main Investments: Franklin Growth and Income Securities Fund seeks capital appreciation with current income as a secondary goal. Under normal market conditions, the Fund invests predominantly in equity securities, including securities convertible into common stock.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. The Fund underperformed its benchmark, the Standard & Poor's® 500 Index (S&P 500®), which produced a +9.49% total return.[1] The Fund also underperformed its peers as measured by the Lipper VIP Equity Income Funds Classification Average, which posted a +7.33% return for the same period.[2]

Economic and Market Overview

The U.S. economy, as measured by gross domestic product, grew modestly during the six-month period ended June 30, 2012. In the first quarter, personal income and spending rose, while federal, state and local government spending declined. The national unemployment rate for June 2012 stood at 8.2%, compared with 8.5% at the start of the period.[3] Jobless claims touched a four-year low in February amid robust job creation; however, hiring slowed during the remainder of the period and jobless claims at period-end reached January's level. Industrial production and manufacturing activity continued to increase, but the manufacturing sector shrank unexpectedly in June. Although gasoline prices hit a peak in early April, they plunged to a five-month low near period-end due to lower crude oil prices. In keeping with its goal to strengthen U.S. economic recovery by fostering increased employment while keeping inflation in check, during June the Federal Reserve Board (Fed) extended through 2012 its program (dubbed Operation Twist) to buy long-term Treasuries in an attempt to lower long-term yields. The Fed also reaffirmed its intention to keep the federal funds target rate low at least through late 2014.

During late March and early April 2012, improved economic reports helped U.S. stock markets reach multi-year highs. The Dow Jones Industrial Average exceeded 13,000 and the S&P 500 topped 1,400 for the first time since 2008, while the NASDAQ Composite Index hit an 11-year high.[4] Global markets grew volatile, however, amid renewed

1. Source: © 2012 Morningstar.
2. Source: Lipper Inc.
One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
3. Source: Bureau of Labor Statistics.
4. Please see Index Descriptions following the Fund Summaries.

concerns about eurozone debt and slowing global economic growth. Fears of a Greek debt default and exit from the eurozone were somewhat mitigated by secured bailout financing and bondholder concessions in February, as well as elections in May and June that resulted in the formation of a new coalition government. Risk-averse investors seeking safety drove U.S. Treasury yields to historical lows during the period.

At the end of the reporting period, significant challenges to the U.S. economy remained, including weak jobs reports, lack of broad public and political agreement on how to achieve U.S. deficit reduction, and uncertainty surrounding deeply indebted European countries including Greece, Italy and Spain. Signs of China's economic growth slowdown further contributed to pessimism. Although long-term resolution of European debt issues remained unclear, the European Central Bank's latest plan to allow the European Stability Mechanism to directly recapitalize troubled banks throughout the eurozone, as well as a late-June proposal leaning toward fiscal and banking union, supported cautious optimism in U.S. and global markets.

Investment Strategy

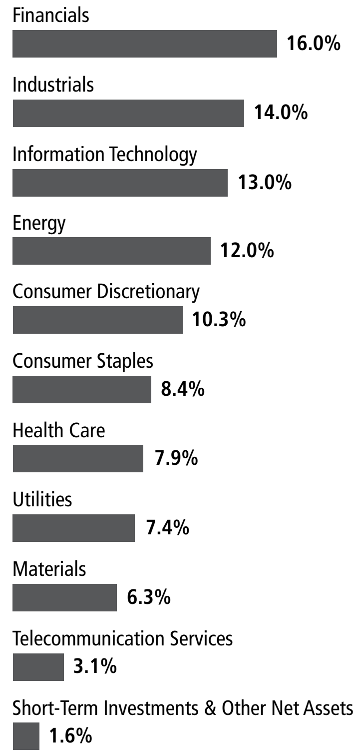
We seek to invest in a broadly diversified portfolio of equity securities that we consider to be financially strong, with a focus on "blue chip" companies. We apply a bottom-up approach to investing in individual securities. We will assess the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. We also consider a company's price/earnings ratio, profit margins, balance sheet and liquidation value. We consider dividend yield in selecting stocks for the Fund because we believe that, over time, dividend income can contribute significantly to total return and can be a more consistent source of investment return than capital appreciation. We seek to take advantage of price dislocations that result from the market's short-term focus and choose to invest in those companies that, in our opinion, offer the best trade-off between growth opportunity, business and financial risk, and valuation.

Manager's Discussion

The Fund's absolute performance during the first six months of 2012 was aided primarily by its investments in the financials, industrials and consumer discretionary sectors. Within the financials sector, diversified financial services provider Well Fargo & Co. was a standout performer, driven in part by a surge in mortgage banking. Investment firm T. Rowe

Portfolio Breakdown

Franklin Growth and Income Securities Fund
Based on Total Net Assets as of 6/30/12



Price Group was another notable contributor. Among industrials stocks, trucking and transportation company J.B. Hunt Transport Services performed well, as did our holdings in multinational conglomerates General Electric and 3M. The Fund's consumer discretionary holdings, including cable television, Internet and phone service provider Comcast; discount retailer Target; and home-improvement chain Lowe's also boosted results.

The only sector held in the Fund that detracted from absolute performance during the period was the energy sector. Our energy-related equity linked securities issued by JPMorgan Chase and Credit Suisse as well as our holdings in major oil producers Chesapeake Energy and Royal Dutch Shell declined in value as oil prices became volatile. Other individual holdings that detracted from performance included network equipment maker Cisco Systems in information technology and sports apparel maker NIKE in consumer discretionary.

Thank you for your participation in Franklin Growth and Income Securities Fund. We look forward to serving your future investment needs.

Top 10 Holdings
Franklin Growth and Income Securities Fund
6/30/12

Company *Sector/Industry*	**% of Total Net Assets**
Intel Corp. *Information Technology*	2.3%
General Electric Co. *Industrials*	2.3%
Merck & Co. Inc. *Health Care*	2.1%
JPMorgan Chase & Co. *Financials*	2.1%
Sempra Energy *Utilities*	2.0%
International Business Machines Corp. *Information Technology*	2.0%
NIKE Inc., B *Consumer Discretionary*	2.0%
Bank of America Corp. *Financials*	1.9%
E. I. du Pont de Nemours and Co. *Materials*	1.9%
Target Corp. *Consumer Discretionary*	1.9%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2012, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Fund Expenses

Franklin Growth and Income Securities Fund Class 2

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/12	Ending Account Value 6/30/12	Fund-Level Expenses Incurred During Period* 1/1/12–6/30/12
Actual	$1,000	$1,056.60	$4.30
Hypothetical (5% return before expenses)	$1,000	$1,020.69	$4.22

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.84%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Growth and Income Securities Fund

Class 1	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 11.60	$ 11.76	$ 10.47	$ 8.72	$ 15.07	$ 16.83
Income from investment operations[a]:						
Net investment income[b]	0.16	0.33	0.38	0.31	0.39	0.41
Net realized and unrealized gains (losses)	0.52	(0.03)	1.32	1.92	(5.17)	(0.82)
Total from investment operations	0.68	0.30	1.70	2.23	(4.78)	(0.41)
Less distributions from:						
Net investment income	(0.39)	(0.46)	(0.41)	(0.48)	(0.45)	(0.42)
Net realized gains	—	—	—	—	(1.12)	(0.93)
Total distributions	(0.39)	(0.46)	(0.41)	(0.48)	(1.57)	(1.35)
Net asset value, end of period	$ 11.89	$ 11.60	$ 11.76	$ 10.47	$ 8.72	$ 15.07
Total return[c]	5.86%	2.64%	16.93%	26.82%	(34.95)%	(3.46)%
Ratios to average net assets[d]						
Expenses	0.59%	0.59%	0.59%	0.60%[e]	0.55%[e]	0.52%[e]
Net investment income	2.63%	2.80%	3.62%	3.46%	3.17%	2.47%
Supplemental data						
Net assets, end of period (000's)	$156,506	$156,830	$176,590	$174,403	$ 162,936	$306,691
Portfolio turnover rate	14.93%	32.93%	26.83%	51.05%	30.66%	36.66%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Growth and Income Securities Fund

Class 2	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 11.44	$ 11.60	$ 10.33	$ 8.59	$ 14.86	$ 16.62
Income from investment operations[a]:						
Net investment income[b]	0.14	0.29	0.35	0.28	0.35	0.37
Net realized and unrealized gains (losses)	0.50	(0.02)	1.31	1.90	(5.10)	(0.82)
Total from investment operations	0.64	0.27	1.66	2.18	(4.75)	(0.45)
Less distributions from:						
Net investment income	(0.35)	(0.43)	(0.39)	(0.44)	(0.40)	(0.38)
Net realized gains	—	—	—	—	(1.12)	(0.93)
Total distributions	(0.35)	(0.43)	(0.39)	(0.44)	(1.52)	(1.31)
Net asset value, end of period	$ 11.73	$ 11.44	$ 11.60	$ 10.33	$ 8.59	$ 14.86
Total return[c]	5.66%	2.41%	16.68%	26.55%	(35.14)%	(3.71)%
Ratios to average net assets[d]						
Expenses	0.84%	0.84%	0.84%	0.85%[e]	0.80%[e]	0.77%[e]
Net investment income	2.38%	2.55%	3.37%	3.21%	2.92%	2.22%
Supplemental data						
Net assets, end of period (000's)	$130,256	$129,309	$151,481	$152,077	$ 141,359	$312,692
Portfolio turnover rate	14.93%	32.93%	26.83%	51.05%	30.66%	36.66%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.

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

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited)

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks 90.1%			
Consumer Discretionary 9.4%			
Comcast Corp., A	United States	123,380	$ 3,944,458
Limited Brands Inc.	United States	98,300	4,180,699
Lowe's Cos. Inc.	United States	123,700	3,518,028
McDonald's Corp.	United States	46,400	4,107,792
NIKE Inc., B	United States	63,900	5,609,142
Target Corp.	United States	95,000	5,528,050
			26,888,169
Consumer Staples 8.4%			
The Coca-Cola Co.	United States	43,800	3,424,722
Diageo PLC, ADR	United Kingdom	47,000	4,844,290
Kellogg Co.	United States	81,500	4,020,395
PepsiCo Inc.	United States	77,100	5,447,886
The Procter & Gamble Co.	United States	48,600	2,976,750
Unilever NV, N.Y. shs.	Netherlands	99,900	3,331,665
			24,045,708
Energy 8.6%			
Anadarko Petroleum Corp.	United States	30,000	1,986,000
Chevron Corp.	United States	50,100	5,285,550
ConocoPhillips	United States	58,100	3,246,628
Exxon Mobil Corp.	United States	49,744	4,256,594
Phillips 66	United States	29,050	965,622
Royal Dutch Shell PLC, A, ADR	United Kingdom	72,900	4,915,647
Spectra Energy Corp.	United States	135,100	3,926,006
			24,582,047
Financials 12.9%			
Aflac Inc.	United States	111,900	4,765,821
Bank of America Corp.	United States	192,900	1,577,922
BlackRock Inc.	United States	30,800	5,230,456
JPMorgan Chase & Co.	United States	167,470	5,983,703
Marsh & McLennan Cos. Inc.	United States	102,300	3,297,129
People's United Financial Inc.	United States	250,000	2,902,500
QBE Insurance Group Ltd.	Australia	275,000	3,766,520
T. Rowe Price Group Inc.	United States	72,500	4,564,600
Wells Fargo & Co.	United States	150,800	5,042,752
			37,131,403
Health Care 7.9%			
Abbott Laboratories	United States	56,700	3,655,449
Johnson & Johnson	United States	68,900	4,654,884
Merck & Co. Inc.	United States	143,361	5,985,322
Pfizer Inc.	United States	203,400	4,678,200
Roche Holding AG	Switzerland	20,600	3,551,275
			22,525,130
Industrials 14.0%			
3M Co.	United States	49,100	4,399,360
The Boeing Co.	United States	57,000	4,235,100
Caterpillar Inc.	United States	36,600	3,107,706
Emerson Electric Co.	United States	104,700	4,876,926
General Electric Co.	United States	315,000	6,564,600
Honeywell International Inc.	United States	95,500	5,332,720

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Industrials (continued)			
J.B. Hunt Transport Services Inc.	United States	57,800	$ 3,444,880
Republic Services Inc.	United States	124,000	3,281,040
United Parcel Service Inc., B	United States	63,700	5,017,012
			40,259,344
Information Technology 13.0%			
[a]Apple Inc.	United States	5,000	2,920,000
Cisco Systems Inc.	United States	247,308	4,246,278
Intel Corp.	United States	252,000	6,715,800
International Business Machines Corp.	United States	29,200	5,710,936
Microchip Technology Inc.	United States	139,400	4,611,352
Microsoft Corp.	United States	156,000	4,772,040
Paychex Inc.	United States	130,000	4,083,300
Xerox Corp.	United States	532,500	4,190,775
			37,250,481
Materials 5.4%			
The Dow Chemical Co.	United States	125,400	3,950,100
E. I. du Pont de Nemours and Co.	United States	109,600	5,542,472
Freeport-McMoRan Copper & Gold Inc., B	United States	88,238	3,006,269
LyondellBasell Industries NV, A	United States	76,200	3,068,574
			15,567,415
Telecommunication Services 3.1%			
AT&T Inc.	United States	131,397	4,685,617
Vodafone Group PLC, ADR	United Kingdom	146,300	4,122,734
			8,808,351
Utilities 7.4%			
American Electric Power Co. Inc.	United States	114,200	4,556,580
Great Plains Energy Inc.	United States	119,048	2,548,818
Progress Energy Inc.	United States	65,000	3,911,050
Sempra Energy	United States	83,042	5,719,933
The Southern Co.	United States	96,700	4,477,210
			21,213,591
Total Common Stocks (Cost $208,096,478)			258,271,639
[b]**Equity-Linked Securities 2.3%**			
Energy 2.3%			
Credit Suisse New York into Halliburton Co., 8.00%	United States	110,000	3,163,391
[c]JPMorgan Chase & Co. into Schlumberger Ltd., 6.00%, 144A	United States	54,000	3,566,225
Total Equity-Linked Securities (Cost $10,222,000)			6,729,616
Convertible Preferred Stocks 5.8%			
Consumer Discretionary 0.9%			
General Motors Co., 4.75%, cvt. pfd., B	United States	77,000	2,556,400
Energy 1.1%			
[c]Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	3,500	3,114,216
Financials 2.9%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	4,100	3,997,500
MetLife Inc., 5.00%, cvt. pfd.	United States	71,100	4,398,957
			8,396,457

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Materials 0.9%			
AngloGold Ashanti Holdings Finance PLC, 6.00%, cvt. pfd.	South Africa	65,000	$ 2,678,000
Total Convertible Preferred Stocks (Cost $18,748,126)			16,745,073
Preferred Stocks (Cost $8,133,100) 0.2%			
Financials 0.2%			
[a]Fannie Mae, 8.25%, pfd.	United States	325,000	529,750
Total Investments before Short Term Investments (Cost $245,199,704)			282,276,078
		Principal Amount	
Short Term Investments (Cost $3,953,418) 1.4%			
Repurchase Agreements 1.4%			
[d]Joint Repurchase Agreement, 0.129%, 7/02/12 (Maturity Value $3,953,460) BNP Paribas Securities Corp. (Maturity Value $772,308) Credit Suisse Securities (USA) LLC (Maturity Value $901,033) Deutsche Bank Securities Inc. (Maturity Value $606,778) HSBC Securities (USA) Inc. (Maturity Value $514,859) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $514,859) Morgan Stanley & Co. LLC (Maturity Value $257,449) UBS Securities LLC (Maturity Value $386,174) Collateralized by U.S. Government Agency Securities, 0.00% - 5.25%, 8/01/12 - 6/28/17; [e]U.S. Treasury Bills, 7/26/12; and U.S. Treasury Notes, 1.125% - 3.00%, 12/15/12 - 2/15/22 (valued at $4,033,973)	United States	$3,953,418	3,953,418
Total Investments (Cost $249,153,122) 99.8%			286,229,496
Other Assets, less Liabilities 0.2%			532,620
Net Assets 100.0%			$286,762,116

See Abbreviations on page FGI-22.

[a]Non-income producing.
[b]See Note 1(e) regarding equity-linked securities.
[c]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2012, the aggregate value of these securities was $6,680,441, representing 2.33% of net assets.
[d]See Note 1(c) regarding joint repurchase agreement.
[e]The security is traded on a discount basis with no stated coupon rate.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities

June 30, 2012 (unaudited)

	Franklin Growth and Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$245,199,704
Cost - Repurchase agreements	3,953,418
Total cost of investments	$249,153,122
Value - Unaffiliated issuers	$282,276,078
Value - Repurchase agreements	3,953,418
Total value of investments	286,229,496
Receivables:	
Capital shares sold	331,866
Dividends	649,821
Other assets	73
Total assets	287,211,256
Liabilities:	
Payables:	
Capital shares redeemed	169,095
Affiliates	176,995
Reports to shareholders	74,038
Accrued expenses and other liabilities	29,012
Total liabilities	449,140
Net assets, at value	$286,762,116
Net assets consist of:	
Paid-in capital	$297,624,771
Undistributed net investment income	3,508,191
Net unrealized appreciation (depreciation)	37,073,174
Accumulated net realized gain (loss)	(51,444,020)
Net assets, at value	$286,762,116
Class 1:	
Net assets, at value	$156,506,372
Shares outstanding	13,162,593
Net asset value and maximum offering price per share	$ 11.89
Class 2:	
Net assets, at value	$130,255,744
Shares outstanding	11,101,667
Net asset value and maximum offering price per share	$ 11.73

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the six months ended June 30, 2012 (unaudited)

	Franklin Growth and Income Securities Fund
Investment income:	
Dividends	$ 4,665,700
Interest	29,418
Total investment income	4,695,118
Expenses:	
Management fees (Note 3a)	781,073
Distribution fees - Class 2 (Note 3c)	165,590
Unaffiliated transfer agent fees	113
Custodian fees (Note 4)	3,212
Reports to shareholders	54,593
Professional fees	16,294
Trustees' fees and expenses	604
Other	7,507
Total expenses	1,028,986
Net investment income	3,666,132
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	7,170,251
Foreign currency transactions	4,894
Net realized gain (loss)	7,175,145
Net change in unrealized appreciation (depreciation) on:	
Investments	5,643,103
Translation of other assets and liabilities denominated in foreign currencies	(6,121)
Net change in unrealized appreciation (depreciation)	5,636,982
Net realized and unrealized gain (loss)	12,812,127
Net increase (decrease) in net assets resulting from operations	$16,478,259

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Growth and Income Securities Fund	
	Six Months Ended June 30, 2012 (unaudited)	**Year Ended December 31, 2011**
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 3,666,132	$ 8,197,307
Net realized gain (loss) from investments and foreign currency transactions	7,175,145	24,190,927
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	5,636,982	(24,900,751)
Net increase (decrease) in net assets resulting from operations	16,478,259	7,487,483
Distributions to shareholders from:		
Net investment income:		
Class 1	(4,951,744)	(6,502,022)
Class 2	(3,811,748)	(5,102,769)
Total distributions to shareholders	(8,763,492)	(11,604,791)
Capital share transactions: (Note 2)		
Class 1	(4,528,188)	(17,555,780)
Class 2	(2,563,131)	(20,259,007)
Class 4	—	(4,301)
Total capital share transactions	(7,091,319)	(37,819,088)
Net increase (decrease) in net assets	623,448	(41,936,396)
Net assets:		
Beginning of period	286,138,668	328,075,064
End of period	$286,762,116	$286,138,668
Undistributed net investment income included in net assets:		
End of period	$ 3,508,191	$ 8,605,551

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

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited)

Franklin Growth and Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Franklin Growth and Income Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At June 30, 2012, 76.62% of the Fund's shares were held through one insurance company. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, 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.

Equity securities and derivative financial instruments (derivatives) listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Repurchase agreements are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs 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 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 VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

Trading in securities on foreign securities stock exchanges and over-the-counter markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. The joint repurchase agreement held by the Fund at period end had been entered into on June 29, 2012.

d. Derivative Financial Instruments

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Derivative Financial Instruments (continued)

is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown on the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

The Fund purchased or wrote option contracts primarily to manage and/or gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. Options purchased are recorded as an asset while options written are recorded as a liability. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium and the cost to close the position is recorded as a realized gain or loss. Pursuant to the terms of the written option contract, cash or securities may be required to be deposited as collateral.

See Notes 6 and 8 regarding investment transactions and other derivative information, respectively.

e. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity linked securities is recorded as realized gains in the Statement of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

f. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2012, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

Notes to Financial Statements (unaudited) *(continued)*

Franklin Growth and Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

h. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

i. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2012		Year Ended December 31, 2011[a]	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	6,299	$ 77,234	187,427	$ 2,361,235
Shares issued in reinvestment of distributions	419,284	4,951,744	570,854	6,502,022
Shares redeemed	(782,578)	(9,557,166)	(2,250,738)	(26,419,037)
Net increase (decrease)	(356,995)	$(4,528,188)	(1,492,457)	$(17,555,780)

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Franklin Growth and Income Securities Fund

2. SHARES OF BENEFICIAL INTEREST (continued)

	Six Months Ended June 30, 2012		Year Ended December 31, 2011[a]	
Class 2 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	476,297	$ 5,683,326	624,568	$ 7,137,921
Shares issued in reinvestment of distributions	327,189	3,811,748	453,579	5,102,769
Shares redeemed	(1,009,914)	(12,058,205)	(2,828,839)	(32,499,697)
Net increase (decrease)	(206,428)	$ (2,563,131)	(1,750,692)	$(20,259,007)
Class 4 Shares:				
Shares redeemed			(353)	$ (4,301)
Net increase (decrease)			(353)	$ (4,301)

[a]Effective March 4, 2011, Class 4 was liquidated.

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	In excess of $15 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board adopted a distribution plan for Class 2 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets. The Board has agreed to limit the current rate to 0.25% per year for Class 2.

Franklin Growth and Income Securities Fund

3. TRANSACTIONS WITH AFFILIATES (continued)

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2012, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2011, the Fund had capital loss carryforwards of $58,091,205 expiring in 2017.

At June 30, 2012, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$249,602,794
Unrealized appreciation	$ 58,158,298
Unrealized depreciation	(21,531,596)
Net unrealized appreciation (depreciation)	$ 36,626,702

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2012, aggregated $41,954,960 and $47,968,140, respectively.

Transactions in options written during the period ended June 30, 2012, were as follows:

	Number of Contracts	Premiums Received
Options outstanding at December 31, 2011	—	$ —
Options written	350	105,428
Options expired	—	—
Options exercised	(350)	(105,428)
Options closed	—	—
Options outstanding at June 30, 2012	—	$ —

See Notes 1(d) and 8 regarding derivative financial instruments and other derivative information, respectively.

7. CREDIT RISK

At June 30, 2012, the Fund had 6.85% of its portfolio invested in high yield or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. OTHER DERIVATIVE INFORMATION

For the period ended June 30, 2012, the effect of derivative contracts on the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Locations	Realized Gain (Loss) for the Period	Change in Unrealized Appreciation (Depreciation) for the Period
Equity contracts	Net realized gain (loss) from investments and written options/Net change in unrealized appreciation (depreciation) on investments	$ —	$ —

For the period ended June 30, 2012, the average month end market value of derivatives represented 0.01% of average month end net assets. The average month end number of open derivative contracts for the period was 1.

See Notes 1(d) and 6 regarding derivative financial instruments and investment transactions, respectively.

9. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matures on January 18, 2013. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the period ended June 30, 2012, the Fund did not use the Global Credit Facility.

10. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

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

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Franklin Growth and Income Securities Fund

10. FAIR VALUE MEASUREMENTS (continued)

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 2012, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Energy	$ 24,582,047	$ 3,114,216	$ —	$ 27,696,263
All Other Equity Investments[b]	247,850,199	—	—	247,850,199
Equity-Linked Securities	—	6,729,616	—	6,729,616
Short Term Investments	—	3,953,418	—	3,953,418
Total Investments in Securities	$272,432,246	$13,797,250	$ —	$286,229,496

[a]Includes common, preferred and convertible preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.

11. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. The ASU is effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

12. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

This semiannual report for Franklin Large Cap Growth Securities Fund covers the period ended June 30, 2012.

Performance Summary as of 6/30/12

Franklin Large Cap Growth Securities Fund – Class 2 delivered a +6.75% total return for the six-month period ended 6/30/12.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Franklin Large Cap Growth Securities Fund Class 2

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Fund Risks: All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund may focus on particular sectors of the market from time to time, which can carry greater risks of adverse developments in such sectors. Smaller- or midsized-company securities can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Investments in foreign securities may involve special risks including currency fluctuations and economic and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goal and Main Investments: Franklin Large Cap Growth Securities Fund seeks capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of large capitalization companies. For this Fund, large capitalization companies are those with market capitalization values within those of the top 50% of companies in the Russell 1000® Index at the time of purchase.[1]

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. The Fund underperformed its benchmark, the Standard & Poor's® 500 Index (S&P 500®), which posted a +9.49% total return.[2]

Economic and Market Overview

The U.S. economy, as measured by gross domestic product, grew modestly during the six-month period ended June 30, 2012. In the first quarter, personal income and spending rose, while federal, state and local government spending declined. The national unemployment rate for June 2012 stood at 8.2%, compared with 8.5% at the start of the period.[3] Jobless claims touched a four-year low in February amid robust job creation; however, hiring slowed during the remainder of the period and jobless claims at period-end reached January's level. Industrial production and manufacturing activity continued to increase, but the manufacturing sector shrank unexpectedly in June. Although gasoline prices hit a peak in early April, they plunged to a five-month low near period-end due to lower crude oil prices. In keeping with its goal to strengthen U.S. economic recovery by fostering increased employment while keeping inflation in check, during June the Federal Reserve Board (Fed) extended through 2012 its program (dubbed Operation Twist) to buy long-term Treasuries in an attempt to lower long-term yields. The Fed also reaffirmed its intention to keep the federal funds target rate low at least through late 2014.

During late March and early April 2012, improved economic reports helped U.S. stock markets reach multi-year highs. The Dow Jones Industrial Average exceeded 13,000 and the S&P 500 topped 1,400 for the first time since 2008, while the NASDAQ Composite Index hit an 11-year high.[1] Global markets grew volatile, however, amid renewed

1. Please see Index Descriptions following the Fund Summaries.
2. Source: © 2012 Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
3. Source: Bureau of Labor Statistics.

concerns about eurozone debt and slowing global economic growth. Fears of a Greek debt default and exit from the eurozone were somewhat mitigated by secured bailout financing and bondholder concessions in February, as well as elections in May and June that resulted in the formation of a new coalition government. Risk-averse investors seeking safety drove U.S. Treasury yields to historical lows during the period.

At the end of the reporting period, significant challenges to the U.S. economy remained, including weak jobs reports, lack of broad public and political agreement on how to achieve U.S. deficit reduction, and uncertainty surrounding deeply indebted European countries including Greece, Italy and Spain. Signs of China's economic growth slowdown further contributed to pessimism. Although long-term resolution of European debt issues remained unclear, the European Central Bank's latest plan to allow the European Stability Mechanism to directly recapitalize troubled banks throughout the eurozone, as well as a late-June proposal leaning toward fiscal and banking union, supported cautious optimism in U.S. and global markets.

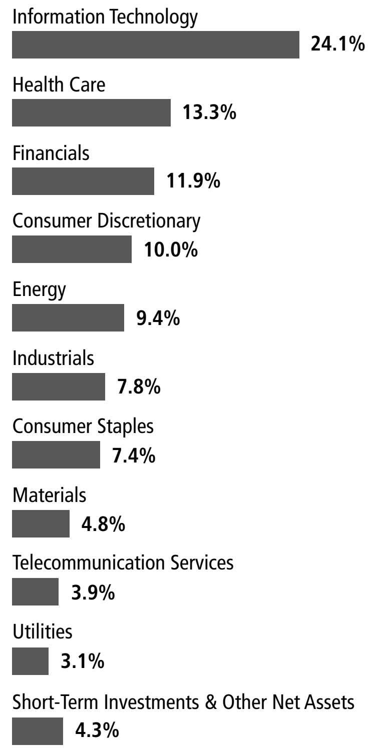
Investment Strategy

We employ our long-held strategy: bottom-up, individual-company, fundamental research aimed at opportunistically finding what we believe to be outstanding large-cap companies across all sectors, at valuations we believe understate their fair worth, with future growth potential being a key driver of estimated worth. In doing so, we work hard seeking to ensure we are being adequately compensated for the risks that are inherent to all forecasting efforts, aiming to own those stocks that make the most sense from a risk/return perspective. We believe this disciplined, bottom-up analysis of future growth potential, current valuation and other risks on a stock-by-stock basis best supports our efforts to maintain a portfolio with superior risk/return characteristics and thus affords us the best prospects for strong performance over the long term.

Manager's Discussion

Looking back on the key factors impacting the Fund's returns during the six months under review, we would like to remind shareholders that our investment strategy is primarily bottom-up and driven by

Portfolio Breakdown
Franklin Large Cap Growth Securities Fund
Based on Total Net Assets as of 6/30/12



Top 10 Holdings
Franklin Large Cap Growth Securities Fund
6/30/12

Company *Sector/Industry*	**% of Total Net Assets**
Apple Inc. *Information Technology*	4.5%
Wells Fargo & Co. *Financials*	4.0%
Anadarko Petroleum Corp. *Energy*	2.6%
AT&T Inc. *Telecommunication Services*	2.4%
General Electric Co. *Industrials*	2.3%
Google Inc. *Information Technology*	2.1%
International Business Machines Corp. *Information Technology*	2.1%
Merck & Co. Inc. *Health Care*	2.0%
QUALCOMM Inc. *Information Technology*	2.0%
U.S. Bancorp *Financials*	1.9%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

individual stock selection. However, we recognize that a sector-based discussion can be a helpful way to organize a portfolio review of key performance drivers.

From a sector perspective, our stock selection in the health care sector helped the Fund's performance relative to the S&P 500. In particular, our positions in genetic analysis solutions company Illumina,[4] pharmacy benefits manager Express Scripts Holdings and generic drug company Watson Pharmaceuticals boosted performance. Illumina's first-quarter earnings rose due to declining expenses, and the firm also announced a stock buyback. Watson Pharmaceuticals' first-quarter earnings also rose because of sharply higher revenue partly based on new generic drugs and robust growth in its branded drug business. In the case of Express Scripts Holdings, first-quarter revenues increased more than expected despite lower earnings due to expenses incurred before its April acquisition of Medco Health Solutions. Stock selection in the utilities sector also aided relative results. Other key contributors to relative Fund returns included diversified financial services firm Wells Fargo & Co., cable services provider Comcast and family entertainment and media company Walt Disney.

In contrast, stock selection in the information technology sector was a major detractor from returns relative to the S&P 500, particularly the Fund's positions in social networking service Facebook[4] and mobile phone hardware and software developer Research In Motion.[5] Facebook's stock price declined after its initial public offering in May amid controversy about revised revenue and earnings estimates as well as concerns about the profitability of the firm's mobile site. Research in Motion lost value largely because it posted a loss early in 2012 and delayed the launch of its next-generation BlackBerry phones until 2013. The Fund's stock selection and overweighted allocation in the materials sector also hampered relative performance, particularly our position in global technology materials producer Celanese.[5] First-quarter operating profit for Celanese declined by about half from the prior year due to European recessionary trends and the higher cost of raw materials. Other detractors included oil and gas exploration and production companies Anadarko Petroleum and Halliburton, which were impacted in part by declining oil and gas prices during the period.

4. This holding is not an index component and was sold by period-end.
5. This holding is not an index component.

Thank you for your participation in Franklin Large Cap Growth Securities Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2012, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Franklin Large Cap Growth Securities Fund Class 2

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/12	Ending Account Value 6/30/12	Fund-Level Expenses Incurred During Period* 1/1/12–6/30/12
Actual	$1,000	$1,067.50	$5.35
Hypothetical (5% return before expenses)	$1,000	$1,019.69	$5.22

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.04%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Large Cap Growth Securities Fund

Class 1	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 14.75	$ 15.07	$ 13.62	$ 10.66	$ 17.51	$ 16.70
Income from investment operations[a]:						
Net investment income[b]	0.09	0.15	0.12	0.12	0.17	0.21
Net realized and unrealized gains (losses)	0.92	(0.33)	1.48	3.04	(5.82)	0.89
Total from investment operations	1.01	(0.18)	1.60	3.16	(5.65)	1.10
Less distributions from:						
Net investment income	(0.18)	(0.14)	(0.15)	(0.20)	(0.24)	(0.16)
Net realized gains	—	—	—	—	(0.96)	(0.13)
Total distributions	(0.18)	(0.14)	(0.15)	(0.20)	(1.20)	(0.29)
Net asset value, end of period	$ 15.58	$ 14.75	$ 15.07	$ 13.62	$ 10.66	$ 17.51
Total return[c]	6.83%	(1.22)%	11.85%	30.04%	(34.39)%	6.53%
Ratios to average net assets[d]						
Expenses	0.79%	0.80%	0.79%	0.81%[e]	0.77%[e]	0.74%[e]
Net investment income	1.16%	0.99%	0.86%	1.03%	1.19%	1.21%
Supplemental data						
Net assets, end of period (000's)	$ 48,801	$ 48,666	$ 58,265	$ 58,287	$ 51,651	$ 96,920
Portfolio turnover rate	19.54%	56.61%	46.75%	71.95%	66.04%	50.67%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.

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

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Large Cap Growth Securities Fund

Class 2	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 14.54	$ 14.86	$ 13.43	$ 10.50	$ 17.25	$ 16.47
Income from investment operations[a]:						
Net investment income[b]	0.07	0.11	0.08	0.09	0.13	0.17
Net realized and unrealized gains (losses)	0.91	(0.33)	1.46	3.00	(5.73)	0.87
Total from investment operations	0.98	(0.22)	1.54	3.09	(5.60)	1.04
Less distributions from:						
Net investment income	(0.13)	(0.10)	(0.11)	(0.16)	(0.19)	(0.13)
Net realized gains	—	—	—	—	(0.96)	(0.13)
Total distributions	(0.13)	(0.10)	(0.11)	(0.16)	(1.15)	(0.26)
Net asset value, end of period	$ 15.39	$ 14.54	$ 14.86	$ 13.43	$ 10.50	$ 17.25
Total return[c]	6.75%	(1.51)%	11.59%	29.73%	(34.53)%	6.23%
Ratios to average net assets[d]						
Expenses	1.04%	1.05%	1.04%	1.06%[e]	1.02%[e]	0.99%[e]
Net investment income	0.91%	0.74%	0.61%	0.78%	0.94%	0.96%
Supplemental data						
Net assets, end of period (000's)	$283,712	$293,226	$357,405	$373,821	$ 328,597	$642,351
Portfolio turnover rate	19.54%	56.61%	46.75%	71.95%	66.04%	50.67%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.

Statement of Investments, June 30, 2012 (unaudited)

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks 95.7%			
Consumer Discretionary 10.0%			
[a]Amazon.com Inc.	United States	11,700	$ 2,671,695
[a]BorgWarner Inc.	United States	88,500	5,804,715
Comcast Corp., A	United States	160,300	5,124,791
Johnson Controls Inc.	United States	97,600	2,704,496
Kohl's Corp.	United States	95,300	4,335,197
McDonald's Corp.	United States	22,300	1,974,219
NIKE Inc., B	United States	23,600	2,071,608
Target Corp.	United States	28,300	1,646,777
[a]Tenneco Inc.	United States	43,440	1,165,061
The Walt Disney Co.	United States	119,400	5,790,900
			33,289,459
Consumer Staples 7.4%			
Altria Group Inc.	United States	57,400	1,983,170
CVS Caremark Corp.	United States	83,900	3,920,647
PepsiCo Inc.	United States	86,700	6,126,222
Philip Morris International Inc.	United States	69,500	6,064,570
The Procter & Gamble Co.	United States	76,445	4,682,256
Wal-Mart Stores Inc.	United States	27,000	1,882,440
			24,659,305
Energy 9.4%			
Anadarko Petroleum Corp.	United States	131,150	8,682,130
Chevron Corp.	United States	27,200	2,869,600
ConocoPhillips	United States	64,700	3,615,436
Devon Energy Corp.	United States	71,300	4,134,687
Exxon Mobil Corp.	United States	21,700	1,856,869
Halliburton Co.	United States	153,300	4,352,187
Schlumberger Ltd.	United States	89,570	5,813,989
			31,324,898
Financials 11.9%			
American Express Co.	United States	26,400	1,536,744
Bank of America Corp.	United States	140,700	1,150,926
BlackRock Inc.	United States	12,900	2,190,678
Citigroup Inc.	United States	34,990	959,076
CME Group Inc.	United States	8,070	2,163,648
Comerica Inc.	United States	82,300	2,527,433
Invesco Ltd.	United States	81,300	1,837,380
JPMorgan Chase & Co.	United States	169,145	6,043,551
Prudential Financial Inc.	United States	35,100	1,699,893
U.S. Bancorp	United States	197,627	6,355,684
Wells Fargo & Co.	United States	393,700	13,165,328
			39,630,341
Health Care 13.3%			
Aetna Inc.	United States	121,400	4,706,678
[a]Express Scripts Holding Co.	United States	112,200	6,264,126
[a]Gilead Sciences Inc.	United States	38,800	1,989,664
Johnson & Johnson	United States	71,900	4,857,564
Medtronic Inc.	United States	36,600	1,417,518
Merck & Co. Inc.	United States	155,675	6,499,431
Pfizer Inc.	United States	218,700	5,030,100
Roche Holding AG, ADR	Switzerland	100,000	4,322,000

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Health Care (continued)			
Teva Pharmaceutical Industries Ltd., ADR	Israel	72,200	$ 2,847,568
[a]Thoratec Corp.	United States	47,800	1,605,124
[a]Watson Pharmaceuticals Inc.	United States	61,700	4,565,183
			44,104,956
Industrials 7.8%			
The Boeing Co.	United States	65,900	4,896,370
Emerson Electric Co.	United States	28,600	1,332,188
FedEx Corp.	United States	41,500	3,801,815
General Electric Co.	United States	363,500	7,575,340
Honeywell International Inc.	United States	15,200	848,768
Union Pacific Corp.	United States	23,200	2,767,992
United Technologies Corp.	United States	64,100	4,841,473
			26,063,946
Information Technology 24.1%			
[a]Apple Inc.	United States	25,700	15,008,800
Broadcom Corp., A	United States	39,400	1,331,720
Cisco Systems Inc.	United States	196,000	3,365,320
Corning Inc.	United States	153,600	1,986,048
[a]Dell Inc.	United States	259,900	3,253,948
[a]Electronic Arts Inc.	United States	219,450	2,710,208
[a]EMC Corp.	United States	237,400	6,084,562
FLIR Systems Inc.	United States	41,600	811,200
[a]Google Inc., A	United States	12,100	7,018,847
Hewlett-Packard Co.	United States	87,200	1,753,592
Intel Corp.	United States	174,100	4,639,765
International Business Machines Corp.	United States	35,000	6,845,300
MasterCard Inc., A	United States	6,330	2,722,596
Microsoft Corp.	United States	157,500	4,817,925
Oracle Corp.	United States	98,500	2,925,450
QUALCOMM Inc.	United States	116,590	6,491,731
[a]Research In Motion Ltd.	Canada	90,400	668,056
[a]Semtech Corp.	United States	33,900	824,448
[a]Symantec Corp.	United States	101,900	1,488,759
[a]VeriFone Systems Inc.	United States	39,400	1,303,746
Visa Inc., A	United States	25,700	3,177,291
Xilinx Inc.	United States	24,800	832,536
			80,061,848
Materials 4.8%			
Celanese Corp., A	United States	127,500	4,414,050
E. I. du Pont de Nemours and Co.	United States	19,200	970,944
LyondellBasell Industries NV, A	United States	48,190	1,940,611
Potash Corp. of Saskatchewan Inc.	Canada	83,200	3,636,757
Randgold Resources Ltd., ADR	United Kingdom	24,400	2,196,244
Walter Energy Inc.	United States	62,700	2,768,832
			15,927,438
Telecommunication Services 3.9%			
AT&T Inc.	United States	225,262	8,032,843
[a]Sprint Nextel Corp.	United States	354,300	1,155,018
Vodafone Group PLC, ADR	United Kingdom	135,600	3,821,208
			13,009,069

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Utilities 3.1%			
American Electric Power Co. Inc.	United States	104,500	$ 4,169,550
PG&E Corp.	United States	52,550	2,378,938
Sempra Energy	United States	29,400	2,025,072
The Southern Co.	United States	36,400	1,685,320
			10,258,880
Total Common Stocks (Cost $231,072,307)			318,330,140
		Principal Amount	
Short Term Investments (Cost $14,678,461) 4.4%			
Repurchase Agreements 4.4%			
[b]Joint Repurchase Agreement, 0.129%, 7/02/12 (Maturity Value $14,678,619) BNP Paribas Securities Corp. (Maturity Value $2,867,468) Credit Suisse Securities (USA) LLC (Maturity Value $3,345,403) Deutsche Bank Securities Inc. (Maturity Value $2,252,874) HSBC Securities (USA) Inc. (Maturity Value $1,911,597) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $1,911,597) Morgan Stanley & Co. LLC (Maturity Value $955,872) UBS Securities LLC (Maturity Value $1,433,808) Collateralized by U.S. Government Agency Securities, 0.00% - 5.25%, 8/01/12 - 6/28/17; [c]U.S. Treasury Bills, 7/26/12; and U.S. Treasury Notes, 1.125% - 3.00%, 12/15/12 - 2/15/22 (valued at $14,977,549)	United States	$14,678,461	14,678,461
Total Investments (Cost $245,750,768) 100.1%			333,008,601
Other Assets, less Liabilities (0.1)%			(496,364)
Net Assets 100.0%			$332,512,237

See Abbreviations on page FLG-22.

[a]Non-income producing.
[b]See Note 1(c) regarding joint repurchase agreement.
[c]The security is traded on a discount basis with no stated coupon rate.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities

June 30, 2012 (unaudited)

	Franklin Large Cap Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$231,072,307
Cost - Repurchase agreements	14,678,461
Total cost of investments	$245,750,768
Value - Unaffiliated issuers	$318,330,140
Value - Repurchase agreements	14,678,461
Total value of investments	333,008,601
Receivables:	
Capital shares sold	45,431
Dividends	541,667
Other assets	87
Total assets	333,595,786
Liabilities:	
Payables:	
Investment securities purchased	394,242
Capital shares redeemed	242,288
Affiliates	319,068
Reports to shareholders	104,846
Accrued expenses and other liabilities	23,105
Total liabilities	1,083,549
Net assets, at value	$332,512,237
Net assets consist of:	
Paid-in capital	$318,373,173
Undistributed net investment income	1,644,388
Net unrealized appreciation (depreciation)	87,257,833
Accumulated net realized gain (loss)	(74,763,157)
Net assets, at value	$332,512,237
Class 1:	
Net assets, at value	$ 48,800,599
Shares outstanding	3,131,578
Net asset value and maximum offering price per share	$ 15.58
Class 2:	
Net assets, at value	$283,711,638
Shares outstanding	18,438,781
Net asset value and maximum offering price per share	$ 15.39

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the six months ended June 30, 2012 (unaudited)

	Franklin Large Cap Growth Securities Fund
Investment income:	
Dividends	$ 3,403,799
Interest	6,451
Total investment income	3,410,250
Expenses:	
Management fees (Note 3a)	1,311,757
Distribution fees - Class 2 (Note 3c)	374,551
Unaffiliated transfer agent fees	304
Custodian fees (Note 4)	2,544
Reports to shareholders	50,855
Professional fees	14,389
Trustees' fees and expenses	756
Other	9,030
Total expenses	1,764,186
Net investment income	1,646,064
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	16,799,342
Foreign currency transactions	(391)
Net realized gain (loss)	16,798,951
Net change in unrealized appreciation (depreciation) on investments	4,900,574
Net realized and unrealized gain (loss)	21,699,525
Net increase (decrease) in net assets resulting from operations	$23,345,589

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Large Cap Growth Securities Fund	
	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 1,646,064	$ 2,937,400
Net realized gain (loss) from investments and foreign currency transactions	16,798,951	20,697,833
Net change in unrealized appreciation (depreciation) on investments	4,900,574	(28,917,851)
Net increase (decrease) in net assets resulting from operations	23,345,589	(5,282,618)
Distributions to shareholders from:		
Net investment income:		
Class 1	(544,179)	(492,852)
Class 2	(2,394,442)	(2,152,135)
Total distributions to shareholders	(2,938,621)	(2,644,987)
Capital share transactions: (Note 2)		
Class 1	(2,708,142)	(8,419,530)
Class 2	(27,078,771)	(57,429,668)
Class 4	—	(4,876)
Total capital share transactions	(29,786,913)	(65,854,074)
Net increase (decrease) in net assets	(9,379,945)	(73,781,679)
Net assets:		
Beginning of period	341,892,182	415,673,861
End of period	$332,512,237	$341,892,182
Undistributed net investment income included in net assets:		
End of period	$ 1,644,388	$ 2,936,945

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited)

Franklin Large Cap Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Franklin Large Cap Growth Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, 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.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Repurchase agreements are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs 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 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 VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and over-the-counter markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. The joint repurchase agreement held by the Fund at period end had been entered into on June 29, 2012.

d. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Income and Deferred Taxes (continued)

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2012, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

e. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

f. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

g. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Franklin Large Cap Growth Securities Fund

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2012		Year Ended December 31, 2011[a]	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	4,252	$ 68,475	99,760	$ 1,555,529
Shares issued in reinvestment of distributions	35,290	544,179	33,122	492,852
Shares redeemed	(207,751)	(3,320,796)	(698,667)	(10,467,911)
Net increase (decrease)	(168,209)	$ (2,708,142)	(565,785)	$ (8,419,530)
Class 2 Shares:				
Shares sold	553,932	$ 8,606,833	983,185	$ 14,361,125
Shares issued in reinvestment of distributions	157,219	2,394,442	146,503	2,152,135
Shares redeemed	(2,439,795)	(38,080,046)	(5,015,686)	(73,942,928)
Net increase (decrease)	(1,728,644)	$(27,078,771)	(3,885,998)	$(57,429,668)
Class 4 Shares:				
Shares redeemed			(312)	$ (4,876)
Net increase (decrease)			(312)	$ (4,876)

[a]Effective March 4, 2011, Class 4 was liquidated.

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including $500 million
0.625%	Over $500 million, up to and including $1 billion
0.500%	In excess of $1 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on average daily net assets, and is not an additional expense of the Fund.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Franklin Large Cap Growth Securities Fund

3. TRANSACTIONS WITH AFFILIATES (continued)

c. Distribution Fees

The Board adopted a distribution plan for Class 2 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets. The Board has agreed to limit the current rate to 0.25% per year for Class 2.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2012, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2011, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2016	$22,027,788
2017	62,499,598
Total capital loss carryforwards	$84,527,386

At June 30, 2012, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$252,674,208
Unrealized appreciation	$ 91,308,432
Unrealized depreciation	(10,974,039)
Net unrealized appreciation (depreciation)	$ 80,334,393

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2012, aggregated $66,279,286 and $103,399,390, respectively.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Franklin Large Cap Growth Securities Fund

7. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matures on January 18, 2013. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the period ended June 30, 2012, the Fund did not use the Global Credit Facility.

8. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

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

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 2012, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments[a]	$318,330,140	$ —	$ —	$318,330,140
Short Term Investments	—	14,678,461	—	14,678,461
Total Investments in Securities	$318,330,140	$14,678,461	$ —	$333,008,601

[a]For detailed categories, see the accompanying Statement of Investments.

9. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. The ASU is effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

10. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

We are pleased to bring you Franklin Strategic Income Securities Fund's semiannual report for the period ended June 30, 2012.

Performance Summary as of 6/30/12

Franklin Strategic Income Securities Fund – Class 2 delivered a +5.64% total return for the six-month period ended 6/30/12.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Franklin Strategic Income Securities Fund – Class 2

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Fund Risks: All investments involve risks, including possible loss of principal. As the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Risks associated with higher yielding, lower rated securities (junk bonds) include higher risk of default and loss of principal. Floating rate loans and high yield corporate bonds are rated below investment grade and are subject to greater risk of default, which could result in loss of principal. Investments in foreign securities involve risks such as currency fluctuations and political uncertainty. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Investing in derivative securities and the use of foreign currency techniques involve special risks as such may not achieve the anticipated benefits and/or may result in losses to the Fund. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goals and Main Investments: Franklin Strategic Income Securities Fund seeks a high level of current income, with capital appreciation over the long term as a secondary goal. Under normal market conditions, the Fund invests primarily to predominantly in U.S. and foreign debt securities, including those in emerging markets.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. The Fund outperformed the +2.37% total return of its benchmark, the Barclays U.S. Aggregate Index.[1] The Fund also outperformed the +5.03% total return of its peers, as measured by the Lipper Multi-Sector Income Funds Classification Average.[2]

Economic and Market Overview

During the six months under review, uncertainty regarding the eurozone's future continued to influence financial markets, and U.S. economic data appeared mixed. U.S. manufacturing indicators look to have weakened, employment gains slowed and wage growth was sluggish during the period. However, energy prices declined significantly over the period and housing data strengthened with new and existing home sales as well as house prices pointing toward a gradual strengthening trend, albeit from a low base. The U.S. consumer showed resilience as consumption remained steady even as consumer confidence declined.

The global economic recovery was mixed during the first half of 2012. Emerging markets continued to lead the recovery with many economies returning to and exceeding pre-crisis activity levels. Although some developed economies, such as those of Australia and some Scandinavian countries, also enjoyed relatively strong recoveries, growth in the G-3 (U.S., eurozone and Japan) continued to trail the pace of previous recoveries. Policymakers in the largest developed economies increased their already unprecedented efforts to supply liquidity and with few exceptions, policymakers elsewhere in the world either paused their monetary tightening cycles or reversed previous tightening efforts in response to the external environment. Positive economic data, including first-quarter year-over-year real gross domestic product growth of 2.0% in the U.S. and 8.1% in China, challenged more dire predictions of a severe global economic slowdown.[3]

1. Source: © 2012 Morningstar.
2. Lipper Inc.
One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
3. Sources: Bureau of Economic Analysis (U.S.); the website of the National Bureau of Statistics of the People's Republic of China (www.stats.gov.cn).

Financial markets seemed to be largely influenced by politics, sentiment and uncertainty in the eurozone, and they were quick to discount the latest Greek election results. The June 2012 Federal Open Market Committee meeting concluded with the extension of its plan designed to boost the economy by driving down long-term interest rates (dubbed Operation Twist) but made no formal announcement of an additional round of quantitative easing. Increased liquidity creation, particularly from the European Central Bank's Long-Term Refinancing Operation, and meaningful progress toward coordinated action to address persistent banking and structural economic issues alleviated investor fears of a disorderly sovereign credit event and the potential for financial contagion.

Overall, investor concerns about ongoing eurozone uncertainty, weak U.S. employment gains and a lack of broad public and political agreement on how to achieve U.S. deficit reduction drove the 10-year U.S. Treasury yield from 1.89% on December 31, 2011, to 1.67% on June 30, 2012. In the latter part of the period, commodities extended recent losses, with oil falling back below $100, while the euro dipped and traditional safe havens like U.S. Treasuries, the U.S. dollar and the Japanese yen made gains.

Investment Strategy

We allocate our investments among the various types of debt available based on our assessment of changing economic, global market, industry and issuer conditions. We use a top-down analysis of macroeconomic trends, combined with a bottom-up fundamental analysis of market sectors, industries and issuers, seeking to take advantage of varying sector reactions to economic events. For example, we may evaluate business cycles, yield curves, country risk, and the relative interest rates among currencies, and values between and within markets. In selecting debt securities, we generally conduct our own analysis of the security's intrinsic value rather than simply relying on the coupon rate or rating. We may also enter into various transactions involving certain currency-, interest rate- or credit-related derivative instruments for hedging purposes, to enhance returns or to obtain exposure to various market sectors.

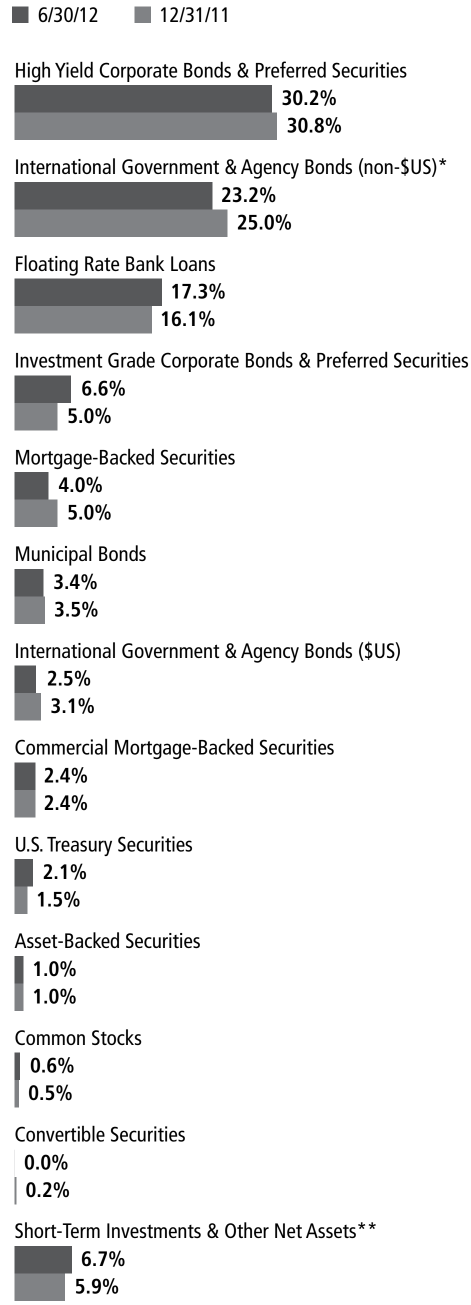
Manager's Discussion

During the six-month period ended June 30, 2012, macroeconomic and political headlines continued to drive financial market volatility. Financial markets began to rally in the first quarter of 2012 from their second-half 2011 lows amid healthier U.S. economic data as well as eurozone liquidity backstop measures that helped ease concerns regarding the European banking system. Consequently, during the first quarter the risk aversion that had driven down financial markets in the second half of 2011 had

Asset Allocation

Franklin Strategic Income Securities Fund

Based on Total Net Assets



*Includes short-term foreign government securities.
**Includes unrealized gains/losses on forward currency contracts.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

largely dissipated, allowing stock markets to rally as indicated by the Standard & Poor's® 500 Index's (S&P 500®'s) 12.59% gain in the first quarter.[1] However, weaker economic data along with renewed concerns regarding the eurozone again pressured financial markets in the second quarter of 2012, and the S&P 500 fell 2.75%.[1] Given investors' generally more tempered view toward domestic economic growth and seemingly little concern regarding domestic inflationary pressures, U.S. longer term rates further declined during the period. As a result of this decline in long-dated U.S. Treasury rates, most fixed income sectors delivered positive total returns during the period. Strong performance during the first quarter of the year led many of the spread sectors to outperform the U.S. Treasury market for the full six-month period. Similarly, while the U.S. dollar strengthened compared to the euro and yen during the six-month period in review, a rebound in certain international fixed income currency markets drove relative outperformance from that sector during the period.

In this environment, the Fund posted a positive total return, outpacing the performance of the Barclays U.S. Aggregate Index as well as the Lipper Multi-Sector Income Funds Classification Average. The Fund's higher exposure to high yield credit sectors positively impacted performance compared to the index. Compared to the Lipper peer average, the Fund's higher exposure to certain non-U.S. dollar holdings also boosted returns.

While financial market volatility contributed to spread widening in the corporate credit sectors during the second quarter of 2012, overall corporate credit fundamentals remained fairly supportive during the six-month reporting period. Many companies have built up significant liquidity over the past few years and extended debt maturities given the relative openness of the new-issue debt markets. Major banks, particularly in the U.S., raised their capital ratios materially since 2008. Although the pace of gains began to slow as operating margins reached historical highs, improvements in corporate earnings furthered credit improvement. Nonetheless, the slowdown in eurozone economic growth is likely to be a headwind for certain corporates during the second half of 2012, and global default rates have begun to edge higher. Overall, however, with an expectation for positive U.S. economic growth and a soft landing in China, and considering spread valuations in line to somewhat cheap compared to historical averages, the Fund's largest sector weighting remained in corporate bonds. During the period the Fund incrementally added to its leveraged bank loan and investment-grade corporate weighting, while maintaining its largest weighting in high yield corporate bonds. Within investment-grade corporate bonds, the Fund's exposure was largely in financials, which offered a yield spread pick-up relative to the overall sector.[4]

4. The financials sector comprises banks, diversified financials, insurance and real estate in the SOI.

In the global markets, many of the currencies under pressure during the second half of 2011 experienced a rebound during the reporting period, particularly during the first four months of 2012. Non-U.S. dollar holdings in Mexico, the Philippines and Singapore performed well. The Fund's long currency positions in Sweden and Poland also outperformed the euro, which the Fund sold forward as a proxy hedge. On the other hand, currency positions in countries such as Brazil and India underperformed as those currencies declined in value. We maintained only a modest weighting in hard currency (U.S. dollar and euro) emerging market sovereign bonds, given valuations that remained somewhat rich to longer term averages.

The continued decline in longer term U.S. Treasury yields drove positive returns for the more interest rate-sensitive sectors of the domestic fixed income market, with the longest maturity bonds generally delivering the greatest total returns. Given their higher current yield, offset by their shorter effective maturities, agency mortgage-backed securities generally performed in line with Treasuries. While the slack in the U.S. economy could keep longer term inflationary pressures subdued, with five- to 10-year Treasury yields lower than the inflation rate, we did not find significant value in fixed income U.S. government securities at recent yield levels. Consequently, we maintained a relatively low weighting in these sectors, while favoring the higher current yield of agency mortgages relative to Treasuries. Commercial mortgage-backed securities (CMBS) generally performed well in the first half of 2012, with healthy demand for CMBS. The Fund modestly added exposure to certain less highly rated (by the national rating agencies) CMBS tranches while reducing exposure to higher priced CMBS, favoring the yield pickup in those less highly rated securities. Given the longer maturity profile for the Fund's municipal bond holdings, with a combination of a decline in long-term U.S. rates and healthy sector performance over the past year, the Fund continued to pare its municipal bond holdings.

Thank you for your participation in Franklin Strategic Income Securities Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2012, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration*:

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical “Ending Account Value” is based on the Fund’s actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund’s actual return. The figure under the heading “Fund-Level Expenses Incurred During Period” shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/12	Ending Account Value 6/30/12	Fund-Level Expenses Incurred During Period* 1/1/12–6/30/12
Actual	$1,000	$1,056.40	$4.29
Hypothetical (5% return before expenses)	$1,000	$1,020.69	$4.22

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund’s Class 2 shares (0.84%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied 182/366 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Strategic Income Securities Fund

Class 1	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 12.55	$ 12.99	$ 12.28	$ 10.58	$ 12.78	$ 12.73
Income from investment operations[a]:						
Net investment income[b]	0.34	0.69	0.72	0.70	0.69	0.73
Net realized and unrealized gains (losses)	0.38	(0.32)	0.61	1.95	(1.99)	0.04
Total from investment operations	0.72	0.37	1.33	2.65	(1.30)	0.77
Less distributions from:						
Net investment income and net foreign currency gains	(0.93)	(0.81)	(0.62)	(0.95)	(0.87)	(0.68)
Net realized gains	(0.02)	—	—	—	(0.03)	(0.04)
Total distributions	(0.95)	(0.81)	(0.62)	(0.95)	(0.90)	(0.72)
Net asset value, end of period	$ 12.32	$ 12.55	$ 12.99	$ 12.28	$ 10.58	$ 12.78
Total return[c]	5.82%	2.78%	11.21%	26.11%	(11.03)%	6.20%
Ratios to average net assets[d]						
Expenses	0.59%	0.60%[e]	0.59%[e]	0.58%[e]	0.61%[e]	0.62%[e]
Net investment income	5.23%	5.36%	5.71%	6.13%	5.83%	5.72%
Supplemental data						
Net assets, end of period (000's)	$1,032,236	$1,043,690	$1,195,149	$1,173,313	$ 903,358	$1,086,850
Portfolio turnover rate	24.60%	55.65%	56.46%	56.19%	47.68%	46.88%
Portfolio turnover rate excluding mortgage dollar rolls[f]	24.60%	55.65%	56.46%	56.19%	47.68%	46.43%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.
[f]See Note 1(g) regarding mortgage dollar rolls.

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

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Strategic Income Securities Fund

Class 2	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 12.27	$ 12.72	$ 12.05	$ 10.41	$ 12.60	$ 12.56
Income from investment operations[a]:						
Net investment income[b]	0.31	0.64	0.68	0.66	0.65	0.69
Net realized and unrealized gains (losses)	0.37	(0.30)	0.59	1.91	(1.96)	0.05
Total from investment operations	0.68	0.34	1.27	2.57	(1.31)	0.74
Less distributions from:						
Net investment income and net foreign currency gains	(0.90)	(0.79)	(0.60)	(0.93)	(0.85)	(0.66)
Net realized gains	(0.02)	—	—	—	(0.03)	(0.04)
Total distributions	(0.92)	(0.79)	(0.60)	(0.93)	(0.88)	(0.70)
Net asset value, end of period	$ 12.03	$ 12.27	$ 12.72	$ 12.05	$ 10.41	$ 12.60
Total return[c]	5.64%	2.57%	10.91%	25.75%	(11.24)%	5.91%
Ratios to average net assets[d]						
Expenses	0.84%	0.85%[e]	0.84%[e]	0.83%[e]	0.86%[e]	0.87%[e]
Net investment income	4.98%	5.11%	5.46%	5.88%	5.58%	5.47%
Supplemental data						
Net assets, end of period (000's)	$137,230	$123,749	$101,347	$ 68,240	$ 33,155	$ 24,613
Portfolio turnover rate	24.60%	55.65%	56.46%	56.19%	47.68%	46.88%
Portfolio turnover rate excluding mortgage dollar rolls[f]	24.60%	55.65%	56.46%	56.19%	47.68%	46.43%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.
[f]See Note 1(g) regarding mortgage dollar rolls.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Strategic Income Securities Fund

Class 4	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008[a]
Per share operating performance					
(for a share outstanding throughout the period)					
Net asset value, beginning of period	$ 12.44	$ 12.88	$ 12.20	$ 10.54	$ 12.84
Income from investment operations[b]:					
Net investment income[c]	0.31	0.64	0.67	0.66	0.53
Net realized and unrealized gains (losses)	0.38	(0.31)	0.60	1.94	(1.93)
Total from investment operations	0.69	0.33	1.27	2.60	(1.40)
Less distributions from:					
Net investment income and net foreign currency gains	(0.89)	(0.77)	(0.59)	(0.94)	(0.87)
Net realized gains	(0.02)	—	—	—	(0.03)
Total distributions	(0.91)	(0.77)	(0.59)	(0.94)	(0.90)
Net asset value, end of period	$ 12.22	$ 12.44	$ 12.88	$ 12.20	$ 10.54
Total return[d]	5.58%	2.46%	10.88%	25.52%	(11.69)%
Ratios to average net assets[e]					
Expenses	0.94%	0.95%[f]	0.94%[f]	0.93%[f]	0.96%[f]
Net investment income	4.88%	5.01%	5.36%	5.78%	5.48%
Supplemental data					
Net assets, end of period (000's)	$202,257	$188,786	$188,178	$162,074	$ 59,766
Portfolio turnover rate	24.60%	55.65%	56.46%	56.19%	47.68%

[a]For the period February 29, 2008 (effective date) to December 31, 2008.
[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[c]Based on average daily shares outstanding.
[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[e]Ratios are annualized for periods less than one year.
[f]Benefit of expense reduction rounds to less than 0.01%.

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

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited)

Franklin Strategic Income Securities Fund	Country	Shares	Value
Common Stocks 0.6%			
Consumer Durables & Apparel 0.1%			
[a,b]Comfort Co. Inc.	United States	13,427	$ 720,359
Consumer Services 0.1%			
[a,c,d]Turtle Bay Resort	United States	1,901,449	1,711,304
Media 0.4%			
[a]MGM Holdings Inc., A	United States	216,185	5,458,671
Total Common Stocks (Cost $8,590,364)			7,890,334
Preferred Stocks (Cost $865,000) 0.1%			
Diversified Financials 0.1%			
GMAC Capital Trust I, 8.125%, pfd.	United States	34,600	832,130

		Principal Amount*	
Corporate Bonds 37.2%			
Automobiles & Components 0.7%			
Exide Technologies, senior secured note, 8.625%, 2/01/18	United States	1,400,000	1,111,250
Ford Motor Credit Co. LLC, senior note,			
7.00%, 4/15/15	United States	500,000	556,940
6.625%, 8/15/17	United States	1,000,000	1,139,224
5.00%, 5/15/18	United States	1,000,000	1,064,922
8.125%, 1/15/20	United States	1,200,000	1,471,057
5.75%, 2/01/21	United States	600,000	661,050
The Goodyear Tire & Rubber Co., senior note, 8.25%, 8/15/20	United States	3,000,000	3,191,250
			9,195,693
Banks 1.4%			
[e]Banco do Brasil SA, sub. note, 144A, 5.875%, 1/26/22	Brazil	3,500,000	3,603,985
CIT Group Inc., senior note,			
[e]144A, 7.00%, 5/02/17	United States	2,303,465	2,310,664
[e]144A, 6.625%, 4/01/18	United States	500,000	542,500
5.375%, 5/15/20	United States	1,600,000	1,633,000
HSBC USA Inc., sub. note, 5.00%, 9/27/20	United States	4,500,000	4,583,233
Regions Bank, sub. note, 7.50%, 5/15/18	United States	1,000,000	1,122,500
Regions Financial Corp., senior note,			
7.75%, 11/10/14	United States	2,500,000	2,706,250
5.75%, 6/15/15	United States	300,000	315,750
UBS AG Stamford, senior note, 5.875%, 12/20/17	United States	2,400,000	2,685,240
			19,503,122
Capital Goods 1.0%			
[e]Abengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17	Spain	3,500,000	3,150,000
The Manitowoc Co. Inc., senior note,			
9.50%, 2/15/18	United States	2,000,000	2,200,000
8.50%, 11/01/20	United States	1,500,000	1,627,500
Meritor Inc., senior note, 10.625%, 3/15/18	United States	3,000,000	3,202,500
RBS Global & Rexnord Corp., senior note, 8.50%, 5/01/18	United States	3,000,000	3,270,000
			13,450,000
Commercial & Professional Services 0.3%			
United Rentals North America Inc., senior sub. note, 8.375%, 9/15/20	United States	4,000,000	4,230,000
Consumer Durables & Apparel 0.8%			
Jarden Corp., senior sub. note, 7.50%, 5/01/17	United States	3,000,000	3,375,000

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Consumer Durables & Apparel (continued)			
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	2,400,000	$ 2,490,000
Shea Homes LP/Funding Corp., senior secured note, 8.625%, 5/15/19	United States	2,000,000	2,160,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	3,500,000	3,491,250
			11,516,250
Consumer Services 2.0%			
CKE Restaurants Inc., senior secured note, 11.375%, 7/15/18	United States	1,432,000	1,643,220
ClubCorp Club Operations Inc., senior note, 10.00%, 12/01/18	United States	2,900,000	3,088,500
[e,f]Fontainebleau Las Vegas, 144A, 11.00%, 6/15/15	United States	2,500,000	1,563
[e]Gala Group Finance Ltd., senior secured bond, 144A, 8.875%, 9/01/18	United Kingdom	2,000,000 GBP	2,760,535
Harrah's Operating Co. Inc., senior secured note, 11.25%, 6/01/17	United States	5,000,000	5,481,250
MGM Resorts International, senior note, 6.625%, 7/15/15	United States	4,500,000	4,657,500
Pinnacle Entertainment Inc.,			
senior note, 8.625%, 8/01/17	United States	1,500,000	1,638,750
senior sub. note, 7.75%, 4/01/22	United States	400,000	428,500
Royal Caribbean Cruises Ltd., senior deb., 7.25%, 3/15/18	United States	1,500,000	1,627,500
[e]Shingle Springs Tribal Gaming Authority, senior note, 144A, 9.375%, 6/15/15	United States	2,000,000	1,540,000
Starwood Hotels & Resorts Worldwide Inc., senior note,			
6.75%, 5/15/18	United States	2,000,000	2,327,130
7.15%, 12/01/19	United States	500,000	590,402
Universal City Development,			
senior note, 8.875%, 11/15/15	United States	1,286,000	1,378,125
senior sub. note, 10.875%, 11/15/16	United States	284,000	334,139
			27,497,114
Diversified Financials 4.0%			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	2,500,000	2,818,750
Bank of America Corp.,			
[g]pfd., sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	4,500,000	4,727,520
senior note, 5.65%, 5/01/18	United States	1,500,000	1,606,731
Capital One Capital VI, pfd., junior sub. bond, 8.875%, 5/15/40	United States	3,000,000	3,066,603
Citigroup Inc.,			
senior note, 6.125%, 11/21/17	United States	1,500,000	1,664,573
senior note, 5.375%, 8/09/20	United States	1,000,000	1,083,094
sub. note, 5.00%, 9/15/14	United States	3,000,000	3,077,109
General Electric Capital Corp.,			
senior note, A, 8.50%, 4/06/18	United States	64,000,000 MXN	5,012,606
sub. note, 5.30%, 2/11/21	United States	1,000,000	1,125,134
GMAC Inc.,			
senior note, 6.875%, 8/28/12	United States	2,000,000	2,015,000
sub. note, 8.00%, 12/31/18	United States	900,000	1,001,250
International Lease Finance Corp.,			
senior note, 8.25%, 12/15/20	United States	1,000,000	1,148,385
[e]senior secured note, 144A, 6.75%, 9/01/16	United States	3,500,000	3,780,000
JPMorgan Chase & Co.,			
6.00%, 1/15/18	United States	1,500,000	1,724,669
senior note, 4.25%, 10/15/20	United States	2,500,000	2,632,707
JPMorgan Chase Capital XXII, sub. bond, 6.45%, 2/02/37	United States	3,000,000	3,015,000
[e]KKR Group Finance Co., senior note, 144A, 6.375%, 9/29/20	United States	3,000,000	3,259,515
Merrill Lynch & Co. Inc., senior note, 6.40%, 8/28/17	United States	2,000,000	2,178,854
Moody's Corp., senior note, 5.50%, 9/01/20	United States	2,600,000	2,817,209
Morgan Stanley, senior note,			
6.00%, 4/28/15	United States	3,000,000	3,103,515

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Diversified Financials (continued)			
Morgan Stanley, senior note, (continued)			
5.50%, 7/24/20	United States	1,500,000	$ 1,470,845
5.50%, 7/28/21	United States	800,000	790,151
[e]Neuberger Berman Group LLC/Finance Corp., senior note, 144A,			
5.625%, 3/15/20	United States	600,000	627,000
5.875%, 3/15/22	United States	600,000	628,500
			54,374,720
Energy 6.8%			
Alpha Natural Resources Inc., senior note,			
6.00%, 6/01/19	United States	1,500,000	1,286,250
6.25%, 6/01/21	United States	2,000,000	1,700,000
Antero Resources Finance Corp., senior note,			
9.375%, 12/01/17	United States	2,500,000	2,775,000
7.25%, 8/01/19	United States	300,000	312,000
Arch Coal Inc., senior note,			
7.00%, 6/15/19	United States	800,000	680,000
7.25%, 6/15/21	United States	2,000,000	1,685,000
Atlas Pipeline Partners LP, senior note, 8.75%, 6/15/18	United States	2,500,000	2,681,250
Chaparral Energy Inc., senior note,			
9.875%, 10/01/20	United States	2,000,000	2,232,500
8.25%, 9/01/21	United States	1,000,000	1,062,500
[e]144A, 7.625%, 11/15/22	United States	300,000	305,250
CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20	Canada	3,500,000	3,438,750
Chesapeake Energy Corp., senior note,			
7.25%, 12/15/18	United States	300,000	307,500
6.625%, 8/15/20	United States	4,000,000	3,980,000
6.125%, 2/15/21	United States	1,500,000	1,458,750
Chesapeake Midstream Partners LP/CHKM Finance Corp., senior note, 6.125%, 7/15/22	United States	700,000	689,500
Compagnie Generale de Geophysique-Veritas, senior note,			
7.75%, 5/15/17	France	2,100,000	2,174,813
6.50%, 6/01/21	France	2,000,000	2,010,000
CONSOL Energy Inc., senior note,			
8.00%, 4/01/17	United States	1,500,000	1,563,750
8.25%, 4/01/20	United States	1,500,000	1,582,500
6.375%, 3/01/21	United States	200,000	189,000
Crosstex Energy LP/Crosstex Energy Finance Corp., senior note, 8.875%, 2/15/18	United States	3,500,000	3,703,437
El Paso Corp., senior bond, 6.50%, 9/15/20	United States	2,300,000	2,532,824
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	3,500,000	3,858,750
Energy Transfer Partners LP, senior note, 5.20%, 2/01/22	United States	900,000	966,327
Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17	United States	3,000,000	3,225,000
[h]Enterprise Products Operating LLC, junior sub. note, FRN, 7.034%, 1/15/68	United States	2,000,000	2,142,452
[e]Expro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16	United Kingdom	3,113,000	2,996,263
[e]Gaz Capital SA,			
GAZPROM, loan participation, senior note, 144A, 5.092%, 11/29/15	Russia	3,000,000	3,164,565
OJSC GAZPROM, loan participation, senior note, 144A, 6.51%, 3/07/22	Russia	500,000	556,880
[e]Kinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18	United States	3,500,000	3,657,500
Linn Energy LLC/Finance Corp., senior note,			
8.625%, 4/15/20	United States	3,000,000	3,247,500
7.75%, 2/01/21	United States	1,000,000	1,050,000
Martin Midstream Partners LP, senior note, 8.875%, 4/01/18	United States	1,754,000	1,780,310
Offshore Group Investment Ltd., senior secured note,			
[e]first lien, 144A, 11.50%, 8/01/15	United States	900,000	981,000
11.50%, 8/01/15	United States	2,100,000	2,289,000

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
[e]PBF Holding Co. LLC, senior secured note, 144A, 8.25%, 2/15/20	United States	2,100,000	$ 2,105,250
Peabody Energy Corp., senior note,			
6.50%, 9/15/20	United States	2,500,000	2,543,750
[e]144A, 6.00%, 11/15/18	United States	700,000	700,000
[e]144A, 6.25%, 11/15/21	United States	1,000,000	995,000
[e]Penn Virginia Resource Partners LP/Finance Corp. II, senior note, 144A, 8.375%, 6/01/20	United States	1,400,000	1,428,000
[c,e,f]Petroplus Finance Ltd., senior note, 144A, 6.75%, 5/01/14	Switzerland	2,100,000	262,500
Plains Exploration & Production Co., senior note,			
7.625%, 6/01/18	United States	3,000,000	3,202,500
6.125%, 6/15/19	United States	600,000	606,000
Quicksilver Resources Inc., senior note,			
8.25%, 8/01/15	United States	3,000,000	2,820,000
9.125%, 8/15/19	United States	500,000	437,500
[e]Samson Investment Co., senior note, 144A, 9.75%, 2/15/20	United States	3,500,000	3,486,875
SandRidge Energy Inc., senior note,			
8.75%, 1/15/20	United States	1,000,000	1,047,500
[e]144A, 8.00%, 6/01/18	United States	3,000,000	3,052,500
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	2,000,000	2,075,000
			93,028,496
Food & Staples Retailing 0.5%			
Rite Aid Corp., senior secured note,			
9.75%, 6/12/16	United States	2,200,000	2,436,500
8.00%, 8/15/20	United States	1,300,000	1,478,750
Safeway Inc., senior bond, 3.95%, 8/15/20	United States	3,500,000	3,385,277
			7,300,527
Food, Beverage & Tobacco 1.8%			
[e]Boparan Finance PLC, senior note, 144A, 9.75%, 4/30/18	United Kingdom	2,500,000 EUR	3,341,975
[e]Campofrio Food Group SA, senior note, 144A, 8.25%, 10/31/16	Spain	3,000,000 EUR	3,739,848
[e]CEDC Finance Corp. International Inc., senior secured note, 144A, 9.125%, 12/01/16	Russia	1,800,000	1,146,375
Dean Foods Co., senior note, 9.75%, 12/15/18	United States	1,300,000	1,456,000
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	4,000,000	4,055,000
JBS USA LLC/Finance Inc., senior note,			
11.625%, 5/01/14	United States	1,500,000	1,710,000
[e]144A, 8.25%, 2/01/20	United States	1,500,000	1,462,500
[e]Kraft Foods Inc., senior bond, 144A, 3.50%, 6/06/22	United States	3,000,000	3,087,504
Pinnacle Foods Finance LLC/Corp., senior note, 9.25%, 4/01/15	United States	2,500,000	2,581,250
[e]Refresco Group BV, senior secured sub. bond, 144A, 7.375%, 5/15/18	Netherlands	2,000,000 EUR	2,391,984
			24,972,436
Health Care Equipment & Services 1.4%			
Amerigroup Corp., senior note, 7.50%, 11/15/19	United States	2,500,000	2,700,000
CHS/Community Health Systems Inc., senior note,			
8.875%, 7/15/15	United States	1,125,000	1,155,937
8.00%, 11/15/19	United States	2,100,000	2,236,500
Emergency Medical Services Corp., senior note, 8.125%, 6/01/19	United States	2,500,000	2,621,875
HCA Inc.,			
senior note, 6.50%, 2/15/16	United States	800,000	866,000
senior note, 7.50%, 2/15/22	United States	2,000,000	2,185,000
senior secured bond, 7.25%, 9/15/20	United States	300,000	331,500
senior secured note, 5.875%, 3/15/22	United States	1,900,000	1,990,250
[e]Health Management Associates Inc., senior note, 144A, 7.375%, 1/15/20	United States	2,800,000	2,992,500

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care Equipment & Services (continued)			
Vanguard Health Holding Co. II LLC/Inc., senior note, 8.00%, 2/01/18	United States	2,500,000	$ 2,568,750
Vanguard Health Systems Inc., senior note, zero cpn., 2/01/16	United States	30,000	20,100
			19,668,412
Insurance 0.5%			
[h]MetLife Inc., junior sub. note, FRN, 6.40%, 12/15/66	United States	3,500,000	3,473,750
[e,h]Mitsui Sumitomo Insurance Co. Ltd., sub. note, 144A, FRN, 7.00%, 3/15/72	Japan	3,000,000	3,137,535
			6,611,285
Materials 3.5%			
ArcelorMittal, senior note,			
5.50%, 3/01/21	Luxembourg	4,000,000	3,802,520
6.25%, 2/25/22	Luxembourg	1,000,000	983,020
[e]Cemex SAB de CV, senior secured note, 144A, 9.00%, 1/11/18	Mexico	4,000,000	3,590,000
Euramax International Inc., senior secured note, 9.50%, 4/01/16	United States	2,000,000	1,775,000
[e]FMG Resources August 2006 Pty. Ltd., senior note, 144A,			
7.00%, 11/01/15	Australia	700,000	710,062
6.00%, 4/01/17	Australia	500,000	499,850
6.875%, 2/01/18	Australia	3,000,000	3,041,250
Huntsman International LLC, senior sub. note, 8.625%, 3/15/21	United States	1,100,000	1,245,750
[e]Ineos Finance PLC, senior secured note, 144A,			
9.00%, 5/15/15	United Kingdom	300,000	318,000
9.25%, 5/15/15	United Kingdom	100,000 EUR	135,407
8.375%, 2/15/19	United Kingdom	200,000	206,625
7.50%, 5/01/20	United Kingdom	300,000	302,812
[e]Ineos Group Holdings Ltd.,			
senior note, 144A, 7.875%, 2/15/16	United Kingdom	1,500,000 EUR	1,656,354
senior secured note, 144A, 8.50%, 2/15/16	United Kingdom	1,500,000	1,383,750
[e]Inmet Mining Corp., senior note, 144A, 8.75%, 6/01/20	Canada	2,700,000	2,686,500
[e]Kerling PLC, senior secured note, 144A, 10.625%, 1/28/17	United Kingdom	3,000,000 EUR	3,366,034
[e]Kinove German Bondco GmbH, senior secured bond, 144A, 10.00%, 6/15/18	Germany	2,250,000 EUR	2,924,129
[e]MacDermid Inc., senior sub. note, 144A, 9.50%, 4/15/17	United States	3,000,000	3,150,000
[c,f]NewPage Corp., senior secured note, 11.375%, 12/31/14	United States	3,500,000	2,292,500
Novelis Inc., senior note,			
8.375%, 12/15/17	Canada	1,500,000	1,612,500
8.75%, 12/15/20	Canada	1,600,000	1,732,000
[e]Reynolds Group Issuer Inc./LLC/SA,			
senior note, 144A, 8.50%, 5/15/18	United States	3,500,000	3,447,500
senior note, 144A, 9.875%, 8/15/19	United States	100,000	103,875
senior note, 144A, 8.25%, 2/15/21	United States	500,000	475,000
senior secured note, 144A, 7.125%, 4/15/19	United States	1,000,000	1,052,500
[e]Sealed Air Corp., senior note, 144A,			
8.125%, 9/15/19	United States	1,000,000	1,120,000
8.375%, 9/15/21	United States	500,000	567,500
[e]Xstrata Finance Canada Ltd., senior note, 144A, 4.95%, 11/15/21	Canada	4,000,000	4,143,796
			48,324,234
Media 3.6%			
[e]AMC Networks Inc., senior note, 144A, 7.75%, 7/15/21	United States	1,300,000	1,439,750
Cablevision Systems Corp., senior note, 8.625%, 9/15/17	United States	500,000	560,000
CCH II LLC/CCH II Capital Corp., senior note, 13.50%, 11/30/16	United States	1,500,000	1,676,250
CCO Holdings LLC/CCO Holdings Capital Corp., senior note,			
8.125%, 4/30/20	United States	900,000	1,008,000

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
CCO Holdings LLC/CCO Holdings Capital Corp., senior note, (continued)			
6.50%, 4/30/21	United States	2,000,000	$ 2,140,000
[e]Cet 21 Spol SRO, senior secured note, 144A, 9.00%, 11/01/17	Czech Republic	300,000 EUR	399,613
Clear Channel Communications Inc., senior note, 9.00%, 3/01/21	United States	4,700,000	4,112,500
[e]Clear Channel Worldwide Holdings Inc., senior sub. note, 144A, 7.625%,			
3/15/20	United States	1,300,000	1,277,250
3/15/20	United States	200,000	192,500
CSC Holdings Inc.,			
senior deb., 7.625%, 7/15/18	United States	1,500,000	1,683,750
[e]senior note, 144A, 6.75%, 11/15/21	United States	2,000,000	2,140,000
DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., senior note, 4.60%, 2/15/21	United States	2,000,000	2,132,390
DISH DBS Corp., senior note,			
7.75%, 5/31/15	United States	500,000	557,500
7.125%, 2/01/16	United States	4,000,000	4,410,000
6.75%, 6/01/21	United States	500,000	542,500
[e]144A, 5.875%, 7/15/22	United States	500,000	507,500
Media General Inc., senior secured note, 11.75%, 2/15/17	United States	2,000,000	2,160,000
[e]Nara Cable Funding Ltd., senior note, 144A, 8.875%, 12/01/18	Spain	800,000	692,000
[i]Radio One Inc., senior sub. note, PIK, 15.00%, 5/24/16	United States	2,280,619	1,799,005
[e,f]Seat Pagine Gialle SpA, senior secured note, 144A, 10.50%, 1/31/17	Italy	2,000,000 EUR	1,645,280
Time Warner Inc.,			
7.625%, 4/15/31	United States	2,500,000	3,241,240
senior bond, 3.40%, 6/15/22	United States	500,000	505,685
[e]Unitymedia Hessen/NRW, senior secured note, 144A, 9.50%, 3/15/21	Germany	1,500,000 EUR	2,068,069
[e]Univision Communications Inc., senior secured note, 144A,			
6.875%, 5/15/19	United States	1,000,000	1,035,000
7.875%, 11/01/20	United States	2,500,000	2,687,500
[e]UPCB Finance II Ltd., senior secured note, 144A, 6.375%, 7/01/20	Netherlands	2,000,000 EUR	2,500,319
[e]UPCB Finance VI Ltd., senior secured note, 144A, 6.875%, 1/15/22	Netherlands	500,000	506,563
WMG Acquisition Corp., senior secured note, 9.50%, 6/15/16	United States	2,000,000	2,190,000
[e]Ziggo Bond Co., senior bond, 144A, 8.00%, 5/15/18	Netherlands	2,500,000 EUR	3,446,782
			49,256,946
Pharmaceuticals, Biotechnology & Life Sciences 1.1%			
[e]Capsugel FinanceCo SCA, senior note, 144A, 9.875%, 8/01/19	United States	2,000,000 EUR	2,784,320
Endo Health Solutions Inc., senior note, 7.00%, 7/15/19	United States	2,000,000	2,185,000
Giant Funding Corp., senior secured note, 8.25%, 2/01/18	Spain	3,300,000	3,564,000
Gilead Sciences Inc., senior note,			
4.50%, 4/01/21	United States	2,000,000	2,228,220
4.40%, 12/01/21	United States	1,000,000	1,106,721
[e]inVentiv Health Inc., senior note, 144A, 10.00%,			
8/15/18	United States	1,200,000	1,032,000
8/15/18	United States	1,100,000	951,500
[e]Mylan Inc., senior note, 144A, 7.875%, 7/15/20	United States	500,000	563,125
			14,414,886
Real Estate 0.1%			
Forest City Enterprises Inc., senior note, 7.625%, 6/01/15	United States	2,000,000	1,995,000
Retailing 1.2%			
[e]Academy Ltd./Finance Corp., senior note, 144A, 9.25%, 8/01/19	United States	2,500,000	2,725,000
[e,h]Edcon Pty. Ltd., senior secured note, 144A, FRN, 3.912%, 6/15/14	South Africa	3,000,000 EUR	3,467,731
[e]Matalan Finance Ltd., senior secured note, 144A, 8.875%, 4/29/16	United Kingdom	2,300,000 GBP	3,095,807
Michaels Stores Inc., senior note, 7.75%, 11/01/18	United States	3,500,000	3,710,000

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Retailing (continued)			
[e]Petco Animal Supplies Inc., senior note, 144A, 9.25%, 12/01/18	United States	3,000,000	$ 3,292,500
			16,291,038
Semiconductors & Semiconductor Equipment 0.5%			
Advanced Micro Devices Inc., senior note,			
8.125%, 12/15/17	United States	800,000	872,000
7.75%, 8/01/20	United States	900,000	994,500
Freescale Semiconductor Inc.,			
senior note, 8.875%, 12/15/14	United States	660,000	681,450
senior note, 8.05%, 2/01/20	United States	1,600,000	1,588,000
senior note, 10.75%, 8/01/20	United States	1,382,000	1,492,560
[e]senior secured note, 144A, 9.25%, 4/15/18	United States	500,000	537,500
			6,166,010
Software & Services 1.2%			
[e,j]Ceridian Corp., 144A, 8.875%, 7/15/19	United States	600,000	622,500
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	300,000	301,875
[e]senior secured bond, 144A, 8.25%, 1/15/21	United States	4,500,000	4,522,500
[e]Lawson Software Inc., senior note, 144A, 9.375%, 4/01/19	United States	700,000	750,750
Sitel LLC/Finance Corp., senior note, 11.50%, 4/01/18	United States	2,500,000	1,793,750
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	800,000	808,000
SunGard Data Systems Inc., senior note, 7.625%, 11/15/20	United States	3,000,000	3,210,000
West Corp., senior note, 7.875%, 1/15/19	United States	3,500,000	3,675,000
[e]Zayo Escrow Corp., first lien, 144A, 8.125%, 1/01/20	United States	1,000,000	1,050,000
			16,734,375
Technology Hardware & Equipment 0.5%			
CDW LLC/Finance Corp., senior note, 8.50%, 4/01/19	United States	3,800,000	4,066,000
[e]CommScope Inc., senior note, 144A, 8.25%, 1/15/19	United States	3,000,000	3,187,500
			7,253,500
Telecommunication Services 2.7%			
CenturyLink Inc., senior note,			
6.00%, 4/01/17	United States	3,000,000	3,191,727
6.45%, 6/15/21	United States	1,000,000	1,043,049
Cricket Communications Inc., senior note, 7.75%, 10/15/20	United States	3,500,000	3,360,000
[e]Digicel Group Ltd., senior note, 144A, 8.875%, 1/15/15	Jamaica	2,500,000	2,537,500
[e]Digicel Ltd., senior note, 144A, 8.25%, 9/01/17	Jamaica	300,000	308,250
[e]eAccess Ltd., senior note, 144A,			
8.25%, 4/01/18	Japan	1,400,000	1,288,000
8.375%, 4/01/18	Japan	600,000 EUR	664,440
Frontier Communications Corp., senior note,			
8.50%, 4/15/20	United States	3,500,000	3,727,500
8.75%, 4/15/22	United States	1,500,000	1,582,500
Intelsat Jackson Holdings SA, senior note,			
11.25%, 6/15/16	Luxembourg	1,185,000	1,244,250
7.50%, 4/01/21	Luxembourg	2,000,000	2,125,000
[e]144A, 7.25%, 10/15/20	Luxembourg	1,600,000	1,692,000
Intelsat Luxembourg SA, senior note, 11.25%, 2/04/17	Luxembourg	700,000	723,625
MetroPCS Wireless Inc., senior note, 7.875%, 9/01/18	United States	2,500,000	2,606,250
Sprint Nextel Corp., senior note,			
8.375%, 8/15/17	United States	4,000,000	4,120,000

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Telecommunication Services (continued)			
Sprint Nextel Corp., senior note, (continued)			
[e]144A, 9.00%, 11/15/18	United States	2,000,000	$ 2,240,000
[e]144A, 7.00%, 3/01/20	United States	800,000	834,000
[e]Wind Acquisition Finance SA, senior secured note, 144A, 11.75%, 7/15/17	Italy	3,500,000	2,865,625
[e,i]Wind Acquisition Holdings Finance SA, senior secured note, 144A, PIK, 12.25%, 7/15/17	Italy	640,321 EUR	559,471
			36,713,187
Transportation 0.6%			
[e,f]American Airlines Inc., senior secured note, 144A, 7.50%, 3/15/16	United States	3,000,000	2,850,000
[e]Ceva Group PLC, senior secured note, 144A,			
11.625%, 10/01/16	United Kingdom	300,000	314,250
8.375%, 12/01/17	United Kingdom	1,500,000	1,459,688
11.50%, 4/01/18	United Kingdom	1,000,000	927,500
[e]Hertz Corp., senior note, 144A, 6.75%, 4/15/19	United States	2,000,000	2,090,000
			7,641,438
Utilities 1.0%			
[e]Calpine Corp., senior secured note, 144A,			
7.875%, 7/31/20	United States	1,100,000	1,218,250
7.50%, 2/15/21	United States	2,500,000	2,712,500
7.875%, 1/15/23	United States	500,000	547,500
CMS Energy Corp., senior note, 8.75%, 6/15/19	United States	2,000,000	2,478,444
[e]Intergen NV, senior secured note, 144A, 9.00%, 6/30/17	Netherlands	3,000,000	2,979,375
Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note,			
[e]144A, 11.50%, 10/01/20	United States	4,600,000	3,162,500
B, 15.00%, 4/01/21	United States	1,830,000	631,350
			13,729,919
Total Corporate Bonds (Cost $499,634,693)			509,868,588
[h,k]**Senior Floating Rate Interests 17.3%**			
Automobiles & Components 0.1%			
August Lux U.K. Holding Co., Lux Second Lien, 10.50%, 4/27/19	Luxembourg	532,023	532,023
August U.S. Holding Co. Inc., U.S. Second Lien, 10.50%, 4/27/19	United States	409,610	409,610
Federal-Mogul Corp.,			
Tranche B Term Loan, 2.178% - 2.188%, 12/27/14	United States	415,296	396,175
Tranche C Term Loan, 2.178% - 2.188%, 12/27/15	United States	211,886	202,130
			1,539,938
Capital Goods 1.1%			
Goodman Global Inc., Initial Term Loan, 5.75%, 10/28/16	United States	1,243,704	1,245,570
[j]RBS Global Inc. (Rexnord), Term B Loan, 5.00%, 4/01/18	United States	4,028,902	4,054,921
Sensus USA Inc., Second Lien Term Loan, 8.50%, 5/09/18	United States	2,345,433	2,348,130
Terex Corp., U.S. Term Loan, 5.50%, 4/28/17	United States	3,594,437	3,616,902
Tomkins LLC and Tomkins Inc., Term B-1 Loan, 4.25%, 9/21/16	United States	2,098,041	2,099,788
TransDigm Inc.,			
Tranche B1 Term Loan, 4.00%, 2/14/17	United States	1,809,040	1,810,547
Tranche B2 Term Loan, 4.00%, 2/14/17	United States	510,137	508,861
			15,684,719
Commercial & Professional Services 1.2%			
ARAMARK Corp.,			
Extended Synthetic L/C, 3.346%, 7/26/16	United States	186,538	185,101

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[h,k]**Senior Floating Rate Interests (continued)**			
Commercial & Professional Services (continued)			
ARAMARK Corp., (continued)			
Extended US Term Loan B-3, 3.495% - 3.711%, 7/26/16	United States	1,138,629	$ 1,129,853
Synthetic L/C-3, 3.346%, 7/26/16	United States	91,726	90,923
Term Loan B Extended, 3.495%, 7/26/16	United States	2,834,838	2,812,987
Brock Holdings III Inc., Second Lien Term Loan, 10.00%, 3/16/18	United States	1,187,270	1,175,397
EnviroSolutions Real Property Holdings, Second Lien Term Loan, 8.00%, 7/29/14	United States	502,938	499,795
Interactive Data Corp., Term B Loans, 4.50%, 2/11/18	United States	5,573,824	5,492,490
KAR Auction Services Inc. (Adesa), Term Loan, 5.00%, 5/19/17	United States	5,314,146	5,330,089
			16,716,635
Consumer Durables & Apparel 0.3%			
[b,i]Sleep Innovations Inc., Term Loan, PIK, 11.50%, 3/05/15	United States	1,161,736	1,161,736
Visant Corp. (Jostens), New Loan, 5.25%, 12/22/16	United States	3,675,384	3,565,122
			4,726,858
Consumer Services 1.6%			
Ameristar Casinos Inc., B Term Loan, 4.00%, 4/14/18	United States	2,295,714	2,298,584
Burger King Holdings Inc., Tranche B Term Loan, 4.50%, 10/19/16	United States	8,284,169	8,259,971
DineEquity Inc., Term B-1 Loan, 4.25%, 10/19/17	United States	2,714,165	2,705,118
Revel AC Inc., Tranche B Loan, 9.00%, 2/17/17	United States	1,206,407	1,037,510
[c,i]Turtle Bay Holdings LLC,			
Term Loan A, PIK, 10.25%, 3/01/13	United States	2,062,925	2,011,352
Term Loan B, PIK, 3.00%, 2/09/15	United States	4,096,039	3,297,312
Weight Watchers International Inc., Term F Loan, 3.75%, 3/15/19	United States	1,322,339	1,295,231
[j]Wendy's International Inc., Closing date Term Loan, 4.75%, 5/15/19	United States	1,379,064	1,371,882
			22,276,960
Diversified Financials 0.9%			
Asurion LLC, Second Lien Term Loan, 9.00%, 5/24/19	United States	3,651,257	3,744,820
MoneyGram Payment Systems Worldwide Inc.,			
Term Loan, 4.25%, 11/18/17	United States	3,357,159	3,319,391
Tranche B-1 Loan, 4.25%, 11/18/17	United States	1,078,823	1,066,686
TransUnion LLC/TransUnion FICO, Term Loan, 5.50%, 2/10/18	United States	3,830,308	3,839,884
			11,970,781
Energy 0.3%			
Arch Coal Inc., Term Loan B, 5.75%, 5/16/18	United States	3,712,107	3,653,111
Food, Beverage & Tobacco 0.6%			
Del Monte Foods Co., Initial Term Loan, 4.50%, 3/08/18	United States	8,434,949	8,318,968
Health Care Equipment & Services 2.1%			
Bausch & Lomb Inc., Parent Term Loan, 5.25%, 5/18/19	United States	5,625,945	5,601,332
Community Health Systems Inc.,			
Extended Term Loan, 3.961% - 3.967%, 1/25/17	United States	6,114,635	6,024,346
Term Loan, 2.495% - 2.717%, 7/25/14	United States	2,543,553	2,511,043
DaVita Inc., Tranche B Term Loan, 4.50%, 10/20/16	United States	1,973,890	1,983,759
HCA Inc., Tranche B-2 Term Loan, 3.711%, 3/31/17	United States	8,318,841	8,099,731
Universal Health Services Inc., New Tranche B Term Loan, 3.75%, 11/15/16	United States	4,357,005	4,304,359
			28,524,570
Materials 2.9%			
[j]American Rock Salt Co. LLC, Initial Loan, 5.50%, 4/25/17	United States	3,893,001	3,695,108
Anchor Glass Container Corp., Second Lien Term Loan, 10.00%, 9/02/16	United States	5,813,900	5,806,633
Consolidated Container Co. LLC, Second Lien Term Loan, 5.75%, 9/28/14	United States	1,686,399	1,680,075

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[h,k]**Senior Floating Rate Interests (continued)**			
Materials (continued)			
[j]Ineos US Finance LLC, Dollar Term Loan, 6.50%, 4/27/18	United States	3,115,586	$ 3,054,832
[c]NewPage Corp., DIP Term Loan, 8.00%, 3/07/13	United States	3,410,423	3,448,790
PL Propylene LLC, Tranche B Term Loan, 7.00%, 3/27/17	United States	2,317,593	2,343,666
Potters Holdings II LP, Second Lien Term Loan, 10.25%, 11/06/17	United States	247,452	250,081
Reynolds Group Holdings Inc.,			
Tranche B Term Loan, 6.50%, 2/09/18	United States	2,854,501	2,876,703
Tranche C Term Loan, 6.50%, 8/09/18	United States	4,927,779	4,966,108
Road Infrastructure Investment LLC, Second Lien Term Loan, 10.25%, 9/30/18	United States	5,707,888	5,693,618
Tronox Pigments (Netherlands) BV,			
Closing Date Term Loan, 4.25%, 2/08/18	Netherlands	1,392,303	1,372,725
Delayed Draw Term Loan, 4.25%, 2/08/18	Netherlands	379,719	373,667
Walter Energy Inc., B Term Loan, 4.00%, 4/01/18	United States	4,478,059	4,394,096
			39,956,102
Media 2.7%			
Atlantic Broadband Finance LLC, Second Lien Term Loan, 9.75%, 10/04/19	United States	1,892,400	1,877,418
Cinemark USA Inc., Extended Term Loan, 3.50% - 3.72%, 4/30/16	United States	1,899,045	1,891,924
Clear Channel Communications Inc.,			
Tranche A Term Loan, 3.645%, 5/13/14	United States	1,893,112	1,723,915
Tranche B Term Loan, 3.895%, 1/29/16	United States	5,014,627	4,001,517
CSC Holdings Inc. (Cablevision), Incremental T-2 Extended TL, 1.995%, 3/29/16	United States	4,952,553	4,917,474
Cumulus Media Holdings Inc., Second Lien Term Loan, 7.50%, 9/16/19	United States	5,450,000	5,463,625
[j]Hubbard Radio LLC, Second Lien Term Loan, 8.75%, 4/29/18	United States	1,433,484	1,437,068
R.H. Donnelley Inc., Term Loan B, 9.00%, 10/24/14	United States	195,333	86,630
Regal Cinemas Corp., Term Loan, 3.245% - 3.461%, 8/23/17	United States	2,886,382	2,864,734
Sinclair Television Group Inc., New Tranche B Term Loan, 4.00%, 10/29/16	United States	1,041,357	1,039,187
Telesat Canada, U.S. Term B Loan, 4.25%, 3/28/19	Canada	2,650,635	2,627,442
TWCC Holding Corp., Term Loan, 4.25%, 2/11/17	United States	2,769,495	2,771,226
Univision Communications Inc., Extended First Lien Term Loan, 4.495%, 3/31/17	United States	2,141,315	2,022,875
UPC Financing Partnership,			
Term Loan T, 3.739%, 12/31/16	Netherlands	2,935,799	2,902,771
Term Loan X, 3.739%, 12/31/17	Netherlands	1,384,751	1,360,518
			36,988,324
Pharmaceuticals, Biotechnology & Life Sciences 0.6%			
Valeant Pharmaceuticals International Inc.,			
Series A Tranche B Term Loan, 4.75%, 2/13/19	Canada	1,850,003	1,826,415
Series B Tranche B Term Loan, 6.00%, 2/13/19	Canada	615,000	602,700
Warner Chilcott Co. LLC, Term B-2 Loan, 4.25%, 3/15/18	Puerto Rico	1,310,145	1,306,168
Warner Chilcott Corp., Term B-1 Loan, 4.25%, 3/15/18	United States	2,620,291	2,612,335
WC Luxco S.A.R.L., Term B-3 Loan, 4.25%, 3/15/18	Luxembourg	1,801,450	1,795,981
			8,143,599
Retailing 0.8%			
BJ's Wholesale Club Inc.,			
Replacement Loans, 5.25%, 9/30/18	United States	6,032,976	6,057,488
Second Lien Term Loan, 10.00%, 3/30/19	United States	4,648,792	4,794,067
Savers Inc., Term Loan B, 7.25%, 7/09/19	United States	500,000	500,000
			11,351,555
Software & Services 0.7%			
AVG Technologies NV, Term Loan, 7.50%, 3/15/16	Netherlands	4,207,997	4,144,877
Fidelity National Information Services Inc., Term A-2 Loans, 2.489%, 7/18/14	United States	330,313	330,519

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[h,k] **Senior Floating Rate Interests (continued)**			
Software & Services (continued)			
SunGard Data Systems Inc., Tranche B U.S. Term Loan, 3.866% - 4.091%, 2/28/16	United States	2,942,137	$ 2,920,807
Vertafore Inc., Second Lien Term Loan, 9.75%, 10/27/17	United States	1,832,000	1,822,840
			9,219,043
Technology Hardware & Equipment 0.1%			
Flextronics International USA Inc.,			
A Closing Date Loan, 2.489% - 2.495%, 10/01/14	United States	95,629	93,896
A-1-A Delayed Draw Term Loan, 2.495%, 10/01/14	United States	27,480	27,111
A-1-B Delayed Draw TL, 2.495%, 10/01/14	United States	196,420	192,860
A-2 Delayed Draw Term Loan, 2.495%, 10/01/14	United States	673,510	661,302
A-3 Delayed Draw Term Loan, 2.489%, 10/01/14	United States	214,700	211,816
			1,186,985
Telecommunication Services 0.6%			
Intelsat Jackson Holdings SA, Tranche B Term Loan, 5.25%, 4/02/18	Luxembourg	8,743,722	8,716,354
Transportation 0.7%			
[j] Avis Budget Car Rental LLC, Tranche C Term Loan, 4.25%, 3/15/19	United States	3,092,073	3,085,632
Evergreen International Aviation Inc., Term Loan, 11.50%, 6/30/15	United States	1,120,226	971,796
Hertz Corp.,			
Credit Linked Deposit, 3.75%, 3/11/18	United States	1,736,300	1,666,848
Tranche B Term Loan, 3.75%, 3/11/18	United States	3,347,280	3,313,807
			9,038,083
Total Senior Floating Rate Interests (Cost $237,913,875)			238,012,585
Foreign Government and Agency Securities 22.3%			
[e] Arab Republic of Egypt, 144A, 5.75%, 4/29/20	Egypt	2,000,000	1,928,260
[h,l] Government of Argentina, senior bond, FRN, 0.785%, 8/03/12	Argentina	23,000,000	2,770,697
Government of Australia, senior bond, 6.50%, 5/15/13	Australia	5,700,000 AUD	6,016,833
Government of Hungary,			
5.50%, 2/12/14	Hungary	1,443,700,000 HUF	6,221,173
5.50%, 2/12/16	Hungary	1,864,700,000 HUF	7,754,026
6.50%, 6/24/19	Hungary	206,000,000 HUF	850,259
7.50%, 11/12/20	Hungary	312,600,000 HUF	1,355,554
senior note, 6.25%, 1/29/20	Hungary	5,507,000	5,414,069
senior note, 6.375%, 3/29/21	Hungary	1,550,000	1,526,750
[e] Government of Iceland, 144A, 5.875%, 5/11/22	Iceland	1,890,000	1,858,239
Government of Indonesia,			
FR19, 14.25%, 6/15/13	Indonesia	35,480,000,000 IDR	4,118,476
FR20, 14.275%, 12/15/13	Indonesia	23,637,000,000 IDR	2,852,005
FR26, 11.00%, 10/15/14	Indonesia	1,800,000,000 IDR	216,263
FR34, 12.80%, 6/15/21	Indonesia	37,155,000,000 IDR	5,754,722
FR42, 10.25%, 7/15/27	Indonesia	2,000,000,000 IDR	283,737
FR44, 10.00%, 9/15/24	Indonesia	9,300,000,000 IDR	1,268,265
Government of Ireland,			
4.60%, 4/18/16	Ireland	383,000 EUR	473,843
5.90%, 10/18/19	Ireland	2,228,000 EUR	2,765,758
4.50%, 4/18/20	Ireland	1,987,000 EUR	2,254,031
5.00%, 10/18/20	Ireland	3,562,000 EUR	4,151,930
senior bond, 4.50%, 10/18/18	Ireland	748,000 EUR	871,981
senior bond, 4.40%, 6/18/19	Ireland	3,338,000 EUR	3,819,964
senior bond, 5.40%, 3/13/25	Ireland	2,534,000 EUR	2,948,111

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Israel,			
5.00%, 3/31/13	Israel	4,370,000 ILS	$ 1,140,687
3.50%, 9/30/13	Israel	16,505,000 ILS	4,287,246
Government of Malaysia, senior bond,			
2.509%, 8/27/12	Malaysia	19,455,000 MYR	6,131,654
3.702%, 2/25/13	Malaysia	20,473,000 MYR	6,487,284
3.70%, 5/15/13	Malaysia	2,695,000 MYR	855,317
3.21%, 5/31/13	Malaysia	15,055,000 MYR	4,758,762
3.461%, 7/31/13	Malaysia	14,715,000 MYR	4,665,377
8.00%, 10/30/13	Malaysia	50,000 MYR	16,793
5.094%, 4/30/14	Malaysia	2,290,000 MYR	749,193
3.814%, 2/15/17	Malaysia	11,400,000 MYR	3,692,845
4.24%, 2/07/18	Malaysia	600,000 MYR	198,454
Government of Mexico,			
9.00%, 12/20/12	Mexico	58,000[m] MXN	443,631
9.00%, 6/20/13	Mexico	1,074,360[m] MXN	8,387,470
8.00%, 12/19/13	Mexico	1,062,700[m] MXN	8,352,538
7.00%, 6/19/14	Mexico	120,000[m] MXN	939,338
9.50%, 12/18/14	Mexico	283,300[m] MXN	2,362,878
8.00%, 12/17/15	Mexico	140,000[m] MXN	1,157,428
Government of Poland,			
5.25%, 4/25/13	Poland	7,895,000 PLN	2,380,729
5.00%, 10/24/13	Poland	3,845,000 PLN	1,159,860
5.75%, 4/25/14	Poland	32,105,000 PLN	9,830,994
5.50%, 4/25/15	Poland	5,975,000 PLN	1,836,820
6.25%, 10/24/15	Poland	15,760,000 PLN	4,965,348
5.75%, 9/23/22	Poland	4,300,000 PLN	1,347,905
senior note, 6.375%, 7/15/19	Poland	785,000	928,361
Strip, 1/25/13	Poland	3,400,000 PLN	994,571
Strip, 7/25/13	Poland	9,270,000 PLN	2,652,885
Strip, 1/25/14	Poland	12,960,000 PLN	3,627,287
[e]Government of Russia, 144A, 7.50%, 3/31/30	Russia	3,816,505	4,582,668
Government of Sri Lanka,			
A, 6.90%, 8/01/12	Sri Lanka	1,900,000 LKR	14,207
A, 8.50%, 1/15/13	Sri Lanka	50,900,000 LKR	374,963
A, 13.50%, 2/01/13	Sri Lanka	59,500,000 LKR	449,123
A, 7.50%, 8/01/13	Sri Lanka	48,640,000 LKR	345,709
A, 7.00%, 3/01/14	Sri Lanka	7,020,000 LKR	47,939
A, 11.25%, 7/15/14	Sri Lanka	176,100,000 LKR	1,274,412
A, 11.75%, 3/15/15	Sri Lanka	1,160,000 LKR	8,345
A, 6.50%, 7/15/15	Sri Lanka	28,980,000 LKR	179,845
A, 11.00%, 8/01/15	Sri Lanka	200,400,000 LKR	1,405,996
A, 6.40%, 8/01/16	Sri Lanka	19,500,000 LKR	112,792
B, 8.50%, 7/15/13	Sri Lanka	1,110,000 LKR	8,009
B, 6.60%, 6/01/14	Sri Lanka	7,100,000 LKR	47,455
B, 6.40%, 10/01/16	Sri Lanka	16,000,000 LKR	92,020
Government of Sweden,			
5.50%, 10/08/12	Sweden	171,395,000 SEK	25,057,433
1.50%, 8/30/13	Sweden	106,380,000 SEK	15,482,465
Government of the Philippines,			
senior bond, 8.75%, 3/03/13	Philippines	57,170,000 PHP	1,409,792
senior note, 6.25%, 1/27/14	Philippines	141,200,000 PHP	3,509,203

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
[e]Government of Ukraine,			
144A, 7.75%, 9/23/20	Ukraine	6,000,000	$ 5,448,750
senior note, 144A, 7.95%, 2/23/21	Ukraine	1,500,000	1,372,477
[n]Government of Uruguay, senior note, Index Linked, 4.375%, 12/15/28	Uruguay	124,986,112 UYU	6,331,272
[e]Government of Vietnam, 144A, 6.75%, 1/29/20	Vietnam	1,500,000	1,605,000
Indonesia Retail Bond, senior bond, ORI7, 7.95%, 8/15/13	Indonesia	8,300,000,000 IDR	913,168
Korea Monetary Stabilization Bond,			
senior bond, 3.76%, 6/02/13	South Korea	707,150,000 KRW	622,204
senior bond, 3.90%, 8/02/13	South Korea	1,325,900,000 KRW	1,169,471
senior bond, 3.59%, 10/02/13	South Korea	1,237,510,000 KRW	1,088,247
senior bond, 3.48%, 12/02/13	South Korea	2,121,430,000 KRW	1,863,598
senior bond, 3.47%, 2/02/14	South Korea	2,916,950,000 KRW	2,562,802
senior bond, 3.59%, 4/02/14	South Korea	4,287,030,000 KRW	3,808,824
senior note, 3.28%, 6/02/14	South Korea	5,082,540,000 KRW	4,453,972
Korea Treasury Bond,			
5.25%, 9/10/12	South Korea	2,850,000,000 KRW	2,506,204
5.25%, 3/10/13	South Korea	346,570,000 KRW	307,620
senior bond, 4.25%, 12/10/12	South Korea	3,560,000,000 KRW	3,131,736
senior bond, 5.00%, 3/26/13	South Korea	1,163,000,000 KRW	1,031,311
senior bond, 3.75%, 6/10/13	South Korea	5,340,340,000 KRW	4,699,573
senior bond, 3.00%, 12/10/13	South Korea	15,972,210,000 KRW	13,935,560
New South Wales Treasury Corp.,			
5.25%, 5/01/13	Australia	1,605,000 AUD	1,672,765
5.50%, 8/01/13	Australia	9,925,000 AUD	10,416,737
senior note, 5.50%, 3/01/17	Australia	1,240,000 AUD	1,396,458
Nota Do Tesouro Nacional,			
10.00%, 1/01/14	Brazil	2,700[o] BRL	1,380,674
10.00%, 1/01/17	Brazil	7,400[o] BRL	3,782,802
[p]Index Linked, 6.00%, 5/15/15	Brazil	3,890[o] BRL	4,454,664
[p]Index Linked, 6.00%, 8/15/16	Brazil	1,604[o] BRL	1,857,921
[p]Index Linked, 6.00%, 8/15/18	Brazil	1,525[o] BRL	1,789,374
Queensland Treasury Corp.,			
6.00%, 8/14/13	Australia	600,000 AUD	633,971
6.00%, 9/14/17	Australia	1,200,000 AUD	1,370,592
senior note, 6.00%, 8/21/13	Australia	2,705,000 AUD	2,855,373
Western Australia Treasury Corp.,			
5.50%, 7/17/12	Australia	6,714,000 AUD	6,879,411
8.00%, 6/15/13	Australia	4,602,000 AUD	4,927,668
Total Foreign Government and Agency Securities (Cost $307,526,632)			306,499,176
U.S. Government and Agency Securities 2.1%			
U.S. Treasury Bond,			
4.50%, 2/15/16	United States	3,000,000	3,428,205
7.875%, 2/15/21	United States	900,000	1,377,774
7.125%, 2/15/23	United States	1,980,000	3,030,329
U.S. Treasury Note,			
2.375%, 3/31/16	United States	3,500,000	3,738,164
4.625%, 2/15/17	United States	600,000	707,203
4.75%, 8/15/17	United States	2,900,000	3,481,134
3.75%, 11/15/18	United States	7,000,000	8,205,862
[n]Index Linked, 0.125%, 4/15/16	United States	2,397,000	2,497,748

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
U.S. Government and Agency Securities (continued)			
U.S. Treasury Note, (continued)			
[n]Index Linked, 0.625%, 7/15/21	United States	2,551,634	$ 2,847,065
Total U.S. Government and Agency Securities (Cost $26,825,625)			29,313,484
Asset-Backed Securities and Commercial Mortgage-Backed Securities 3.4%			
Banks 1.3%			
[e,h]Banc of America Large Loan, 2010-HLTN, 144A, FRN, 1.992%, 11/15/15	United States	4,210,553	3,991,816
Bear Stearns Commercial Mortgage Securities Inc.,			
[h]2006-PW11, AJ, FRN, 5.451%, 3/11/39	United States	500,000	466,243
2006-PW13, AJ, 5.611%, 9/11/41	United States	2,100,000	1,792,640
Countrywide Asset-Backed Certificates, 2005-11, AF4, 5.21%, 3/25/34	United States	1,275,000	757,438
[h]GS Mortgage Securities Corp. II, 2006-GG6, A4, FRN, 5.553%, 4/10/38	United States	2,405,000	2,683,914
[e,h]Wachovia Bank Commercial Mortgage Trust, 2007-WHL8, A1, 144A, FRN, 0.322%, 6/15/20	United States	4,803,918	4,475,419
Wells Fargo Mortgage Backed Securities Trust,			
[h]2004-W, A9, FRN, 2.762%, 11/25/34	United States	1,999,697	2,019,549
2007-3, 3A1, 5.50%, 4/25/37	United States	1,958,865	2,034,621
			18,221,640
Diversified Financials 2.1%			
[e,h]ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.467%, 11/25/20	Cayman Islands	1,380,000	1,164,686
[e,h]Armstrong Loan Funding Ltd., 2008-1A, B, 144A, FRN, 1.466%, 8/01/16	Cayman Islands	2,324,510	2,306,890
[e,h]Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.808%, 3/11/21	Cayman Islands	1,251,000	1,042,083
Citigroup Commercial Mortgage Trust,			
2006-C5, AJ, 5.482%, 10/15/49	United States	800,000	697,809
[h]2007-C6, AM, FRN, 5.70%, 6/10/17	United States	1,700,000	1,803,333
[h]2008-C7, A4, FRN, 6.073%, 12/10/49	United States	8,700,000	10,201,877
[h]Citigroup/Deutsche Bank Commercial Mortgage Trust,			
2005-CD1, AJ, FRN, 5.399%, 7/15/44	United States	2,230,000	2,180,137
2006-CD3, AJ, FRN, 5.688%, 10/15/48	United States	420,000	295,549
[e,h]Columbus Nova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.467%, 10/15/21	Cayman Islands	860,000	752,539
[e,h]Commercial Industrial Finance Corp., 2007-3A, A1J, 144A, FRN, 0.866%, 7/26/21	Cayman Islands	960,000	799,958
[e,h]Credit Suisse Mortgage Capital Certificates, 2006-TF2A, A2, 144A, FRN, 0.412%, 10/15/21	United States	399,033	373,853
[e,h]Gleneagles CLO Ltd., 2005-1A, A2, 144A, FRN, 0.866%, 11/01/17	Cayman Islands	1,000,000	817,000
[e,h]MAPS CLO Fund LLC, 2005-1A, B, 144A, FRN, 0.968%, 12/21/17	United States	1,400,000	1,320,410
Residential Asset Securities Corp., 2004-KS1, AI4, 4.213%, 4/25/32	United States	70,813	69,485
[e,h]Westchester CLO Ltd., 2007-1A, A1A, 144A, FRN, 0.691%, 8/01/22	Cayman Islands	4,379,921	3,999,349
			27,824,958
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $43,029,031)			46,046,598
Mortgage-Backed Securities 4.0%			
[h]**Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%†**			
FHLMC, 2.348%, 1/01/33	United States	79,300	84,086
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 1.1%			
FHLMC Gold 15 Year, 4.50%, 10/01/18 - 6/01/19	United States	912,674	972,147
FHLMC Gold 15 Year, 5.00%, 12/01/17 - 9/01/19	United States	1,163,738	1,249,885
FHLMC Gold 15 Year, 5.50%, 7/01/17 - 7/01/19	United States	289,586	316,551
FHLMC Gold 15 Year, 6.00%, 5/01/17	United States	11,638	12,683
FHLMC Gold 15 Year, 6.50%, 5/01/16	United States	3,064	3,241
FHLMC Gold 30 Year, 3.50%, 1/01/41	United States	700,000	735,392

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Mortgage-Backed Securities (continued)			
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate (continued)			
FHLMC Gold 30 Year, 4.00%, 9/01/40	United States	1,847,218	$ 1,963,336
FHLMC Gold 30 Year, 4.50%, 10/01/40	United States	2,728,451	2,919,458
FHLMC Gold 30 Year, 5.00%, 4/01/34 - 8/01/35	United States	1,203,157	1,299,851
FHLMC Gold 30 Year, 5.50%, 3/01/33 - 6/01/36	United States	3,113,017	3,421,199
FHLMC Gold 30 Year, 6.00%, 4/01/33 - 2/01/36	United States	1,004,523	1,117,314
FHLMC Gold 30 Year, 6.50%, 12/01/23 - 6/01/36	United States	197,410	223,062
FHLMC Gold 30 Year, 7.00%, 9/01/21 - 4/01/30	United States	59,073	68,790
FHLMC Gold 30 Year, 7.50%, 3/01/30 - 7/01/31	United States	1,851	2,014
			14,304,923
[h]**Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%†**			
FNMA, 2.31%, 12/01/34	United States	263,376	278,843
FNMA, 2.33%, 4/01/20	United States	58,222	59,452
			338,295
Federal National Mortgage Association (FNMA) Fixed Rate 2.7%			
FNMA 15 Year, 3.00%, 10/01/26 - 6/01/27	United States	3,899,652	4,092,712
FNMA 15 Year, 4.50%, 6/01/19 - 3/01/20	United States	219,683	236,449
FNMA 15 Year, 5.00%, 10/01/17 - 6/01/18	United States	248,095	268,661
FNMA 15 Year, 5.50%, 11/01/13 - 11/01/18	United States	2,190,035	2,376,592
FNMA 15 Year, 6.00%, 4/01/16 - 7/01/16	United States	4,170	4,491
FNMA 30 Year, 3.50%, 2/01/41 - 6/01/42	United States	6,849,932	7,225,715
FNMA 30 Year, 4.00%, 1/01/41	United States	949,187	1,012,117
FNMA 30 Year, 4.50%, 12/01/40	United States	5,120,787	5,512,874
FNMA 30 Year, 5.00%, 4/01/30 - 7/01/41	United States	9,907,788	10,806,324
FNMA 30 Year, 5.50%, 8/01/33 - 9/01/35	United States	1,655,079	1,818,107
FNMA 30 Year, 6.00%, 6/01/34 - 5/01/38	United States	2,288,396	2,537,352
FNMA 30 Year, 6.50%, 6/01/28 - 10/01/37	United States	1,193,642	1,352,415
			37,243,809
Government National Mortgage Association (GNMA) Fixed Rate 0.2%			
GNMA I SF 30 Year, 5.00%, 11/15/33 - 7/15/34	United States	924,662	1,024,459
GNMA I SF 30 Year, 5.50%, 12/15/32 - 6/15/36	United States	983,164	1,097,903
GNMA I SF 30 Year, 6.50%, 11/15/31 - 2/15/32	United States	6,608	7,671
GNMA I SF 30 Year, 7.00%, 10/15/28 - 6/15/32	United States	62,061	74,357
GNMA I SF 30 Year, 7.50%, 9/15/30	United States	1,960	2,405
GNMA II SF 30 Year, 5.00%, 9/20/33 - 11/20/33	United States	247,560	275,293
GNMA II SF 30 Year, 6.00%, 11/20/34	United States	282,110	318,783
GNMA II SF 30 Year, 6.50%, 4/20/31 - 2/20/34	United States	110,056	127,364
GNMA II SF 30 Year, 7.50%, 1/20/28 - 4/20/32	United States	30,496	37,275
			2,965,510
Total Mortgage-Backed Securities (Cost $52,862,462)			54,936,623
Municipal Bonds 3.4%			
Bay Area Toll Authority Toll Bridge Revenue, Build America Bonds, Series S1, 7.043%, 4/01/50	United States	4,000,000	5,661,880
California State GO,			
Build America Bonds, Various Purpose, 7.625%, 3/01/40	United States	1,500,000	1,940,760
Refunding, 5.00%, 4/01/38	United States	9,700,000	10,182,284
Various Purpose, 6.00%, 4/01/38	United States	2,500,000	2,898,175
Various Purpose, 6.00%, 11/01/39	United States	160,000	186,982
Various Purpose, 5.25%, 11/01/40	United States	560,000	612,007
Various Purpose, Refunding, 5.25%, 3/01/38	United States	1,500,000	1,598,670

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Municipal Bonds (continued)			
California State GO, (continued)			
Various Purpose, Refunding, NATL Insured, 4.50%, 12/01/32	United States	300,000	$ 308,559
Various Purpose, Refunding, Series 1, AGMC Insured, 4.75%, 9/01/31	United States	290,000	300,109
Chicago Waterworks Revenue, second lien, Refunding, 5.25%, 11/01/38	United States	1,895,000	2,087,172
Clovis USD, GO, Capital Appreciation, Election of 2004, Series A, NATL RE, FGIC Insured, zero cpn.,			
8/01/25	United States	2,500,000	1,404,500
8/01/26	United States	1,290,000	682,088
8/01/27	United States	1,720,000	859,002
8/01/29	United States	1,720,000	764,041
Illinois State GO,			
5.877%, 3/01/19	United States	3,575,000	3,967,893
Build America Bonds, 7.35%, 7/01/35	United States	3,000,000	3,489,360
[e]New York City IDA Rental Revenue, Yankee Stadium Project, 144A, 11.00%, 3/01/29	United States	600,000	859,062
Poway USD, GO, Election of 2008, ID No. 2007-1, Series A, zero cpn.,			
8/01/27	United States	370,000	185,059
8/01/30	United States	370,000	155,078
8/01/32	United States	460,000	168,714
8/01/33	United States	245,000	84,258
Redondo Beach USD, GO, Build America Bonds, Election of 2008, Direct Payment to District, Series D, 6.461%, 8/01/40	United States	1,510,000	1,638,290
San Francisco City and County GO, Build America Bonds,			
5.75%, 6/15/27	United States	1,700,000	2,077,485
5.93%, 6/15/28	United States	1,520,000	1,863,338
Sonoma County Pension Obligation Revenue, Series A, 6.00%, 12/01/29	United States	2,100,000	2,367,897
Total Municipal Bonds (Cost $39,494,520)			46,342,663
Total Investments before Short Term Investments (Cost $1,216,742,202)			1,239,742,181
Short Term Investments 6.5%			
Foreign Government and Agency Securities 2.9%			
[q]Australia Treasury Bill, 8/10/12	Australia	4,010,000 AUD	4,088,499
[q]Bank of Negara Monetary Note, 8/02/12 - 6/20/13	Malaysia	43,360,000 MYR	13,444,052
Korea Monetary Stabilization Bond,			
3.83%, 4/02/13	South Korea	441,970,000 KRW	388,787
senior bond, 3.38%, 5/09/13	South Korea	4,420,000,000 KRW	3,875,566
senior note, 3.28%, 6/09/13	South Korea	4,397,300,000 KRW	3,852,417
senior note, Strip, 12/18/12	South Korea	1,104,900,000 KRW	953,603
[q]Malaysia Treasury Bills, 7/27/12 - 5/31/13	Malaysia	700,000 MYR	217,068
[q]Philippine Treasury Bills, 7/11/12 - 5/29/13	Philippines	167,980,000 PHP	3,957,779
[q]Singapore Treasury Bills, 7/05/12 - 5/02/13	Singapore	11,180,000 SGD	8,818,498
[q]Sri Lanka Treasury Bills, 7/06/12 - 9/28/12	Sri Lanka	8,130,000 LKR	60,754
Total Foreign Government and Agency Securities (Cost $39,837,672)			39,657,023
Total Investments before Money Market Funds (Cost $1,256,579,874)			1,279,399,204

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund	Country	Shares	Value
Money Market Funds (Cost $50,165,155) 3.6%			
[a,r]Institutional Fiduciary Trust Money Market Portfolio	United States	50,165,155	$ 50,165,155
Total Investments (Cost $1,306,745,029) 96.9%			1,329,564,359
Other Assets, less Liabilities 3.1%			42,158,672
Net Assets 100.0%			$1,371,723,031

See Abbreviations on page FSI-45.

†Rounds to less than 0.1% of net assets.
*The principal amount is stated in U.S. dollars unless otherwise indicated.
[a]Non-income producing.
[b]Security has been deemed illiquid because it may not be able to be sold within seven days. At June 30, 2012, the aggregate value of these securities was $1,882,095, representing 0.14% of net assets.
[c]At June 30, 2012, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading these securities for a limited or extended period of time due to ownership limits and/or potential possession of material non-public information.
[d]See Note 1(f) regarding investment in FT Holdings Corporation III.
[e]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2012, the aggregate value of these securities was $221,147,177, representing 16.12% of net assets.
[f]See Note 8 regarding defaulted securities.
[g]Perpetual security with no stated maturity date.
[h]The coupon rate shown represents the rate at period end.
[i]Income may be received in additional securities and/or cash.
[j]A portion or all of the security purchased on a when-issued or delayed delivery basis. See Note 1(c).
[k]See Note 1(h) regarding senior floating rate interests.
[l]The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
[m]Principal amount is stated in 100 Mexican Peso Units.
[n]Principal amount of security is adjusted for inflation. See Note 1(j).
[o]Principal amount is stated in 1,000 Brazilian Real Units.
[p]Redemption price at maturity is adjusted for inflation. See Note 1(j).
[q]The security is traded on a discount basis with no stated coupon rate.
[r]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited) *(continued)*

Franklin Strategic Income Securities Fund

At June 30, 2012, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
British Pound	DBAB	Sell	297,656	$ 474,018	7/09/12	$ 7,676	$ —
Euro	DBAB	Buy	2,065,396	2,753,482	7/09/12	—	(139,302)
Euro	DBAB	Sell	2,065,396	2,924,600	7/09/12	310,420	—
Indian Rupee	JPHQ	Buy	192,280,000	4,121,069	7/16/12	—	(670,047)
Euro	DBAB	Buy	900,000	1,200,015	7/25/12	—	(60,731)
Euro	DBAB	Sell	900,000	1,280,340	7/25/12	141,056	—
Euro	BZWS	Buy	3,140,000	3,946,069	8/01/12	29,030	—
Euro	BZWS	Sell	3,140,000	4,450,008	8/01/12	474,909	—
Euro	DBAB	Sell	1,056,111	1,501,209	8/06/12	164,146	—
Euro	CITI	Sell	317,220	445,361	8/08/12	43,743	—
British Pound	DBAB	Sell	169,385	275,589	8/09/12	10,234	—
Euro	CITI	Sell	92,411	130,027	8/09/12	13,028	—
Chilean Peso	JPHQ	Buy	1,141,336,600	2,333,745	8/20/12	—	(71,671)
Euro	DBAB	Sell	193,056	276,726	8/20/12	32,275	—
Japanese Yen	UBSW	Sell	32,055,000	420,228	8/20/12	19,190	—
Japanese Yen	JPHQ	Sell	15,928,000	208,359	8/20/12	9,085	—
Japanese Yen	DBAB	Sell	19,550,000	255,887	8/20/12	11,298	—
Japanese Yen	HSBC	Sell	65,957,000	865,478	8/20/12	40,295	—
Euro	BZWS	Buy	40,000	50,281	8/22/12	369	—
Euro	BZWS	Sell	2,124,000	3,043,692	8/22/12	354,176	—
Euro	UBSW	Sell	3,500,000	4,984,525	8/22/12	552,648	—
Japanese Yen	BZWS	Sell	15,895,000	208,788	8/22/12	9,921	—
Japanese Yen	MSCO	Sell	12,500,000	164,184	8/22/12	7,793	—
Japanese Yen	DBAB	Sell	15,915,000	209,026	8/22/12	9,909	—
Euro	BZWS	Sell	263,159	378,423	8/23/12	45,194	—
Japanese Yen	FBCO	Sell	31,524,000	414,299	8/23/12	19,888	—
Japanese Yen	CITI	Sell	31,757,000	418,075	8/23/12	20,749	—
Japanese Yen	DBAB	Sell	15,708,000	207,130	8/23/12	10,600	—
Singapore Dollar	DBAB	Buy	578,000	460,796	8/23/12	—	(4,591)
Euro	BZWS	Sell	441,303	633,093	8/24/12	74,281	—
Japanese Yen	JPHQ	Sell	31,689,000	415,403	8/24/12	18,922	—
Singapore Dollar	DBAB	Buy	580,000	461,196	8/24/12	—	(3,411)
Euro	BZWS	Sell	3,068,753	4,414,138	8/27/12	528,113	—
Euro	DBAB	Sell	298,304	429,901	8/27/12	52,152	—
Euro	UBSW	Sell	2,085,332	3,000,000	8/27/12	359,301	—
Japanese Yen	DBAB	Buy	155,000,000	2,006,472	8/27/12	—	(67,090)
Japanese Yen	DBAB	Buy	200,000,000	2,480,466	8/27/12	21,962	—
Japanese Yen	BZWS	Sell	44,152,000	578,929	8/27/12	26,493	—
Japanese Yen	DBAB	Sell	427,099,000	5,620,315	8/27/12	276,392	—
Japanese Yen	UBSW	Sell	34,903,000	459,054	8/27/12	22,342	—
Japanese Yen	JPHQ	Sell	15,991,000	210,270	8/27/12	10,188	—
Japanese Yen	HSBC	Sell	50,145,000	657,855	8/27/12	30,434	—
Singapore Dollar	DBAB	Buy	722,000	575,597	8/27/12	—	(5,732)
Euro	DBAB	Sell	1,383,356	1,980,412	8/29/12	228,602	—
Euro	DBAB	Sell	690,000	991,530	8/30/12	117,740	—
Japanese Yen	BZWS	Sell	37,600,000	493,438	8/30/12	22,963	—
Euro	DBAB	Sell	12,470	18,035	8/31/12	2,244	—
Japanese Yen	JPHQ	Sell	15,743,000	206,317	8/31/12	9,328	—
Singapore Dollar	DBAB	Buy	361,500	287,635	8/31/12	—	(2,304)
Indian Rupee	HSBC	Buy	32,771,000	569,015	9/04/12	13,091	—
Euro	BZWS	Sell	271,320	380,960	9/10/12	37,331	—

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited)

Franklin Strategic Income Securities Fund

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Indian Rupee	HSBC	Buy	5,576,000	$ 98,575	9/10/12	$ 367	$ —
Euro	BZWS	Sell	266,006	371,876	9/12/12	34,970	—
Indian Rupee	HSBC	Buy	14,080,000	250,251	9/13/12	—	(541)
Euro	BZWS	Sell	759,073	1,038,279	9/14/12	76,864	—
Euro	UBSW	Sell	708,181	970,704	9/17/12	73,718	—
Indian Rupee	DBAB	Buy	14,156,000	249,032	9/18/12	1,808	—
Euro	BZWS	Sell	178,354	247,234	9/19/12	21,325	—
Singapore Dollar	JPHQ	Buy	1,394,000	1,100,671	9/19/12	—	(307)
Indian Rupee	DBAB	Buy	12,894,000	227,733	9/20/12	666	—
Euro	BZWS	Sell	469,210	638,370	9/24/12	44,021	—
Euro	DBAB	Sell	185,654	249,909	10/04/12	14,711	—
Philippine Peso	DBAB	Buy	21,010,000	482,434	10/04/12	15,018	—
Philippine Peso	HSBC	Buy	16,853,000	382,319	10/04/12	16,708	—
Euro	UBSW	Sell	2,850,000	3,797,696	10/05/12	187,096	—
Philippine Peso	DBAB	Buy	25,119,000	576,785	10/05/12	17,915	—
Philippine Peso	HSBC	Buy	25,126,000	566,398	10/05/12	28,467	—
Philippine Peso	DBAB	Buy	20,621,000	473,774	10/09/12	14,301	—
Philippine Peso	JPHQ	Buy	6,636,000	152,132	10/09/12	4,934	—
Euro	BZWS	Sell	2,749,000	3,645,641	10/11/12	162,714	—
Philippine Peso	DBAB	Buy	16,501,000	379,072	10/11/12	11,434	—
Philippine Peso	JPHQ	Buy	8,232,000	188,721	10/11/12	6,094	—
Philippine Peso	HSBC	Buy	24,786,000	569,911	10/11/12	16,664	—
Philippine Peso	DBAB	Buy	4,913,000	112,554	10/12/12	3,707	—
Euro	DBAB	Sell	121,043	166,845	10/15/12	13,478	—
Philippine Peso	JPHQ	Buy	18,311,000	420,018	10/15/12	13,204	—
Philippine Peso	HSBC	Buy	8,192,000	187,739	10/15/12	6,076	—
Euro	DBAB	Sell	587,951	811,125	10/18/12	66,133	—
Japanese Yen	DBAB	Buy	238,000,000	3,000,504	10/22/12	—	(20,068)
Japanese Yen	DBAB	Sell	382,080,000	5,015,687	10/22/12	230,960	—
Philippine Peso	JPHQ	Buy	237,550,000	5,469,721	10/22/12	147,815	—
Euro	BZWS	Sell	217,715	299,162	10/24/12	23,273	—
Euro	BZWS	Sell	1,659,340	2,302,168	10/25/12	199,421	—
Euro	BZWS	Sell	1,993,000	2,759,886	10/26/12	234,285	—
Euro	CITI	Sell	648,569	902,918	10/26/12	81,028	—
Japanese Yen	JPHQ	Sell	270,990,000	3,577,355	10/26/12	183,549	—
Euro	UBSW	Sell	2,679,000	3,729,168	10/29/12	334,105	—
Singapore Dollar	DBAB	Buy	6,168,500	4,955,415	10/29/12	—	(84,483)
Euro	DBAB	Sell	1,494,524	2,106,995	10/31/12	212,952	—
Japanese Yen	JPHQ	Sell	360,360,000	4,785,340	10/31/12	271,888	—
Euro	DBAB	Sell	243,767	339,065	11/02/12	30,126	—
Euro	BZWS	Sell	529,706	730,253	11/05/12	58,900	—
Euro	BZWS	Sell	473,670	651,367	11/08/12	51,010	—
Euro	BZWS	Sell	227,970	311,031	11/15/12	22,061	—
Euro	UBSW	Sell	1,480,440	2,011,770	11/19/12	135,095	—
Euro	BZWS	Sell	63,419	86,938	11/19/12	6,545	—
Euro	BZWS	Sell	221,993	301,245	11/21/12	19,828	—
Euro	BZWS	Sell	201,376	273,328	11/23/12	18,040	—
Euro	UBSW	Sell	2,020,000	2,731,444	12/03/12	170,314	—
Singapore Dollar	JPHQ	Buy	4,945,200	3,849,303	12/05/12	57,160	—
Japanese Yen	BZWS	Sell	257,790,000	3,343,580	12/06/12	112,737	—
Euro	UBSW	Sell	3,400,000	4,552,566	12/10/12	241,346	—
Euro	DBAB	Sell	5,466,617	7,331,882	12/10/12	400,179	—
Japanese Yen	UBSW	Sell	351,760,000	4,586,778	12/12/12	177,754	—

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited)

Franklin Strategic Income Securities Fund

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
British Pound	DBAB	Sell	600,000	$ 922,440	12/17/12	$ —	$ (17,115)
Euro	DBAB	Sell	486,875	639,705	12/17/12	22,286	—
Euro	CITI	Sell	3,868,000	5,051,879	12/17/12	146,768	—
Euro	UBSW	Sell	2,137,312	2,799,559	12/20/12	89,068	—
Euro	DBAB	Sell	262,167	343,177	12/20/12	10,702	—
Euro	DBAB	Sell	239,450	305,897	1/03/13	2,173	—
Chilean Peso	DBAB	Sell	510,000,000	972,911	1/10/13	—	(20,950)
Chilean Peso	DBAB	Buy	2,449,000,000	4,646,177	1/10/13	126,306	—
Indian Rupee	HSBC	Buy	94,400,000	1,702,318	1/10/13	—	(58,375)
Japanese Yen	HSBC	Sell	183,560,000	2,402,932	1/10/13	100,975	—
Euro	UBSW	Sell	3,940,000	5,039,654	1/11/13	41,489	—
Euro	BZWS	Sell	1,691,484	2,164,339	1/11/13	18,573	—
Euro	DBAB	Sell	2,187,000	2,808,327	1/14/13	33,846	—
Euro	JPHQ	Sell	1,802,953	2,299,576	1/14/13	12,307	—
Japanese Yen	BZWS	Sell	460,675,000	6,026,228	1/15/13	248,563	—
Euro	DBAB	Sell	252,750	330,243	1/17/13	9,585	—
Euro	BZWS	Sell	2,912,410	3,716,235	1/22/13	21,059	—
Euro	DBAB	Sell	186,978	238,990	1/22/13	1,758	—
Japanese Yen	DBAB	Sell	271,680,000	3,556,021	1/22/13	148,259	—
Euro	DBAB	Sell	465,260	603,675	1/24/13	13,350	—
Euro	BZWS	Sell	1,007,118	1,313,231	1/28/13	35,322	—
Euro	DBAB	Sell	3,774,662	4,908,633	1/28/13	119,048	—
Euro	DBAB	Sell	4,032,721	5,311,900	1/30/13	194,723	—
Euro	DBAB	Sell	3,014,151	3,960,293	1/31/13	135,539	—
Chilean Peso	DBAB	Buy	725,000,000	1,434,167	2/07/13	—	(24,913)
Chilean Peso	JPHQ	Buy	482,900,000	958,325	2/08/13	—	(19,750)
Indian Rupee	HSBC	Buy	186,760,000	3,668,507	2/08/13	—	(429,551)
Chilean Peso	BZWS	Buy	1,487,300,000	2,958,623	2/11/13	—	(68,661)
Euro	UBSW	Sell	2,151,000	2,862,400	2/13/13	132,420	—
Singapore Dollar	DBAB	Buy	361,500	288,301	2/28/13	—	(2,482)
Euro	UBSW	Sell	2,581,000	3,478,156	3/01/13	201,683	—
Japanese Yen	HSBC	Sell	85,800,000	1,073,070	3/01/13	—	(3,869)
Japanese Yen	JPHQ	Sell	85,800,000	1,073,842	3/01/13	—	(3,097)
Euro	DBAB	Sell	5,979,967	8,000,000	3/04/13	408,354	—
Japanese Yen	UBSW	Sell	95,700,000	1,194,048	3/04/13	—	(7,217)
Euro	DBAB	Sell	324,000	424,084	3/18/13	12,679	—
Singapore Dollar	HSBC	Buy	1,113,000	880,747	3/19/13	—	(586)
Singapore Dollar	DBAB	Buy	973,400	768,696	3/19/13	1,069	—
Singapore Dollar	DBAB	Buy	1,048,000	835,592	3/21/13	—	(6,816)
Singapore Dollar	HSBC	Buy	837,000	667,251	3/21/13	—	(5,338)
Euro	DBAB	Sell	333,108	440,136	3/26/13	17,118	—
Euro	DBAB	Sell	7,647,393	10,159,601	4/02/13	447,066	—
Euro	DBAB	Sell	222,456	297,469	4/03/13	14,935	—
Indian Rupee	HSBC	Buy	108,100,000	2,000,000	4/03/13	—	(139,399)
Euro	BZWS	Sell	132,570	176,948	4/05/13	8,570	—
British Pound	DBAB	Sell	456,285	720,246	4/11/13	6,008	—
Euro	DBAB	Sell	949,814	1,251,011	4/11/13	44,542	—
Indian Rupee	DBAB	Buy	20,841,000	383,696	4/12/13	—	(25,413)
Chilean Peso	MSCO	Buy	116,230,000	229,138	4/15/13	—	(4,555)
Indian Rupee	DBAB	Buy	44,691,000	817,214	4/15/13	—	(49,229)
Euro	HSBC	Sell	142,717	188,818	4/16/13	7,523	—

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Franklin Strategic Income Securities Fund

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Indian Rupee	JPHQ	Buy	30,019,000	$ 550,585	4/16/13	$ —	$ (34,797)
Indian Rupee	JPHQ	Buy	29,466,000	538,595	4/18/13	—	(32,443)
Chilean Peso	MSCO	Buy	104,150,000	205,505	4/19/13	—	(4,333)
Euro	BZWS	Sell	130,134	171,152	4/19/13	5,834	—
Indian Rupee	JPHQ	Buy	14,719,000	269,695	4/22/13	—	(16,994)
Indian Rupee	DBAB	Buy	10,360,000	189,582	4/22/13	—	(11,718)
Euro	JPHQ	Sell	36,314	48,058	4/23/13	1,923	—
Indian Rupee	DBAB	Buy	20,931,000	373,361	4/26/13	—	(14,202)
Chilean Peso	CITI	Buy	377,668,000	747,857	4/29/13	—	(18,995)
Chilean Peso	JPHQ	Buy	234,301,000	462,680	4/29/13	—	(10,502)
Indian Rupee	JPHQ	Buy	17,801,000	319,386	4/29/13	—	(14,057)
Euro	DBAB	Sell	753,750	1,000,000	4/30/13	42,303	—
Euro	BZWS	Sell	91,515	121,559	4/30/13	5,283	—
Indian Rupee	JPHQ	Buy	14,829,000	265,529	4/30/13	—	(11,210)
British Pound	DBAB	Sell	453,906	732,877	5/02/13	22,390	—
Euro	DBAB	Sell	71,000	93,003	5/02/13	2,789	—
Philippine Peso	JPHQ	Buy	91,360,000	2,144,953	5/06/13	—	(8,025)
Chilean Peso	DBAB	Buy	574,000,000	1,134,051	5/08/13	—	(27,142)
Singapore Dollar	DBAB	Buy	3,707,640	2,984,016	5/10/13	—	(50,699)
Euro	DBAB	Sell	429,000	557,357	5/13/13	12,174	—
British Pound	DBAB	Buy	640,000	997,664	5/17/13	4,082	—
British Pound	DBAB	Sell	2,287,500	3,654,968	5/17/13	74,511	—
Euro	DBAB	Sell	1,053,792	1,310,844	6/05/13	—	(28,800)
Euro	UBSW	Sell	4,274,000	5,354,467	6/28/13	—	(80,768)
Euro	DBAB	Sell	320,700	402,767	6/28/13	—	(5,068)
Japanese Yen	BZWS	Sell	620,288,000	7,871,176	7/02/13	65,176	—
Unrealized appreciation (depreciation)						11,532,406	(2,387,347)
Net unrealized appreciation (depreciation)						$ 9,145,059	

See Abbreviations on page FSI-45.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities

June 30, 2012 (unaudited)

	Franklin Strategic Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$1,256,579,874
Cost - Sweep Money Fund (Note 7)	50,165,155
Total cost of investments	$1,306,745,029
Value - Unaffiliated issuers	$1,279,399,204
Value - Sweep Money Fund (Note 7)	50,165,155
Total value of investments	1,329,564,359
Cash	867,316
Restricted cash (Note 1e)	7,520,000
Foreign currency, at value (cost $11,053,839)	11,157,296
Receivables:	
Investment securities sold	7,871,007
Capital shares sold	1,651,442
Interest	16,721,658
Due from brokers	890,000
Unrealized appreciation on forward exchange contracts	11,532,406
Other assets	345
Total assets	1,387,775,829
Liabilities:	
Payables:	
Investment securities purchased	4,268,648
Capital shares redeemed	311,465
Affiliates	772,657
Due to brokers	7,520,000
Unrealized depreciation on forward exchange contracts	2,387,347
Unrealized depreciation on unfunded loan commitments (Note 9)	7,282
Deferred tax	183,054
Accrued expenses and other liabilities	602,345
Total liabilities	16,052,798
Net assets, at value	$1,371,723,031
Net assets consist of:	
Paid-in capital	$1,312,033,560
Undistributed net investment income	24,122,344
Net unrealized appreciation (depreciation)	31,678,833
Accumulated net realized gain (loss)	3,888,294
Net assets, at value	$1,371,723,031

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

Statement of Assets and Liabilities *(continued)*
June 30, 2012 (unaudited)

	Franklin Strategic Income Securities Fund
Class 1:	
Net assets, at value	$1,032,235,537
Shares outstanding	83,806,611
Net asset value and maximum offering price per share	$ 12.32
Class 2:	
Net assets, at value	$ 137,230,380
Shares outstanding	11,409,924
Net asset value and maximum offering price per share	$ 12.03
Class 4:	
Net assets, at value	$ 202,257,114
Shares outstanding	16,553,851
Net asset value and maximum offering price per share	$ 12.22

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the six months ended June 30, 2012 (unaudited)

	Franklin Strategic Income Securities Fund
Investment income:	
Dividends	$ 35,141
Interest	40,082,040
Total investment income	40,117,181
Expenses:	
Management fees (Note 3a)	2,372,711
Administrative fees (Note 3b)	1,376,484
Distribution fees: (Note 3c)	
Class 2	164,965
Class 4	341,950
Unaffiliated transfer agent fees	750
Custodian fees (Note 4)	164,564
Reports to shareholders	98,059
Professional fees	43,034
Trustees' fees and expenses	2,819
Other	34,478
Total expenses	4,599,814
Net investment income	35,517,367
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	1,081,911
Foreign currency transactions	553,522
Swap contracts	2,551,176
Net realized gain (loss)	4,186,609
Net change in unrealized appreciation (depreciation) on:	
Investments	30,408,840
Translation of other assets and liabilities denominated in foreign currencies	6,539,539
Change in deferred taxes on unrealized appreciation	93,834
Net change in unrealized appreciation (depreciation)	37,042,213
Net realized and unrealized gain (loss)	41,228,822
Net increase (decrease) in net assets resulting from operations	$76,746,189

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Strategic Income Securities Fund	
	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 35,517,367	$ 76,340,737
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	4,186,609	33,514,759
Net change in unrealized appreciation (depreciation) on investments, translation of other assets and liabilities denominated in foreign currencies and deferred taxes	37,042,213	(71,081,939)
Net increase (decrease) in net assets resulting from operations	76,746,189	38,773,557
Distributions to shareholders from and net foreign currency gains:		
Net investment income:		
Class 1	(72,486,947)	(69,631,166)
Class 2	(9,567,293)	(7,304,903)
Class 4	(13,446,008)	(11,235,444)
Net realized gains:		
Class 1	(1,182,191)	—
Class 2	(160,795)	—
Class 4	(230,338)	—
Total distributions to shareholders	(97,073,572)	(88,171,513)
Capital share transactions: (Note 2)		
Class 1	3,070,473	(114,013,494)
Class 2	16,128,195	27,304,975
Class 4	16,625,992	7,657,719
Total capital share transactions	35,824,660	(79,050,800)
Net increase (decrease) in net assets	15,497,277	(128,448,756)
Net assets:		
Beginning of period	1,356,225,754	1,484,674,510
End of period	$1,371,723,031	$1,356,225,754
Undistributed net investment income included in net assets:		
End of period	$ 24,122,344	$ 84,105,225

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited)

Franklin Strategic Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Franklin Strategic Income Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At June 30, 2012, 91.09% of the Fund's shares were held through one insurance company. The Fund offers three classes of shares: Class 1, Class 2, and Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, 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.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the date that the values of the foreign debt securities are determined.

Certain derivative financial instruments (derivatives) trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair market value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

to the inherent 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 VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Securities Purchased on a When-Issued and Delayed Delivery Basis

The Fund purchases securities on a when-issued and delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

d. Derivative Financial Instruments

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown on the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency for a specific exchange rate on a future date. Pursuant to the terms of the forward exchange contracts, cash or securities may be required to be deposited as collateral. Unrestricted cash may be invested according to the Fund's investment objectives.

Franklin Strategic Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Derivative Financial Instruments (continued)

The Fund entered into OTC credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, or a tranche of a credit index. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Payments received or paid to initiate a credit default swap contract are reflected on the Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments are amortized over the term of the contract as a realized gain or loss on the Statement of Operations. Pursuant to the terms of the credit default swap contract, cash or securities may be required to be deposited as collateral. Unrestricted cash may be invested according to the Fund's investment objectives.

The Fund's investments in OTC derivatives are subject to the terms of International Swaps and Derivatives Association Master Agreements and other related agreements between the Fund and certain derivative counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, requirements for the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. Should the Fund fail to meet any of these provisions, the derivative counterparty has the right to terminate the derivative contract and require immediate payment by the Fund for those OTC derivatives with that particular counterparty that are in a net unrealized loss position. At June 30, 2012, the Fund had OTC derivatives in a net unrealized loss position of $523,562 and the aggregate value of collateral pledged for such contracts was $890,000.

At June 30, 2012, the Fund holds $4,289,069 in U.S. treasury bills, bonds, and notes as collateral for derivatives.

See Note 10 regarding other derivative information.

e. Restricted Cash

At June 30, 2012, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian / counterparty broker and is reflected in the Statement of Assets and Liabilities.

f. FT Holdings Corporation III (FT Subsidiary)

The Fund invests in certain securities through its investment in FT Subsidiary, a Delaware Corporation and a wholly-owned subsidiary of the Fund. The FT Subsidiary has the ability to invest in securities consistent with the investment objective of the Fund. At June 30, 2012, all FT Subsidiary investments as well as any other assets and liabilities are reflected in the Fund's Statement of Investments and Statement of Assets and Liabilities. All income and expenses of the FT Subsidiary during the period ended June 30, 2012, have been included in the Fund's Statement of Operations.

g. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a TBA basis. Mortgage dollar rolls are agreements between the Fund and a financial institution to simultaneously sell and repurchase mortgage-backed securities at a future date. Gains or losses are

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Mortgage Dollar Rolls (continued)

realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

h. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity.

Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to some restrictions on resale.

i. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2012, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

j. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Security Transactions, Investment Income, Expenses and Distributions (continued)

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as interest income on the Statement of Operations.

k. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

l. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2012		Year Ended December 31, 2011	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	2,071,510	$ 26,657,790	2,569,621	$ 33,265,626
Shares issued in reinvestment of distributions	6,063,304	73,669,138	5,474,148	69,631,166
Shares redeemed	(7,464,993)	(97,256,455)	(16,887,770)	(216,910,286)
Net increase (decrease)	669,821	$ 3,070,473	(8,844,001)	$(114,013,494)
Class 2 Shares:				
Shares sold	1,536,446	$ 19,516,632	3,778,943	$ 48,008,160
Shares issued in reinvestment of distributions	819,552	9,728,088	586,739	7,304,903
Shares redeemed	(1,032,899)	(13,116,525)	(2,243,563)	(28,008,088)
Net increase (decrease)	1,323,099	$ 16,128,195	2,122,119	$ 27,304,975
Class 4 Shares:				
Shares sold	1,056,894	$ 13,440,584	2,126,744	$ 27,218,734
Shares issued on reinvestment of distributions	1,134,025	13,676,346	889,584	11,235,444
Shares redeemed	(814,338)	(10,490,938)	(2,444,718)	(30,796,459)
Net increase (decrease)	1,376,581	$ 16,625,992	571,610	$ 7,657,719

Franklin Strategic Income Securities Fund

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.425%	Up to and including $500 million
0.325%	Over $500 million, up to and including $1 billion
0.280%	Over $1 billion, up to and including $1.5 billion
0.235%	Over $1.5 billion, up to and including $6.5 billion
0.215%	Over $6.5 billion, up to and including $11.5 billion
0.200%	Over $11.5 billion, up to and including $16.5 billion
0.190%	Over $16.5 billion, up to and including $19 billion
0.180%	Over $19 billion, up to and including $21.5 billion
0.170%	In excess of $21.5 billion

b. Administrative Fees

The Fund pays an administrative fee to FT Services of 0.20% per year of the net assets of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.25% and 0.35% per year of its average daily net assets of Class 2 and Class 4, respectively.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2012, there were no credits earned.

Franklin Strategic Income Securities Fund

5. INCOME TAXES

At June 30, 2012, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$1,310,672,322
Unrealized appreciation	$ 55,132,637
Unrealized depreciation	(36,240,600)
Net unrealized appreciation (depreciation)	$ 18,892,037

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of defaulted securities, foreign currency transactions, paydown losses, payments-in-kind, bond discounts and premiums, swaps, tax straddles, inflation related adjustments on foreign securities and wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2012, aggregated $314,373,645 and $325,010,487, respectively.

7. INVESTMENTS IN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund invests in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

8. CREDIT RISK AND DEFAULTED SECURITIES

At June 30, 2012, the Fund had 52.45% of its portfolio invested in high yield , senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At June 30, 2012, the aggregate value of these securities was $7,051,843, representing 0.51% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified on the accompanying Statement of Investments.

9. UNFUNDED LOAN COMMITMENTS

The Fund enters into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Funded portions of credit agreements are presented on the Statement of Investments.

At June 30, 2012, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Wendy's International Inc., Delayed Draw Term Loan	$964,282

Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and the Statement of Operations.

10. OTHER DERIVATIVE INFORMATION

At June 30, 2012, the Fund has invested in derivative contracts which are reflected on the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Assets and Liabilities Location**	**Fair Value Amount**	**Statement of Assets and Liabilities Location**	**Fair Value Amount**
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	$11,532,406	Unrealized depreciation on forward exchange contracts	$2,387,347

For the period ended June 30, 2012, the effect of derivative contracts on the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Operations Locations**	**Realized Gain (Loss) for the Period**	**Change in Unrealized Appreciation (Depreciation) for the Period**
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	$ 886,201	$6,309,110
Credit contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	2,551,176	(776,779)

For the period ended June 30, 2012, the average month end market value of derivatives represented 0.93% of average month end net assets. The average month end number of open derivative contracts for the period was 202.

See Note 1(d) regarding derivative financial instruments.

11. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matures on January 18, 2013. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the period ended June 30, 2012, the Fund did not use the Global Credit Facility.

12. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments

Notes to Financial Statements (unaudited) *(continued)*

Franklin Strategic Income Securities Fund

12. FAIR VALUE MEASUREMENTS (continued)

- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

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

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 2012, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Consumer Durables & Apparel	$ —	$ —	$ 720,359	$ 720,359
Consumer Services	—	1,711,304	—	1,711,304
Media	—	5,458,671	—	5,458,671
Other Equity Investments[b]	832,130	—	—	832,130
Corporate Bonds	—	509,868,588	—	509,868,588
Senior Floating Rate Interests	—	236,850,849	1,161,736	238,012,585
Foreign Government and Agency Securities	—	306,499,176	—	306,499,176
U.S. Government and Agency Securities	—	29,313,484	—	29,313,484
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	46,046,598	—	46,046,598
Mortgage-Backed Securities	—	54,936,623	—	54,936,623
Municipal Bonds	—	46,342,663	—	46,342,663
Short Term Investments	50,165,155	39,657,023	—	89,822,178
Total Investments in Securities	$50,997,285	$1,276,684,979	$1,882,095	$1,329,564,359
Forward Exchange Contracts	—	11,532,406	—	11,532,406
Liabilities:				
Forward Exchange Contracts	—	2,387,347	—	2,387,347
Unfunded Loan Commitments	—	7,282	—	7,282

[a]Includes common and preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 investments at the end of the period.

13. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. The ASU is effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

ABBREVIATIONS

Counterparty

BZWS - Barclays Bank PLC
CITI - Citigroup, Inc.
DBAB - Deutsche Bank AG
FBCO - Credit Suisse Group AG
HSBC - HSBC Bank USA, N.A.
JPHQ - JPMorgan Chase & Co.
MSCO - Morgan Stanley
UBSW - UBS AG

Currency

AUD - Australian Dollar
BRL - Brazilian Real
EUR - Euro
GBP - British Pound
HUF - Hungarian Forint
IDR - Indonesian Rupiah
ILS - New Israeli Shekel
KRW - South Korean Won
LKR - Sri Lankan Rupee
MXN - Mexican Peso
MYR - Malaysian Ringgit
PHP - Philippine Peso
PLN - Polish Zloty
SEK - Swedish Krona
SGD - Singapore Dollar
UYU - Uruguayan Peso

Selected Portfolio

AGMC - Assured Guaranty Municipal Corp.
CDO - Collateralized Debt Obligation
CLO - Collateralized Loan Obligation
DIP - Debtor-In-Possession
FGIC - Financial Guaranty Insurance Co.
FICO - Financing Corp.
FRN - Floating Rate Note
GO - General Obligation
ID - Improvement District
IDA - Industrial Development Authority/Agency
L/C - Letter of Credit
NATL - National Public Financial Guarantee Corp.
NATL RE - National Public Financial Guarantee Corp. Reinsured
PIK - Payment-In-Kind
PL - Project Loan
SF - Single Family
USD - Unified/Union School District

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This semiannual report for Templeton Growth Securities Fund covers the period ended June 30, 2012.

Performance Summary as of 6/30/12

Templeton Growth Securities Fund – Class 2 delivered a +4.07% total return for the six-month period ended 6/30/12.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Templeton Growth Securities Fund – Class 2

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. Current political uncertainty surrounding the European Union (EU) and its membership may increase market volatility. The financial instability of some countries in the EU, including Greece, Italy and Spain, together with the risk of that impacting other more stable countries may increase the economic risk of investing in companies in Europe. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goal and Main Investments: Templeton Growth Securities Fund seeks long-term capital growth. Under normal market conditions, the Fund invests primarily in equity securities of companies located anywhere in the world, including those in the U.S. and in emerging markets.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. The Fund underperformed the +6.29% total return of the MSCI World Index for the period under review.[1]

Economic and Market Overview

The six months under review encompassed two different market environments. The first quarter of 2012 delivered the best annual start for global developed stocks in more than a decade, as measured by the MSCI World Index, as signs of U.S. economic recovery and European policy relief underpinned a rally in cyclical stocks. Yet, renewed global economic weakness and European debt concerns led the market lower in the second quarter, and stocks dropped sharply in the spring before additional policy action prompted a rebound in June. Politics largely drove the markets during the first half of 2012 as investors closely monitored developments in Europe, where German-led austerity demands were met with increasing resentment from some highly indebted eurozone members. Coalition-building efforts in Greece collapsed amid anger over the terms of the country's second bailout, forcing a new election that brought some relief when the pro-euro party won. Elsewhere in the region, France's socialist candidate clinched the presidency on a pro-growth platform and the Dutch cabinet resigned in the wake of a contentious austerity deal.

On the economic front, global growth trends generally moderated, led by Europe, which narrowly avoided recession mainly because of German export strength. Yet, even the more resilient economies of Germany, the U.S. and China showed signs of a slowdown at period-end. The combination of flagging growth, political uncertainty and populist unrest pressured investor confidence, and ratings agencies downgraded global banks and European sovereigns. Concerns about the sustainability of Italian and Spanish borrowing costs added to investor anxiety as bond yields climbed. Europe's initial policy responses — including enhanced liquidity measures and an ineffective Spanish banking bailout — did little to

1. Source: © 2012 Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

address the structural imbalances of eurozone economies or the solvency fears plaguing the region's banking system. Yet, encouraging progress did emerge at period-end when leaders in Brussels agreed to ease conditions of sovereign bond purchases and permit the region's bailout fund to directly recapitalize banks. Meanwhile, the U.S. Federal Reserve Board opted to extend its strategy, dubbed Operation Twist, designed to lower systemically important interest rates, and the People's Bank of China slashed interest rates for the first time since the global financial crisis began. In the latter part of this period, commodities extended recent losses, with oil falling back below $100, while the euro dipped and traditional safe havens like U.S. Treasuries, the U.S. dollar and the Japanese yen made gains.

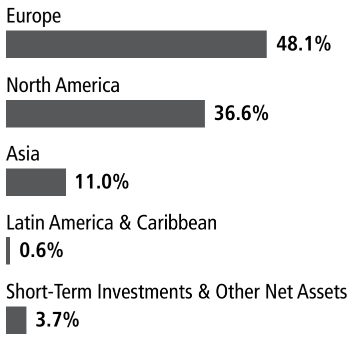
Investment Strategy

Our investment philosophy is bottom up, value oriented and long term. In choosing investments, we will focus on the market price of a company's securities relative to our evaluation of the company's potential long-term earnings, asset value and cash flow. Among factors we may consider are a company's historical value measures, including price/earnings ratio, profit margins and liquidation value. We do in-depth research to construct a bargain list from which we buy.

Manager's Discussion

Although the Fund delivered absolute gains for shareholders during the volatile six months under review, the seemingly "bipolar" market environment that has persisted since the global financial crisis began continued to challenge bottom-up investors. What we viewed as the market's refusal to distinguish value at the stock level produced a negative "stock selection effect" for the Fund, offsetting allocation benefits and resulting in relative underperformance versus the benchmark. Although we find underperformance unacceptable, we note that such periods are not unprecedented or unexpected. Under Sir John Templeton's tenure, we experienced periods of long-term underperformance far deeper than what we have undergone recently. As Sir John explained in a note to clients in 1950, "The investor who selects stocks on the basis of long-term intrinsic value must expect certain problems." Yet, he also knew, "The most costly errors in selecting stocks are made by people whose thinking is dominated by the question of temporary short-term trend(s)." We believe our disciplined investment strategy can allow us to see past the market's myopic focus and allow us to uncover long-term values.

Geographic Breakdown
Templeton Growth Securities Fund
Based on Total Net Assets as of 6/30/12



The financials sector is one area where we believe near-term worries created selective long-term opportunities.[2] Fears abounded that a combination of asset impairment, funding seizure or deposit flight could possibly render European banks insolvent and spark a systemic contagion. Heavy investment outflows from financials accompanied this apprehension. By the end of the review period, the entire European banking sector's market capitalization had shrunken considerably. It was perhaps unsurprising that many of the main European banks at period-end traded at all-time low valuations roughly in line with those of U.S. banks in 1932.

Stock-specific weakness among the Fund's overweighting in European financials was a primary source of sector underperformance during the review period. Among the positions notably detracting from relative performance were French lender Credit Agricole, which fell to a record low following losses from its Greek operations, Italy's UniCredit, which undertook an ill-timed rights offering at the beginning of the period, and Swiss financial services firm Credit Suisse Group, which the Swiss National Bank (SNB) asked to increase capital reserves. However, we believe Credit Agricole's Greek exposure obscured the value of its core northern European businesses, where recent results confirmed to us encouraging operational progress. UniCredit, having already addressed capital adequacy concerns, is now progressing with cost-cutting and profit improvement initiatives. For Credit Suisse, the SNB is not the company's regulator, capital ratios remained in line with Basel III targets, and we believe an equity issuance is unlikely given the firm's various sources of available capital.

In our view, a stance against the European banking system at recent stock price levels reflected a bet that Europe's political dysfunction will lead to an unraveling of the euro currency, a fate we believe will be avoided as forecasted break-up costs would handily exceed the costs of keeping the union intact. Furthermore, in our view, powerful policy tools still remained available as of period-end, and we believe depressed valuations failed to acknowledge such potentially supportive measures. As a result, our analysis led us to conclude certain deeply discounted regional banks with adequate capital positions, solid brands and good core businesses are likely to survive and can offer considerable upside potential should Europe ultimately establish a credible federal system of checks and balances on regional fiscal policy. In addition to holding

2. The financials sector comprises capital markets, commercial banks, diversified financial services and insurance in the SOI.

deep-value European banks, we maintained exposure to financials stocks with what we viewed as defensive characteristics and attractive growth profiles in other regions. We believe our selective holdings represent a dynamic investing approach in the market's most challenging and potentially rewarding environment.

Although financial holdings were the primary source of relative underperformance at the sector level, the period also featured more modest laggards. An underweighted position and stock selection in the defensive consumer staples sector, where we believe volatile input costs and intense competition were likely to pressure margins for the foreseeable future, also detracted from relative returns.[3] The sector's underperformance was primarily attributable to stock-specific weakness at U.K. food retailer Tesco, which dropped sharply after holiday sales disappointed and the firm reduced earnings guidance due to weakness in its domestic operations. In our view, Tesco maintained a highly dominant domestic market position and remained arguably the most efficient food merchandiser with the best track record for global market expansion. A new management team brought a breath of fresh air to a company that many feared rested on its laurels, and could help address near-term challenges and sustain Tesco's historically strong record for maintaining long-term shareholder returns.

Energy holdings also lagged mainly due to stock-specific weakness; among these were three of the Fund's biggest detractors.[4] French oil company Total's share price retreated as oil prices declined and a gas leak at a North Sea well led the company to downgrade earnings forecasts. With the firm having contained the leak, we believe Total remained well positioned for long-term production growth given its sizable investments in its upstream portfolio. U.S. oilfield services firm Baker Hughes also lost value as low natural gas prices shifted activity to more profitable oil drilling, crimping margins as pressure pumping supply increased and equipment relocation stalled production. From our perspective, most issues plaguing Baker appeared transitory and the company was aggressively working to mitigate their impact, creating what we viewed as an opportunity to buy one of the world's highest quality oilfield services firms at multi-decade low valuation levels. Finally, Dutch drilling company SBM Offshore's share price slumped after allegations of improper sales practices surfaced. The full extent of this

3. The consumer staples sector comprises food and staples retailing in the SOI.
4. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.

Top 10 Holdings
Templeton Growth Securities Fund
6/30/12

Company *Sector/Industry, Country*	**% of Total Net Assets**
Amgen Inc. *Biotechnology, U.S.*	2.4%
Pfizer Inc. *Pharmaceuticals, U.S.*	2.3%
Sanofi *Pharmaceuticals, France*	2.2%
Singapore Telecommunications Ltd. *Diversified Telecommunication Services, Singapore*	2.0%
Microsoft Corp. *Software, U.S.*	2.0%
GlaxoSmithKline PLC *Pharmaceuticals, U.K.*	1.9%
Merck & Co. Inc. *Pharmaceuticals, U.S.*	1.9%
Vodafone Group PLC *Wireless Telecommunication Services, U.K.*	1.9%
Comcast Corp. *Media, U.S.*	1.8%
Roche Holding AG *Pharmaceuticals, Switzerland*	1.8%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

issue remained difficult to predict; however, our analysis of potential outcomes suggested the market priced in worst-case scenarios. According to our analysis, with its healthy backlog and favorable pipeline of future products, SBM offers considerable room for appreciation over a long-term investment horizon. Overall, we remained favorable toward our energy holdings and believe certain firms with the technology and expertise to extract hydrocarbons stand to benefit as new reserves are developed in increasingly remote and difficult locations.

Similar challenges and opportunities confronted the global mining industry; however, although energy multiples remained relatively reasonable in recent years, mining valuations hit a record high and profit margins reached peak levels as official stimulus debased the U.S. dollar and underpinned commodities strength. Although such positive momentum bolstered consensus optimism in the sector, it signaled caution to us, and our long-standing materials underweighting notably contributed to relative performance during the period as commodities extended their declines amid global growth concerns. Consumer discretionary stocks also significantly contributed to relative returns, driven by individual stock strength.[5] In particular, media holdings strongly outperformed, led by U.S. cable providers Comcast and Time Warner Cable each beating profit and sales estimates on broadband subscriber gains. We think recent results supported our long-held view that the cable industry's control of the valuable broadband pipeline represents a powerful secular growth driver to buffer more cyclical revenue sources such as video and advertising. Content producers like U.S.-based Disney and News Corp. also strongly outperformed the benchmark as the proliferation of media consumption services and devices enhanced demand for quality content. Disney rallied to its highest share price after growing earnings more than 20%, and News Corp. surged after its board agreed to split the company's low-growth publishing assets from its high-growth entertainment assets.

Regionally, the Fund's North American holdings significantly outperformed as stock selection overcame a detractive underweighting in the resilient U.S. market. Asian holdings also notably contributed to relative performance, led by an overweighting in Singapore and off-benchmark stock selection in South Korea. However, these contributors were largely offset by underperformance in Europe, where an overweighted position and stock-specific weakness weighed on

5. The consumer discretionary sector comprises auto components, automobiles, media, multiline retail and specialty retail in the SOI.

relative results. Although the situation in Europe remained fluid, we found recent policy pronouncements encouraging and identified considerable valuation support. We believe restoring sustainable economic balance to the eurozone will likely ultimately require a combination of stimulus and structural reform to improve competitiveness and growth, spending cuts to restore fiscal sustainability and credible policy advancement toward banking and fiscal union. Recently announced measures, which included direct bank recapitalizations and easier conditions for sovereign bond purchases, could potentially serve to break the cycle between sovereigns and banks that has challenged the region's private and public funding mechanisms.

Our bottom-up stock analysis indicated that European stocks at period-end traded at their lowest price-to-book levels since March 2009, offering what we believe were attractive entry points into some of the region's highest quality global brands. Asian and emerging market stocks also remained below their long-term average price-to-earnings ratios and stood to potentially benefit should growth in these regions exceed diminished expectations. Keep in mind, we are not pinning our hopes on economic growth. In an era of low interest rates and investor uncertainty, we believe the assets most likely to outperform over the long term are the most undervalued stocks. Such discounts often exist for a reason, and investing in deeply undervalued stocks in times of crisis requires rigorous analysis, as well as patience and fortitude through periods of considerable adversity. Our discipline in such challenging environments has paid off in the past, and we are confident it will yet again if investors re-focus on fundamental value. We thank you for your patience and support as this process unfolds.

Thank you for your participation in Templeton Growth Securities Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2012, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Templeton Growth Securities Fund – Class 2

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 1/1/12	Ending Account Value 6/30/12	Fund-Level Expenses Incurred During Period* 1/1/12–6/30/12
Actual	$1,000	$1,040.70	$5.18
Hypothetical (5% return before expenses)	$1,000	$1,019.79	$5.12

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.02%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Templeton Growth Securities Fund

Class 1	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 10.27	$ 11.19	$ 10.56	$ 8.34	$ 15.68	$ 16.16
Income from investment operations[a]:						
Net investment income[b]	0.18	0.25	0.17	0.17	0.29	0.27
Net realized and unrealized gains (losses)	0.24	(0.99)	0.62	2.36	(6.50)	0.19
Total from investment operations	0.42	(0.74)	0.79	2.53	(6.21)	0.46
Less distributions from:						
Net investment income	(0.26)	(0.18)	(0.16)	(0.31)	(0.26)	(0.25)
Net realized gains	—	—	—	—	(0.87)	(0.69)
Total distributions	(0.26)	(0.18)	(0.16)	(0.31)	(1.13)	(0.94)
Net asset value, end of period	$ 10.43	$ 10.27	$ 11.19	$ 10.56	$ 8.34	$ 15.68
Total return[c]	4.13%	(6.80)%	7.74%	31.33%	(42.13)%	2.55%
Ratios to average net assets[d]						
Expenses before expense reduction	0.77%	0.78%	0.77%	0.79%	0.78%	0.77%
Expenses net of expense reduction	0.77%[e]	0.78%[e]	0.77%[e]	0.79%[e]	0.78%[e]	0.76%
Net investment income	3.26%	2.22%	1.71%	2.00%	2.64%	1.64%
Supplemental data						
Net assets, end of period (000's)	$1,335,026	$1,200,682	$1,348,622	$824,575	$ 371,700	$406,538
Portfolio turnover rate	10.90%	42.13%[f]	9.61%	14.95%	18.37%	20.45%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.
[f]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

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

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Templeton Growth Securities Fund

Class 2	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008	2007
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	$ 10.11	$ 11.01	$ 10.40	$ 8.20	$ 15.44	$ 15.93
Income from investment operations[a]:						
Net investment income[b]	0.16	0.21	0.15	0.16	0.29	0.22
Net realized and unrealized gains (losses)	0.25	(0.96)	0.60	2.32	(6.44)	0.20
Total from investment operations	0.41	(0.75)	0.75	2.48	(6.15)	0.42
Less distributions from:						
Net investment income	(0.23)	(0.15)	(0.14)	(0.28)	(0.22)	(0.22)
Net realized gains	—	—	—	—	(0.87)	(0.69)
Total distributions	(0.23)	(0.15)	(0.14)	(0.28)	(1.09)	(0.91)
Net asset value, end of period	$ 10.29	$ 10.11	$ 11.01	$ 10.40	$ 8.20	$ 15.44
Total return[c]	4.07%	(6.97)%	7.39%	31.10%	(42.32)%	2.35%
Ratios to average net assets[d]						
Expenses before expense reduction	1.02%	1.03%	1.02%	1.04%	1.03%	1.02%
Expenses net of expense reduction	1.02%[e]	1.03%[e]	1.02%[e]	1.04%[e]	1.03%[e]	1.01%
Net investment income	3.01%	1.97%	1.46%	1.75%	2.39%	1.39%
Supplemental data						
Net assets, end of period (000's)	$1,245,299	$1,254,193	$1,626,885	$1,718,894	$1,513,557	$3,182,203
Portfolio turnover rate	10.90%	42.13%[f]	9.61%	14.95%	18.37%	20.45%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[d]Ratios are annualized for periods less than one year.
[e]Benefit of expense reduction rounds to less than 0.01%.
[f]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Templeton Growth Securities Fund

Class 4	Six Months Ended June 30, 2012 (unaudited)	Year Ended December 31, 2011	2010	2009	2008[a]
Per share operating performance					
(for a share outstanding throughout the period)					
Net asset value, beginning of period	$ 10.19	$ 11.11	$ 10.50	$ 8.31	$ 14.08
Income from investment operations[b]:					
Net investment income[c]	0.15	0.20	0.14	0.14	0.09
Net realized and unrealized gains (losses)	0.26	(0.98)	0.61	2.36	(4.73)
Total from investment operations	0.41	(0.78)	0.75	2.50	(4.64)
Less distributions from:					
Net investment income	(0.22)	(0.14)	(0.14)	(0.31)	(0.26)
Net realized gains	—	—	—	—	(0.87)
Total distributions	(0.22)	(0.14)	(0.14)	(0.31)	(1.13)
Net asset value, end of period	$ 10.38	$ 10.19	$ 11.11	$ 10.50	$ 8.31
Total return[d]	4.08%	(7.14)%	7.31%	30.98%	(35.79)%
Ratios to average net assets[e]					
Expenses[f]	1.12%	1.13%	1.12%	1.14%	1.13%
Net investment income	2.91%	1.87%	1.36%	1.65%	2.29%
Supplemental data					
Net assets, end of period (000's)	$ 59,682	$ 56,170	$60,569	$ 56,218	$ 24,877
Portfolio turnover rate	10.90%	42.13%[g]	9.61%	14.95%	18.37%

[a]For the period February 29, 2008 (effective date) to December 31, 2008.
[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[c]Based on average daily shares outstanding.
[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[e]Ratios are annualized for periods less than one year.
[f]Benefit of expense reduction rounds to less than 0.01%.
[g]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 (unaudited)

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks 95.2%			
Aerospace & Defense 0.5%			
BAE Systems PLC	United Kingdom	2,750,373	$ 12,438,353
Air Freight & Logistics 2.4%			
Deutsche Post AG	Germany	884,414	15,603,241
FedEx Corp.	United States	218,750	20,039,688
United Parcel Service Inc., B	United States	339,990	26,777,612
			62,420,541
Airlines 2.4%			
Deutsche Lufthansa AG	Germany	2,401,614	27,698,804
[a]International Consolidated Airlines Group SA	United Kingdom	14,226,980	35,541,599
			63,240,403
Auto Components 1.2%			
Cie Generale des Etablissements Michelin, B	France	483,672	31,512,723
Automobiles 2.5%			
[a]Mazda Motor Corp.	Japan	9,367,690	12,530,852
Nissan Motor Co. Ltd.	Japan	1,902,720	17,792,656
Toyota Motor Corp.	Japan	870,120	34,700,372
			65,023,880
Biotechnology 2.4%			
Amgen Inc.	United States	852,780	62,287,051
Capital Markets 2.5%			
Credit Suisse Group AG	Switzerland	1,234,686	22,455,933
Morgan Stanley	United States	1,565,950	22,847,210
UBS AG	Switzerland	1,807,539	21,046,687
			66,349,830
Chemicals 1.0%			
Akzo Nobel NV	Netherlands	549,347	25,752,191
Commercial Banks 7.1%			
BNP Paribas SA	France	796,820	30,591,493
[a]Credit Agricole SA	France	3,936,190	17,291,279
DBS Group Holdings Ltd.	Singapore	1,481,690	16,220,237
HSBC Holdings PLC	United Kingdom	3,042,424	26,882,634
ICICI Bank Ltd., ADR	India	416,350	13,493,904
[b]Intesa Sanpaolo SpA	Italy	19,904,741	28,164,029
KB Financial Group Inc.	South Korea	657,984	21,273,271
[a]Lloyds Banking Group PLC	United Kingdom	15,290,520	7,451,645
[a]UniCredit SpA	Italy	7,043,603	26,564,863
			187,933,355
Communications Equipment 3.0%			
[a]Brocade Communications Systems Inc.	United States	2,621,030	12,921,678
Cisco Systems Inc.	United States	2,347,340	40,303,828
Ericsson, B	Sweden	2,949,612	26,884,234
			80,109,740
Computers & Peripherals 1.1%			
[a]Dell Inc.	United States	862,810	10,802,381
Hewlett-Packard Co.	United States	903,940	18,178,234
			28,980,615

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Construction & Engineering 0.1%			
Carillion PLC	United Kingdom	805,720	$ 3,486,012
Construction Materials 1.5%			
CRH PLC	Ireland	2,030,641	38,832,385
Consumer Finance 0.7%			
American Express Co.	United States	319,770	18,613,812
Diversified Financial Services 3.7%			
Bank of America Corp.	United States	1,119,120	9,154,402
Citigroup Inc.	United States	1,225,490	33,590,681
[a]ING Groep NV	Netherlands	5,404,750	36,020,763
JPMorgan Chase & Co.	United States	556,770	19,893,392
			98,659,238
Diversified Telecommunication Services 4.7%			
France Telecom SA	France	1,949,580	25,599,154
Singapore Telecommunications Ltd.	Singapore	20,718,470	53,962,866
Telefonica SA	Spain	1,431,248	18,784,087
Telekom Austria AG	Austria	466,837	4,584,241
Vivendi SA	France	1,175,810	21,770,977
			124,701,325
Electrical Equipment 1.1%			
[b]Alstom SA	France	938,094	29,598,185
Electronic Equipment, Instruments & Components 0.9%			
[a]Flextronics International Ltd.	Singapore	1,972,800	12,231,360
TE Connectivity Ltd.	United States	335,268	10,698,402
			22,929,762
Energy Equipment & Services 3.3%			
Baker Hughes Inc.	United States	945,650	38,866,215
Halliburton Co.	United States	609,650	17,307,963
Noble Corp.	United States	709,160	23,068,975
[a]SBM Offshore NV	Netherlands	544,135	7,496,034
			86,739,187
Food & Staples Retailing 2.2%			
CVS Caremark Corp.	United States	619,220	28,936,151
Tesco PLC	United Kingdom	5,839,748	28,365,506
			57,301,657
Health Care Equipment & Supplies 1.2%			
Medtronic Inc.	United States	790,840	30,629,233
Industrial Conglomerates 3.1%			
Citic Pacific Ltd.	China	3,983	6,017
General Electric Co.	United States	1,198,610	24,979,033
Koninklijke Philips Electronics NV	Netherlands	1,581,151	31,157,199
Siemens AG	Germany	320,656	26,841,081
			82,983,330
Insurance 4.6%			
Aviva PLC	United Kingdom	6,320,965	27,001,545
AXA SA	France	2,127,190	28,213,958
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	212,557	29,900,698

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
Swiss Re AG	Switzerland	599,142	$ 37,596,318
			122,712,519
Life Sciences Tools & Services 0.3%			
Lonza Group AG	Switzerland	191,947	7,965,093
Machinery 1.1%			
[a]Navistar International Corp.	United States	1,001,030	28,399,221
Media 6.6%			
Comcast Corp., Special A	United States	1,548,082	48,609,775
News Corp., A	United States	1,219,192	27,175,790
Time Warner Cable Inc.	United States	386,360	31,720,156
Time Warner Inc.	United States	668,970	25,755,345
Viacom Inc., B	United States	261,098	12,276,828
The Walt Disney Co.	United States	584,750	28,360,375
			173,898,269
Multiline Retail 0.7%			
Target Corp.	United States	304,580	17,723,510
Oil, Gas & Consumable Fuels 8.7%			
BP PLC	United Kingdom	6,878,717	45,471,829
Chesapeake Energy Corp.	United States	864,210	16,074,306
Chevron Corp.	United States	310,030	32,708,165
Eni SpA	Italy	1,234,795	26,223,054
Gazprom, ADR	Russia	1,330,750	12,642,125
Royal Dutch Shell PLC, B	United Kingdom	1,108,231	38,637,483
Talisman Energy Inc.	Canada	1,299,000	14,890,555
Total SA, B	France	983,466	44,185,945
			230,833,462
Pharmaceuticals 10.9%			
GlaxoSmithKline PLC	United Kingdom	2,255,452	51,141,901
Merck & Co. Inc.	United States	1,220,811	50,968,859
Merck KGaA	Germany	206,127	20,536,026
Pfizer Inc.	United States	2,607,033	59,961,759
Roche Holding AG	Switzerland	274,748	47,364,355
Sanofi	France	757,937	57,305,298
			287,278,198
Professional Services 1.3%			
Adecco SA	Switzerland	140,580	6,221,665
Hays PLC	United Kingdom	3,623	4,179
Randstad Holding NV	Netherlands	1,007,471	29,549,405
			35,775,249
Semiconductors & Semiconductor Equipment 2.4%			
Samsung Electronics Co. Ltd.	South Korea	43,360	45,627,309
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	6,826,005	18,626,374
			64,253,683
Software 4.3%			
Microsoft Corp.	United States	1,747,379	53,452,323
Nintendo Co. Ltd.	Japan	157,640	18,229,404
Oracle Corp.	United States	528,460	15,695,262

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, June 30, 2012 **(unaudited)** *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Software (continued)			
SAP AG	Germany	443,173	$ 26,106,147
			113,483,136
Specialty Retail 1.0%			
Kingfisher PLC	United Kingdom	5,739,648	25,849,211
Trading Companies & Distributors 0.5%			
Itochu Corp.	Japan	1,225,590	12,747,730
Wireless Telecommunication Services 4.2%			
[a]Sprint Nextel Corp.	United States	9,717,860	31,680,223
[a]Turkcell Iletisim Hizmetleri AS, ADR	Turkey	2,349,100	29,481,205
Vodafone Group PLC	United Kingdom	18,096,428	50,822,000
			111,983,428
Total Common Stocks (Cost $2,755,863,241)			2,513,425,517
Preferred Stocks 0.6%			
Metals & Mining 0.4%			
Vale SA, ADR, pfd., A	Brazil	592,750	11,564,553
Oil, Gas & Consumable Fuels 0.2%			
Petroleo Brasileiro SA, ADR, pfd.	Brazil	274,380	4,977,253
Total Preferred Stocks (Cost $18,810,970)			16,541,806
Non-Registered Mutual Funds (Cost $11,935,000) 0.5%			
Diversified Financial Services 0.5%			
[a,c,d,e]Templeton China Opportunities Fund, Ltd., Reg D	China	1,194,518	12,745,505
Total Investments before Short Term Investments (Cost $2,786,609,211)			2,542,712,828
		Principal Amount	
Short Term Investments 3.0%			
Time Deposits 1.3%			
Royal Bank of Canada, 0.11%, 7/02/12	United States	$35,000,000	35,000,000
		Shares	
[f]**Investments from Cash Collateral Received for Loaned Securities 1.7%**			
Money Market Funds 1.7%			
[g]BNY Mellon Overnight Government Fund, 0.182%	United States	44,251,437	44,251,437
Total Short Term Investments (Cost $79,251,437)			79,251,437
Total Investments (Cost $2,865,860,648) 99.3%			2,621,964,265
Other Assets, less Liabilities 0.7%			18,041,860
Net Assets 100.0%			$2,640,006,125

See Abbreviations on page TG-28.

[a]Non-income producing.
[b]A portion or all of the security is on loan at June 30, 2012. See Note 1(d).
[c]See Note 1(c) regarding investment in Templeton China Opportunities Fund, Ltd.
[d]See Note 8 regarding restricted securities.
[e]See Note 9 regarding holdings of 5% voting securities.
[f]See Note 1(d) regarding securities on loan.
[g]The rate shown is the annualized seven-day yield at period end.

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities

June 30, 2012 (unaudited)

	Templeton Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$2,853,925,648
Cost - Non-controlled affiliated issuers (Note 9)	11,935,000
Total cost of investments	$2,865,860,648
Value - Unaffiliated issuers	$2,609,218,760
Value - Non-controlled affiliated issuers (Note 9)	12,745,505
Total value of investments (includes securities loaned in the amount $30,407,038)	2,621,964,265
Cash	57,749,394
Receivables:	
Capital shares sold	577,711
Dividends and interest	7,382,327
Other assets	638
Total assets	2,687,674,335
Liabilities:	
Payables:	
Investment securities purchased	42,110
Capital shares redeemed	764,235
Affiliates	2,052,886
Payable upon return of securities loaned	44,251,437
Accrued expenses and other liabilities	557,542
Total liabilities	47,668,210
Net assets, at value	$2,640,006,125
Net assets consist of:	
Paid-in capital	$3,150,537,284
Undistributed net investment income	42,671,649
Net unrealized appreciation (depreciation)	(243,939,102)
Accumulated net realized gain (loss)	(309,263,706)
Net assets, at value	$2,640,006,125

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*
June 30, 2012 (unaudited)

	Templeton Growth Securities Fund
Class 1:	
Net assets, at value	$1,335,026,028
Shares outstanding	127,971,127
Net asset value and maximum offering price per share	$ 10.43
Class 2:	
Net assets, at value	$1,245,298,541
Shares outstanding	121,062,459
Net asset value and maximum offering price per share	$ 10.29
Class 4:	
Net assets, at value	$ 59,681,556
Shares outstanding	5,751,947
Net asset value and maximum offering price per share	$ 10.38

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the six months ended June 30, 2012 (unaudited)

	Templeton Growth Securities Fund
Investment income:	
Dividends (net of foreign taxes $4,539,962)	$52,919,819
Interest	31,573
Income from securities loaned	2,231,014
Total investment income	55,182,406
Expenses:	
Management fees (Note 3a)	10,119,374
Distribution fees: (Note 3c)	
Class 2	1,606,663
Class 4	105,559
Unaffiliated transfer agent fees	1,668
Custodian fees (Note 4)	162,033
Reports to shareholders	157,023
Professional fees	61,997
Trustees' fees and expenses	5,668
Other	33,816
Total expenses	12,253,801
Expense reductions (Note 4)	(154)
Net expenses	12,253,647
Net investment income	42,928,759
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	43,975,124
Foreign currency transactions	(543,340)
Net realized gain (loss)	43,431,784
Net change in unrealized appreciation (depreciation) on:	
Investments	4,037,860
Translation of other assets and liabilities denominated in foreign currencies	30,842
Net change in unrealized appreciation (depreciation)	4,068,702
Net realized and unrealized gain (loss)	47,500,486
Net increase (decrease) in net assets resulting from operations	$90,429,245

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Templeton Growth Securities Fund	
	Six Months Ended June 30, 2012 (unaudited)	**Year Ended December 31, 2011**
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 42,928,759	$ 60,824,912
Net realized gain (loss) from investments and foreign currency transactions	43,431,784	119,363,548
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	4,068,702	(404,407,949)
Net increase (decrease) in net assets resulting from operations	90,429,245	(224,219,489)
Distributions to shareholders from:		
Net investment income:		
Class 1	(30,925,492)	(23,962,804)
Class 2	(26,587,764)	(19,367,342)
Class 4	(1,228,892)	(766,075)
Total distributions to shareholders	(58,742,148)	(44,096,221)
Capital share transactions: (Note 2)		
Class 1	129,725,166	15,269,781
Class 2	(34,951,195)	(272,568,653)
Class 4	2,499,938	582,974
Total capital share transactions	97,273,909	(256,715,898)
Net increase (decrease) in net assets	128,961,006	(525,031,608)
Net assets:		
Beginning of period	2,511,045,119	3,036,076,727
End of period	$2,640,006,125	$2,511,045,119
Undistributed net investment income included in net assets:		
End of period	$ 42,671,649	$ 58,485,038

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

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited)

Templeton Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Templeton Growth Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2, and Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, 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.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the date that the values of the foreign debt securities are determined. Investments in non-registered money market funds are valued at the closing net asset value. Time deposits are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs 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 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 VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Templeton Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

Trading in securities on foreign securities stock exchanges and over-the-counter markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Investment in Templeton China Opportunities Fund, Ltd.

The Fund invests in Templeton China Opportunities Fund, Ltd. (China Fund), a private offering of unregistered shares in a Cayman Islands Exempt Company. The China Fund investment objective is to seek capital growth primarily through investments in A-shares of Chinese companies listed on the Shanghai and Shenzhen stock exchanges. Chinese A-shares are traded in Chinese Renminbi and are only available as an investment to domestic (Chinese) investors and holders of a Qualified Foreign Institutional Investors license. The China Fund is managed by Templeton Investment Counsel, LLC (an affiliate of the investment manager). No additional management or administrative fees are incurred on assets invested in the China Fund.

The China Fund may be subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds and earnings associated with its investment, as such activities are subject to approval by agencies of the Chinese government and thus the Fund may incur delays in redeeming its investment in the China Fund. The Fund's investment in the China Fund is valued based upon the fair value of the China Fund's portfolio securities and other assets and liabilities.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Securities Lending

The Fund participates in an agency based securities lending program. The fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the market value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the fund on the next business day. The collateral is invested in a non-registered money fund as indicated on the Statement of Investments. The fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the fund. The securities lending agent has agreed to indemnify the fund in the event of default by a third party borrower.

e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2012, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Templeton Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2012		Year Ended December 31, 2011	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	28,800,067	$ 314,802,820	64,351,377	$ 689,220,432
Shares issued in reinvestment of distributions	3,052,862	30,925,492	2,081,912	23,962,804
Shares redeemed in-kind (Note 11)	—	—	(62,046)	(778,675)
Shares redeemed	(20,839,043)	(216,003,146)	(69,960,205)	(697,134,780)
Net increase (decrease)	11,013,886	$ 129,725,166	(3,588,962)	$ 15,269,781
Class 2 Shares:				
Shares sold	5,694,749	$ 59,743,429	8,669,643	$ 93,168,510
Shares issued in reinvestment of distributions	2,661,438	26,587,764	1,706,374	19,367,342
Shares redeemed in-kind (Note 11)	—	—	(7,322,431)	(90,358,797)
Shares redeemed	(11,384,703)	(121,282,388)	(26,665,336)	(294,745,708)
Net increase (decrease)	(3,028,516)	$ (34,951,195)	(23,611,750)	$(272,568,653)
Class 4 Shares:				
Shares sold	394,746	$ 4,211,926	552,161	$ 6,020,586
Shares issued on reinvestment of distributions	121,914	1,228,892	66,906	766,075
Shares redeemed	(276,019)	(2,940,880)	(559,011)	(6,203,687)
Net increase (decrease)	240,641	$ 2,499,938	60,056	$ 582,974

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Templeton Growth Securities Fund

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Global Advisors Limited (TGAL)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to TGAL based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.000%	Up to and including $100 million
0.900%	over $100 million, up to and including $250 million
0.800%	over $250 million, up to and including $500 million
0.750%	over $500 million, up to and including $1 billion
0.700%	over $1 billion, up to and including $5 billion
0.675%	over $5 billion, up to and including $10 billion
0.655%	over $10 billion, up to and including $15 billion
0.635%	over $15 billion, up to and including $20 billion
0.615%	In excess of $20 billion

b. Administrative Fees

Under an agreement with TGAL, FT Services provides administrative services to the Fund. The fee is paid by TGAL based on average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2.

e. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

g. Other Affiliated Transactions

At June 30, 2012, Franklin Templeton Variable Insurance Product Trust – Franklin Templeton VIP Founding Funds Allocation Fund owned 44.81% of the Fund's outstanding shares.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Templeton Growth Securities Fund

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2012, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2011, capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2017	$240,654,060
2018	55,299,629
	$295,953,689

At June 30, 2012, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$2,917,028,655
Unrealized appreciation	$ 289,138,328
Unrealized depreciation	(584,202,718)
Net unrealized appreciation (depreciation)	$ (295,064,390)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2012, aggregated $371,523,048 and $285,912,627, respectively.

7. CONCENTRATION OF RISK

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

8. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Templeton Growth Securities Fund

8. RESTRICTED SECURITIES (continued)

At June 30 2012, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares	Issuer	Acquisition Dates	Cost	Value
1,194,518	Templeton China Opportunities Fund, Ltd., Reg D (0.48% of Net Assets)	3/17/10-12/1/11	$11,935,000	$12,745,505

9. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Fund for the period ended June 30, 2012, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Non-Controlled Affiliates							
Templeton China Opportunities Fund, Ltd., Reg D	1,194,518	—	—	1,194,518	$12,745,505	$ —	$ —
Total Affiliated Securities (0.48% of Net Assets)							

10. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matures on January 18, 2013. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the period ended June 30, 2012, the Fund did not use the Global Credit Facility.

11. REDEMPTION IN-KIND

During the year ended December 31, 2011, the Fund realized $9,941,638 of net gains resulting from a redemption in-kind in which a shareholder redeemed fund shares for securities held by the Fund rather than for cash. Because such gains are not taxable to the Fund and are not distributed to remaining shareholders, they have been reclassified from accumulated net realized gains to paid-in capital.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements (unaudited) *(continued)*

Templeton Growth Securities Fund

12. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

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

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 2012, in valuing the Fund's assets carried at fair value, is as follows:

Assets:	Level 1	Level 2	Level 3	Total
Investments in Securities				
Equity Investments:				
Diversified Financial Services	$ 98,659,238	$ —	$12,745,505	$ 111,404,743
Other Equity Investments[a,b]	2,431,308,085	—	—	2,431,308,085
Short Term Investments	—	79,251,437	—	79,251,437
Total Investments in Securities	$2,529,967,323	$79,251,437	$12,745,505	$2,621,964,265

[a]Includes common preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 investments at the end of the period.

13. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. The ASU is effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Templeton Growth Securities Fund

At December 31, 2011, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on June 14, 2012, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, and foreign source income as reported by the Fund, to Class 1, Class 2, and Class 4 shareholders of record.

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share
Class 1	$0.0106	$0.2085
Class 2	$0.0106	$0.1843
Class 4	$0.0106	$0.1792

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends.

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The indexes are unmanaged and include reinvested distributions.

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Barclays U.S. Aggregate Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Barclays U.S. Government Index: Intermediate Component is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Citigroup World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

Consumer Price Index (CPI), calculated by the U.S. Bureau of Labor Statistics, is a commonly used measure of the inflation rate.

Credit Suisse (CS) High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market.

Dow Jones Industrial Average is a price-weighted average of blue-chip stocks that are generally the leaders in their industry.

FTSE EPRA/NAREIT Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets. FTSE® is a trademark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/12, there were 231 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the six-month period ended 6/30/12, there were 64 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the six-month period ended 6/30/12, there were 84 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP High Current Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Current Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High Current Yield Funds aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions, and tend to invest in lower grade debt issues. For the six-month period ended 6/30/12, there were 123 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

MSCI All Country (AC) World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets excluding the U.S. and Canada.

MSCI Europe, Australasia, Far East (EAFE) Index Net Return (Local Currency) is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed markets excluding the U.S. and Canada. The index is calculated in local currency and includes reinvested daily net dividends.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

NASDAQ Composite Index is a broad-based, market capitalization-weighted index designed to measure all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 1000® Value Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000® Index is market capitalization weighted and measures performance of the largest U.S. companies based on total market capitalization and represents the majority of the investable U.S. equity market.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represent a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance. STANDARD & POOR'S®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC.

Standard & Poor's/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Franklin Templeton Variable Insurance Products Trust

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held April 17, 2012, the Board of Trustees (Board), including a majority of non-interested or independent Trustees, approved renewal of the investment management agreement for each of the separate funds within the Trust (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, as well as periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included reports prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared a Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICE. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Funds and their shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned smoothly during the Florida hurricanes and blackouts experienced in previous years. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. Particular attention was given to management's conservative approach and diligent risk management procedures, including continuous monitoring of counterparty credit risk and attention given to derivatives and other complex instruments, including expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

Board Review of Investment Management Agreement *(continued)*

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of each of the Funds in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals of all Funds. The Lipper reports prepared for each of the individual Funds showed the investment performance of Class 1 shares for those Funds having such class of shares and Class 2 shares for those Funds that did not have Class 1 shares, in comparison to a performance universe selected by Lipper. Comparative performance for each Fund was shown for the one-year period ended January 31, 2012, and previous periods ended that date of up to 10 years unless otherwise noted. Performance was shown on a total return basis for each Fund and in certain cases, as indicated, on an income return basis as well. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

Franklin Flex Cap Growth Securities Fund – The performance universe for this Fund, which has been in operation for less than 10 full years, consisted of the Fund and all multi-cap growth funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return for the one-year period to be in the second-lowest quintile of its performance universe, and on an annualized basis to be in the second-lowest quintile of such universe for the previous three-year period and the middle quintile of such universe for the previous five-year period. The Board was not satisfied with the Fund's recent underperformance and discussed the reasons for such performance and steps being taken to improve it, as well as the Fund's portfolio management team with upper management. Based on such discussions and taking into account the Fund's more acceptable longer term performance, the Board did not believe any immediate change in portfolio management was warranted, but intends to monitor future performance.

Franklin Global Real Estate Securities Fund – The performance universe for this Fund consisted of the Fund and all real estate funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the second-lowest quintile of such universe for the one-year period, and on an annualized basis to be in the lowest quintile of such universe for the previous three-, five- and 10-year periods. The Lipper universe includes all real estate funds underlying variable annuities and is not limited to those having a global mandate such as the Fund. The Board noted, however, among the 14 global real estate funds with 26 share classes included in such universe, that the Fund's Class 1 shares had the highest and second-highest total returns for the previous one and two years, respectively. The Board also noted steps that had been taken by management to improve the Fund's performance, including the appointment of an additional portfolio manager in 2010. While the Board intends to continue monitoring the Fund's results, it was satisfied with the efforts being made by management to improve performance and believed no change in portfolio management was warranted, noting the Fund's favorable relative performance with respect to other global real estate funds as referred to above.

Franklin Growth and Income Securities Fund – The performance universe for this Fund consisted of the Fund and all equity income funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return during the one-year period to be in the highest or best performing quintile of its performance universe, and on an annualized basis in each of the previous three-, five- and 10-year periods to also be in the highest quintile of such universe. The Lipper report showed the Fund's total return for the one-year period to be in the second-highest quintile of its performance universe, and on an annualized basis to be in the highest quintile of such universe for the previous three-year period, the second-highest quintile of such universe for the previous five-year period, and the second-lowest quintile of such universe for the previous 10-year period. The Board was satisfied with the Fund's performance as shown in the Lipper report.

Franklin High Income Securities Fund – The performance universe for this Fund consisted of the Fund and all high current yield funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the one-year period to be in the second-lowest quintile of such universe, and on an annualized basis to also be in the second-lowest quintile for the previous three- and five-year periods, but to be in the highest quintile of such universe for the previous 10-year period. The Lipper report showed the Fund's total return to be in the second-highest quintile of its performance universe for the one-year period, and on an annualized basis to be in the middle quintile of such universe for the previous three-year period, the second-highest quintile of such universe for the previous five-year period, and the middle quintile of such universe for the previous 10-year period. The Board believed the Fund's performance as shown in the Lipper report to be acceptable and did not

Board Review of Investment Management Agreement *(continued)*

warrant any change in portfolio management. In reaching such conclusion, the Board noted that the Fund's overall favorable comparative total returns and the level of its annualized income return, which amounted to 6.40%, 6.96%, and 7.53% for the one-, three- and five-year periods, respectively, appeared generally consistent with the Fund's investment objective of earning a high level of current income with capital appreciation as a secondary goal.

Franklin Income Securities Fund – The performance universe for this Fund consisted of the Fund and all mixed-asset target allocation moderate funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return to be in the highest or best performing quintile of such universe for the one-year period and to also be in the highest quintile of such universe for each of the previous three-, five- and 10-year periods on an annualized basis. The Lipper report showed the Fund's total return to be in the middle quintile of its performance universe for the one-year period and on an annualized basis to be in the highest or second-highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

Franklin Large Cap Growth Securities Fund – The performance universe for this Fund consisted of the Fund and all large-cap core funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return to be in the upper half of such universe for the one-year period, and on an annualized basis to be in the second-lowest quintile of such universe for the previous three-year period, the second-highest quintile of such universe for the previous five-year period, and the second-lowest quintile of such universe for the previous 10-year period. The Board believed the Fund's overall performance as set forth in the Lipper report to be acceptable, noting that its three- and 10-year annualized returns in each case were within 50 basis points of the performance universe median.

Franklin Large Cap Value Securities Fund – The performance universe for this Fund, which has been in operation for less than 10 full years, consisted of the Fund and all large-cap value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the lowest quintile of such universe for the one-year period and on an annualized basis to be in the second-highest quintile and middle quintile of such universe for the previous three- and five-year periods, respectively. The Board discussed with management the reasons for the Fund's one-year underperformance, including its holdings in energy stocks exposed to natural gas, which were hurt by lower gas prices, and also discussed steps being taken to improve performance, which included the addition of an experienced investment analyst to provide support for the Fund's lead manager. Based on such discussions and the Fund's longer term performance, the Board did not believe that any change in the Fund's portfolio management was warranted.

Franklin Rising Dividends Securities Fund – The performance universe for this Fund consisted of the Fund and all multi-cap core funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return to be in the highest or best performing quintile of the performance universe for the one-year period, and on an annualized basis to be in the highest or second-highest quintile of such universe for each of the three-, five- and 10-year periods. The Board was satisfied with the Fund's performance as set forth in the Lipper report.

Franklin Small Cap Value Securities Fund – The performance universe for this Fund consisted of the Fund and all small-cap value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the second-highest performing quintile of such performance universe, and on an annualized basis to also be in the second-highest quintile of such universe for each of the previous three- and five-year periods, and in the upper half of such universe for the previous 10-year period. The Board found the Fund's comparative performance as set forth in the Lipper report to be satisfactory.

Franklin Small-Mid Cap Growth Securities Fund – The performance universe for this Fund consisted of the Fund and all mid-cap growth funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the upper half of such universe, and on an annualized basis to also be in the upper half of such universe for each of the previous three- and five-year periods, and to be in the second-lowest quintile of such universe for the previous 10-year period. The Board found the Fund's comparative investment performance as set forth in the Lipper report to be acceptable.

Board Review of Investment Management Agreement *(continued)*

Franklin Strategic Income Securities Fund – The performance universe for this Fund consisted of the Fund and all general bond funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return to be in the second-highest quintile of such performance universe for the one-year period, and on an annualized basis to also be in the second-highest quintiles of such universe during the previous three- and five-year periods, and in the second-lowest quintile of such universe for the previous 10-year period. The Lipper report showed the Fund's total return to be in the second-lowest quintile of such universe during the one-year period, and on an annualized basis to be in the upper half of such universe for each of the previous three- and five-year periods, and in the highest quintile of such universe for the previous 10-year period. The Board was generally satisfied with the Fund's performance as shown in the Lipper report, noting its primary income objective and the fact that its total return for the one-year period exceeded 5%.

Franklin Templeton VIP Founding Funds Allocation Fund – The performance universe for this Fund consisted of the Fund and all mixed-asset target allocation growth funds underlying variable insurance products as selected by Lipper. The Fund has been in existence for only four full years and the Lipper report showed its income return to be in the lowest quintile of such performance universe for the one-year period, and on an annualized basis to be in the middle quintile of such universe for its four-year period of operation. The Lipper report showed the Fund's total return for the one-year period to be in the second-lowest quintile of such universe and on an annualized basis to be in the lowest quintile of such universe for its four-year period of operation. In assessing the relevance of such comparative performance, the Board noted the Fund is not actively managed and that its performance reflects those of the three underlying funds in which it invests in equal portions. The Board reviewed and discussed the performance of such underlying funds with management and believes that each is being managed in accordance with its underlying investment mandate. The Board also notes management's explanation that the performance of certain of the underlying funds reflects the general underperformance of value stocks during the past year. In view of the foregoing and taking into account the nature of the Fund and its short period of operation, the Board did not believe the Fund's comparative investment performance as set forth in the Lipper report mandated any change in the investment strategy followed or manner in which the Fund operates.

Franklin U.S. Government Fund – The performance universe for this Fund consisted of the Fund and all general U.S. government funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the one-year period to be in the second-highest quintile of such universe and on an annualized basis to be in the highest or second-highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Lipper report showed the Fund's total return to be in the lowest quintile of such universe for the one-year period, and on an annualized basis to be in the lowest quintile of such universe for the previous three-year period, the second-lowest quintile of such universe for the previous five-year period, and the middle quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as shown in the Lipper report to be acceptable, noting the Fund's income objective, the nature of the Fund's investments, which were primarily in U.S. mortgage-backed securities, and the fact that its total return exceeded 6% for the one-year period and exceeded 5% for all annualized periods shown in such report.

Mutual Global Discovery Securities Fund – The performance universe for this Fund consisted of the Fund and all global value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return to be in the highest quintile of such universe for the one-year period, and on an annualized basis to be in the lowest quintile of such universe for the three-year period, but to be in the highest quintile of such universe for each of the previous five- and 10-year periods. The Board found the Fund's overall comparative performance as set forth in the Lipper report to be acceptable.

Mutual International Securities Fund – The performance universe for this Fund consisted of the Fund and all other international value funds underlying variable insurance products as selected by Lipper. The Fund has been in existence for only two full years at the date of the Lipper report, which showed its total return during each such year to be in either the highest or second-highest performing quintile of such universe. The Board was pleased with such comparative performance, but did not believe it to be particular meaningful in view of the Fund's short period of operations.

Mutual Shares Securities Fund – The performance universe for this Fund consisted of the Fund and all large-cap value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the

Board Review of Investment Management Agreement *(continued)*

one-year period to be in the highest or best performing quintile of such universe, and on an annualized basis to be in either the highest or second-highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Lipper report showed the Fund's total return for the one-year period to be in the middle quintile of the performance universe, and on an annualized basis to be in the lowest quintile of such universe for the previous three-year period, the middle quintile of such universe for the previous five-year period, and the highest quintile of such universe for the previous 10-year period. The Board found the Fund's overall performance as shown in the Lipper report to be acceptable, noting its annualized three-year total return exceeded 15%.

Templeton Developing Markets Securities Fund – The performance universe for this Fund consisted of the Fund and all emerging markets funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return for the one-year period to be in the highest or best performing quintile of such performance universe and on an annualized basis to be in the second-highest quintile of such universe during each of the previous three- and five-year periods, and the middle quintile of such universe during the previous 10-year period. The Board was satisfied with the comparative performance of the Fund as set forth in the Lipper report.

Templeton Foreign Securities Fund – The performance universe for this Fund consisted of the Fund and all international value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's comparative total return for the one-year period to be in the highest or best performing quintile of such performance universe and on an annualized basis to be in the highest or best performing quintile of such universe in each of the previous three- and five-year periods, and the second-highest quintile of such universe for the previous 10-year period. The Board was satisfied with the Fund's comparative investment performance as set forth in the Lipper report.

Templeton Global Bond Securities Fund – The performance universe for this Fund consisted of the Fund and all global income funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's income return for the one-year period to be in the highest or best performing quintile of such performance universe, and on an annualized basis to also be in the highest or best performing quintile of such universe for each of the previous three-, five- and 10-year periods. The Lipper report showed the Fund's total return for the one-year period to be in the second-lowest performing quintile of its performance universe, but on an annualized basis to be in the highest or second-highest quintile of such universe during each of the previous three-, five- and 10-year periods. The Board discussed with management the reasons for the relative underperformance of the Fund's total return as shown in the Lipper report for the one-year period, noting, however, that it exceeded 5%. The Board was satisfied with the Fund's comparative performance as set forth in the Lipper report.

Templeton Growth Securities Fund – The performance universe for this Fund consisted of the Fund and all global value funds underlying variable insurance products as selected by Lipper. The Lipper report showed the Fund's total return for the one-year period to be in the second-lowest quintile of such performance universe and on an annualized basis to also be in the second-lowest quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was not satisfied with the Fund's comparative performance as set forth in the Lipper report and discussed the Fund's portfolio management team, performance and investment process in detail with upper management. Such discussion included the analytic process and reviews followed by the Fund's portfolio managers in selecting securities for investment and the conviction of the Fund's portfolio management team with the correctness of adhering to their disciplined, long-term, bottom-up, fundamental approach to investing. Based on such discussions, the Board did not believe any immediate change in portfolio management was warranted, but intends to continuously monitor future performance.

COMPARATIVE EXPENSES. Consideration was given to expense comparison information contained in the Lipper reports furnished for each Fund, which compared its management fee and total expense ratio with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on a Fund's

Board Review of Investment Management Agreement *(continued)*

contractual investment management fee rate in comparison with the contractual investment management fee rate that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratio of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes administrative charges at the fund level as being part of a management fee, and actual total expenses, for comparative consistency, are shown by Lipper for the same class of shares for all funds within a particular Lipper expense group. The results of such comparisons showed that both the contractual investment management fee rates and actual total expense ratios of the following Funds were in the least expensive quintile of their respective Lipper expense groups: Franklin Income Securities Fund, Franklin Small Cap Value Securities Fund, Franklin Growth and Income Securities Fund, Franklin High Income Securities Fund, Franklin Strategic Income Securities Fund and Templeton Global Bond Securities Fund. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Lipper reports. The contractual investment management fee rates and actual total expense ratios of each of Franklin Rising Dividend Securities Fund, Franklin Small-Mid Cap Growth Securities Fund and Franklin U.S. Government Fund were below the medians of their Lipper expense groups. The contractual investment management fee rate of Templeton Foreign Securities Fund was less than one-half of a basis point above the median of its Lipper expense group, while its actual total expense ratio was below the median of such group. The contractual investment fee rate and actual total expense ratio of Franklin Templeton VIP Founding Funds Allocation Fund were both at the median of its Lipper expense group. The Board was satisfied with the comparative contractual investment management fees and expenses of these Funds as shown in their Lipper reports. The contractual investment management fee rates for Mutual International Securities Fund, Templeton Growth Securities Fund and Franklin Large Cap Value Securities Fund were in the most expensive quintiles of their Lipper expense groups, but in each case their actual total expense ratios were below the median of such groups. The Board was satisfied with the comparative expenses of these Funds as shown in their Lipper reports, noting that, with the exception of Templeton Growth Securities Fund, the expenses of these Funds were subsidized through fee waivers. The contractual investment management fee rate of Franklin Flex Cap Growth Securities Fund was 13 basis points above its Lipper expense group median, while its actual total expense ratio was below its expense group median. The Board found the comparative expenses of this Fund as shown in its Lipper report to be acceptable, noting its expenses were subsidized through fee waivers. The contractual investment management fee rate and actual expense ratio for Franklin Large Cap Growth Securities Fund were in each case above but within eight basis points of the median of its Lipper expense group. The contractual investment fee rate of Franklin Global Real Estate Securities Fund was 20 basis points higher than the median of its Lipper expense group while its actual expense ratio was within nine basis points of its expense group median. The Board found the comparative expenses of these Funds as shown in their Lipper reports to be acceptable, noting with respect to Franklin Global Real Estate Securities Fund that a phased-in increase in its contractual investment fee rate had been approved by shareholders in 2007. The contractual investment management fee rate and actual total expense ratio of Templeton Developing Markets Securities Fund were both above the median of its Lipper expense group, but in each case were within 17 basis points of such median. The Board found the comparative expenses of this Fund to be acceptable, noting cost factors relating to the Fund's operations, such as the quality and experience of its portfolio managers and research staff and the depth of its physical presence and coverage in developing markets geographical areas, as well as the fact that its investment management fee had been reduced effective May 1, 2011. The contractual investment management fee rates of both Mutual Global Discovery Securities Fund and Mutual Shares Securities Fund were in the most expensive quintiles of their Lipper expense groups, while the actual total expense ratio of Mutual Global Discovery Fund was 17 basis points above its expense group median, and the actual total expense ratio of Mutual Shares Securities Fund was four basis points above its expense group median. In discussing these comparative expenses, management stated its view that the expenses of these Funds were at an appropriate level in view of their overall favorable comparative investment performance, the quality and experience of their portfolio managers and the research-driven fundamental value strategy employed in their portfolio selections. The Board found the comparative expenses of these Funds to be acceptable noting the points raised by management.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2011, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, specific attention was given to the methodology

Board Review of Investment Management Agreement *(continued)*

followed in allocating costs to each Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the allocation methodology was consistent with that followed in profitability report presentations for the Funds made in prior years and that the Funds' independent registered public accounting firm had been engaged by the Manager to review the reasonableness of the allocation methodologies solely for use by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving services provided the Funds, as well as the need to implement systems to meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from Fund operations, including potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Funds grow larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with a fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. In the case of Franklin Templeton VIP Founding Funds Allocation Fund, the management fees of the underlying funds in which it invests have management fee breakpoints that extend beyond their existing asset sizes, and in the case of each of the other Funds, their management fees contain breakpoints that extend beyond their existing asset sizes. To the extent economies of scale may be realized by the manager and its affiliates, the Board believed the schedule of investment management fees provides a sharing of benefits for each Fund and its shareholders.

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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FRANKLIN TEMPLETON INVESTMENTS

< GAIN FROM OUR PERSPECTIVE® >

Semiannual Report

Franklin Templeton Variable Insurance Products Trust

Investment Managers
Franklin Advisers, Inc.
Franklin Advisory Services, LLC
Franklin Mutual Advisers, LLC
Franklin Templeton Institutional, LLC
Templeton Asset Management, Ltd.
Templeton Global Advisors Limited
Templeton Investment Counsel, LLC

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin Templeton Distributors, Inc.

Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

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SEMIANNUAL REPORT
June 30, 2012

MFS®

MFS® GROWTH SERIES

MFS® Variable Insurance Trust

VEG-SEM

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis. A slowing in the Chinese economy has added another layer of trepidation, as investors worry that the primary engine of global growth may be sputtering.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning of our investment process in all business climates. Real-time collaboration across the globe is vital in periods of heightened volatility and economic uncertainty. At MFS our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

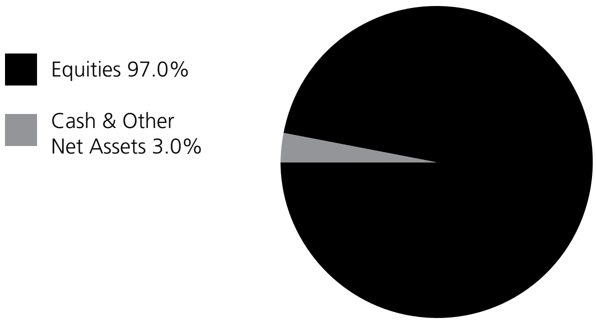
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

August 16, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	8.0%
Google, Inc., "A"	3.8%
Danaher Corp.	3.2%
American Tower Corp., REIT	2.6%
EMC Corp.	2.3%
Qualcomm, Inc.	2.0%
Precision Castparts Corp.	2.0%
Visa, Inc., "A"	1.9%
MasterCard, Inc., "A"	1.8%
Target Corp.	1.8%

Equity sectors

Technology	26.0%
Health Care	12.8%
Leisure	10.2%
Retailing	10.0%
Industrial Goods & Services	7.8%
Consumer Staples	6.9%
Energy	5.9%
Financial Services	4.8%
Special Products & Services	3.5%
Utilities & Communications	3.0%
Transportation	2.1%
Basic Materials	2.0%
Autos & Housing	2.0%

Percentages are based on net assets as of 6/30/12.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2012 through June 30, 2012

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (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.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table 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 the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/12	Ending Account Value 6/30/12	Expenses Paid During Period (p) 1/01/12-6/30/12
Initial Class	Actual	0.83%	$1,000.00	$1,091.21	$4.32
	Hypothetical (h)	0.83%	$1,000.00	$1,020.74	$4.17
Service Class	Actual	1.08%	$1,000.00	$1,089.52	$5.61
	Hypothetical (h)	1.08%	$1,000.00	$1,019.49	$5.42

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 6/30/12 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 97.0%		
Aerospace – 3.0%		
Honeywell International, Inc.	101,120	$ 5,646,540
Precision Castparts Corp.	70,622	11,616,612
		$ 17,263,152
Alcoholic Beverages – 1.4%		
Diageo PLC	323,673	$ 8,323,640
Apparel Manufacturers – 1.7%		
LVMH Moet Hennessy Louis Vuitton S.A.	19,312	$ 2,943,502
NIKE, Inc., "B"	36,406	3,195,719
VF Corp.	27,930	3,727,259
		$ 9,866,480
Automotive – 1.2%		
Johnson Controls, Inc.	211,320	$ 5,855,677
LKQ Corp. (a)	41,590	1,389,106
		$ 7,244,783
Biotechnology – 4.8%		
Alexion Pharmaceuticals, Inc. (a)	78,410	$ 7,786,113
Biogen Idec, Inc. (a)	53,678	7,750,030
Celgene Corp. (a)	110,701	7,102,576
Gilead Sciences, Inc. (a)	101,960	5,228,509
		$ 27,867,228
Broadcasting – 4.9%		
Discovery Communications, Inc., "A" (a)	83,080	$ 4,486,320
News Corp., "A"	381,120	8,495,165
Viacom, Inc., "B"	199,370	9,374,377
Walt Disney Co.	122,920	5,961,620
		$ 28,317,482
Brokerage & Asset Managers – 1.1%		
Affiliated Managers Group, Inc. (a)	29,790	$ 3,260,516
BlackRock, Inc.	17,013	2,889,148
		$ 6,149,664
Business Services – 2.8%		
Cognizant Technology Solutions Corp., "A" (a)	123,839	$ 7,430,340
FleetCor Technologies, Inc. (a)	65,600	2,298,624
Verisk Analytics, Inc., "A" (a)	137,910	6,793,447
		$ 16,522,411
Cable TV – 1.5%		
Comcast Corp., "Special A"	272,496	$ 8,556,374
Chemicals – 0.4%		
Monsanto Co.	29,140	$ 2,412,209
Computer Software – 5.2%		
Autodesk, Inc. (a)	81,070	$ 2,836,639
Check Point Software Technologies Ltd. (a)	153,500	7,612,065
Citrix Systems, Inc. (a)	64,080	5,378,875
Oracle Corp.	148,560	4,412,232
Parametric Technology Corp. (a)	98,720	2,069,171

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – continued		
Red Hat, Inc. (a)	52,670	$ 2,974,802
Salesforce.com, Inc. (a)	20,028	2,769,071
VeriSign, Inc. (a)	54,733	2,384,717
		$ 30,437,572
Computer Software – Systems – 11.0%		
Apple, Inc. (a)	79,402	$ 46,370,768
EMC Corp. (a)	519,470	13,314,016
NetApp, Inc. (a)	98,140	3,122,815
Verifone Systems, Inc. (a)	43,320	1,433,459
		$ 64,241,058
Construction – 0.8%		
Stanley Black & Decker, Inc.	70,670	$ 4,548,321
Consumer Products – 0.7%		
Estee Lauder Cos., Inc., "A"	77,580	$ 4,198,630
Consumer Services – 0.7%		
Priceline.com, Inc. (a)	5,716	$ 3,798,396
Electrical Equipment – 3.2%		
Danaher Corp.	363,040	$ 18,907,123
Electronics – 2.3%		
Altera Corp.	133,150	$ 4,505,796
ASML Holding N.V.	53,497	2,750,816
Broadcom Corp., "A"	132,331	4,472,788
Linear Technology Corp.	57,840	1,812,127
		$ 13,541,527
Energy – Independent – 3.6%		
Cabot Oil & Gas Corp.	141,990	$ 5,594,406
EOG Resources, Inc.	30,990	2,792,509
EQT Corp.	46,600	2,499,158
Noble Energy, Inc.	68,500	5,810,170
Pioneer Natural Resources Co.	20,253	1,786,517
Range Resources Corp.	43,920	2,717,330
		$ 21,200,090
Engineering – Construction – 0.3%		
Fluor Corp.	30,570	$ 1,508,324
Food & Beverages – 2.9%		
General Mills, Inc.	48,090	$ 1,853,389
Groupe Danone	73,388	4,552,143
Kraft Foods, Inc., "A"	76,300	2,946,706
Mead Johnson Nutrition Co., "A"	91,830	7,393,233
		$ 16,745,471
Gaming & Lodging – 1.5%		
Las Vegas Sands Corp.	116,360	$ 5,060,496
Royal Caribbean Cruises Ltd.	62,230	1,619,847
Wynn Resorts Ltd.	17,263	1,790,518
		$ 8,470,861

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
General Merchandise – 4.1%		
Costco Wholesale Corp.	86,047	$ 8,174,465
Dollar General Corp. (a)	96,750	5,262,233
Target Corp.	177,789	10,345,542
		$ 23,782,240
Internet – 4.8%		
Baidu, Inc., ADR (a)	9,750	$ 1,121,055
eBay, Inc. (a)	74,710	3,138,567
Facebook, Inc., "A" (a)	51,640	1,607,037
Google, Inc., "A" (a)	38,291	22,211,460
		$ 28,078,119
Leisure & Toys – 0.5%		
Polaris Industries, Inc.	43,356	$ 3,099,087
Machinery & Tools – 0.9%		
Joy Global, Inc.	51,980	$ 2,948,825
Polypore International, Inc. (a)(l)	40,470	1,634,583
United Rentals, Inc. (a)	16,390	557,916
		$ 5,141,324
Medical & Health Technology & Services – 2.2%		
Catamaran Corp. (a)	40,364	$ 4,004,512
Cerner Corp. (a)	59,504	4,918,601
Express Scripts Holding Co. (a)	37,620	2,100,325
IDEXX Laboratories, Inc. (a)	19,300	1,855,309
		$ 12,878,747
Medical Equipment – 3.3%		
Cooper Cos., Inc.	18,670	$ 1,489,119
Covidien PLC	154,061	8,242,264
Thermo Fisher Scientific, Inc.	185,395	9,623,854
		$ 19,355,237
Natural Gas – Pipeline – 0.4%		
Kinder Morgan, Inc.	64,750	$ 2,086,245
Network & Telecom – 2.7%		
F5 Networks, Inc. (a)	41,972	$ 4,178,732
Qualcomm, Inc.	209,717	11,677,043
		$ 15,855,775
Oil Services – 2.3%		
Cameron International Corp. (a)	95,750	$ 4,089,483
Dresser-Rand Group, Inc. (a)	90,960	4,051,358
FMC Technologies, Inc. (a)	59,650	2,340,070
Schlumberger Ltd.	44,869	2,912,447
		$ 13,393,358
Other Banks & Diversified Financials – 3.7%		
MasterCard, Inc., "A"	24,427	$ 10,506,297
Visa, Inc., "A"	89,843	11,107,290
		$ 21,613,587
Pharmaceuticals – 2.5%		
Abbott Laboratories	92,350	$ 5,953,805
Allergan, Inc.	90,891	8,413,780
		$ 14,367,585

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Pollution Control – 0.4%		
Stericycle, Inc. (a)	25,420	$ 2,330,251
Railroad & Shipping – 1.3%		
Kansas City Southern Co.	45,650	$ 3,175,414
Union Pacific Corp.	36,431	4,346,583
		$ 7,521,997
Restaurants – 1.8%		
Starbucks Corp.	125,670	$ 6,700,724
YUM! Brands, Inc.	54,070	3,483,189
		$ 10,183,913
Specialty Chemicals – 1.6%		
Airgas, Inc.	54,490	$ 4,577,705
Praxair, Inc.	45,959	4,997,122
		$ 9,574,827
Specialty Stores – 4.2%		
PetSmart, Inc.	75,940	$ 5,177,589
Ross Stores, Inc.	158,118	9,877,631
Tiffany & Co.	57,210	3,029,270
Tractor Supply Co.	26,370	2,190,292
Urban Outfitters, Inc. (a)	147,842	4,078,961
		$ 24,353,743
Telecommunications – Wireless – 2.6%		
American Tower Corp., REIT	219,263	$ 15,328,676
Tobacco – 1.9%		
Lorillard, Inc.	26,430	$ 3,487,439
Philip Morris International, Inc.	89,490	7,808,897
		$ 11,296,336
Trucking – 0.8%		
Expeditors International of Washington, Inc.	120,646	$ 4,675,033
Total Common Stocks (Identified Cost, $477,407,667)		**$ 565,036,876**
MONEY MARKET FUNDS – 3.3%		
MFS Institutional Money Market Portfolio, 0.14%, at Cost and Net Asset Value (v)	19,169,267	$ 19,169,267
COLLATERAL FOR SECURITIES LOANED – 0.2%		
Navigator Securities Lending Prime Portfolio, 0.28%, at Cost and Net Asset Value (j)	1,118,798	$ 1,118,798
Total Investments (Identified Cost, $497,695,732)		**$ 585,324,941**
OTHER ASSETS, LESS LIABILITIES – (0.5)%		**(3,156,670)**
Net Assets – 100.0%		**$ 582,168,271**

(a) Non-income producing security.
(j) The rate quoted is the annualized seven-day yield of the fund at period end.
(l) A portion of this security is on loan.
(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt
PLC Public Limited Company
REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $478,526,465)	$566,155,674	
Underlying affiliated funds, at cost and value	19,169,267	
Total investments, at value, including $1,144,006 of securities on loan (identified cost, $497,695,732)	$585,324,941	
Receivables for		
Investments sold	4,209,569	
Fund shares sold	708,668	
Interest and dividends	424,042	
Other assets	2,486	
Total assets		$590,669,706
Liabilities		
Payables for		
Investments purchased	$7,012,755	
Fund shares reacquired	205,035	
Collateral for securities loaned, at value	1,118,798	
Payable to affiliates		
Investment adviser	35,657	
Shareholder servicing costs	757	
Distribution and/or service fees	1,486	
Payable for independent Trustees' compensation	59	
Accrued expenses and other liabilities	126,888	
Total liabilities		$8,501,435
Net assets		$582,168,271
Net assets consist of		
Paid-in capital	$518,284,397	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	87,629,207	
Accumulated net realized gain (loss) on investments and foreign currency	(23,920,796)	
Undistributed net investment income	175,463	
Net assets		$582,168,271
Shares of beneficial interest outstanding		21,776,640

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$507,775,549	18,947,201	$26.80
Service Class	74,392,722	2,829,439	26.29

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/12

Net investment income		
Income		
Dividends	$2,595,536	
Interest	16,611	
Dividends from underlying affiliated funds	7,426	
Foreign taxes withheld	(31,136)	
Total investment income		$2,588,437
Expenses		
Management fee	$2,115,460	
Distribution and/or service fees	85,387	
Shareholder servicing costs	29,929	
Administrative services fee	47,138	
Independent Trustees' compensation	9,133	
Custodian fee	29,573	
Shareholder communications	51,854	
Audit and tax fees	25,951	
Legal fees	3,884	
Miscellaneous	16,109	
Total expenses		$2,414,418
Fees paid indirectly	(5)	
Reduction of expenses by investment adviser	(1,439)	
Net expenses		$2,412,974
Net investment income		$175,463
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$21,419,412	
Foreign currency	(3,866)	
Net realized gain (loss) on investments and foreign currency		$21,415,546
Change in unrealized appreciation (depreciation)		
Investments	$25,952,246	
Translation of assets and liabilities in foreign currencies	(4)	
Net unrealized gain (loss) on investments and foreign currency translation		$25,952,242
Net realized and unrealized gain (loss) on investments and foreign currency		$47,367,788
Change in net assets from operations		$47,543,251

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/12 (unaudited)	Year ended 12/31/11
Change in net assets		
From operations		
Net investment income (loss)	$175,463	$(133,687)
Net realized gain (loss) on investments and foreign currency	21,415,546	36,539,304
Net unrealized gain (loss) on investments and foreign currency translation	25,952,242	(38,178,192)
Change in net assets from operations	$47,543,251	$(1,772,575)
Distributions declared to shareholders		
From net investment income	$—	$(934,874)
Change in net assets from fund share transactions	$16,432,775	$(25,758,827)
Total change in net assets	$63,976,026	$(28,466,276)
Net assets		
At beginning of period	518,192,245	546,658,521
At end of period (including undistributed net investment income of $175,463 and $0, respectively)	$582,168,271	$518,192,245

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$24.56	$24.69	$21.43	$15.62	$25.01	$20.64
Income (loss) from investment operations						
Net investment income (d)	$0.01	$(0.00)(w)	$0.05	$0.03	$0.05	$0.05
Net realized and unrealized gain (loss) on investments and foreign currency	2.23	(0.08)	3.24	5.83	(9.39)	4.32
Total from investment operations	$2.24	$(0.08)	$3.29	$5.86	$(9.34)	$4.37
Less distributions declared to shareholders						
From net investment income	$—	$(0.05)	$(0.03)	$(0.05)	$(0.05)	$—
Net asset value, end of period (x)	$26.80	$24.56	$24.69	$21.43	$15.62	$25.01
Total return (%) (k)(r)(s)(x)	9.12(n)	(0.32)	15.34	37.67	(37.42)	21.17
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.83(a)	0.84	0.85	0.86	0.84	0.87
Expenses after expense reductions (f)	0.83(a)	0.84	0.85	0.86	0.84	0.87
Net investment income	0.09(a)	(0.00)(w)	0.24	0.14	0.25	0.20
Portfolio turnover	32(n)	75	100	100	129	84
Net assets at end of period (000 omitted)	$507,776	$461,382	$503,497	$498,288	$389,813	$711,418

Service Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$24.13	$24.27	$21.10	$15.37	$24.61	$20.36
Income (loss) from investment operations						
Net investment income (loss) (d)	$(0.02)	$(0.06)	$0.00(w)	$(0.02)	$0.00(w)	$(0.01)
Net realized and unrealized gain (loss) on investments and foreign currency	2.18	(0.08)	3.17	5.76	(9.24)	4.26
Total from investment operations	$2.16	$(0.14)	$3.17	$5.74	$(9.24)	$4.25
Less distributions declared to shareholders						
From net investment income	$—	$(0.00)(w)	$—	$(0.01)	$—	$—
Net asset value, end of period (x)	$26.29	$24.13	$24.27	$21.10	$15.37	$24.61
Total return (%) (k)(r)(s)(x)	8.95(n)	(0.56)	15.02	37.33	(37.55)	20.87
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.08(a)	1.09	1.10	1.10	1.09	1.12
Expenses after expense reductions (f)	1.08(a)	1.09	1.10	1.10	1.08	1.12
Net investment income (loss)	(0.15)(a)	(0.25)	0.02	(0.11)	0.01	(0.05)
Portfolio turnover	32(n)	75	100	100	129	84
Net assets at end of period (000 omitted)	$74,393	$56,810	$43,161	$31,861	$18,684	$30,698

See Notes to Financial Statements

Financial Highlights – continued

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(w) Per share amount was less than $0.01.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Growth Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued.

In this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Notes to Financial Statements (unaudited) – continued

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$533,729,143	$—	$—	$533,729,143
United Kingdom	8,323,640	—	—	8,323,640
Israel	7,612,065	—	—	7,612,065
France	4,552,143	2,943,502	—	7,495,645
Canada	4,004,512	—	—	4,004,512
Netherlands	2,750,816	—	—	2,750,816
China	1,121,055	—	—	1,121,055
Mutual Funds	20,288,065	—	—	20,288,065
Total Investments	$582,381,439	$2,943,502	$—	$585,324,941

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended June 30, 2012, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to net operating losses, wash sale loss deferrals, and straddle loss deferrals.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/11
Ordinary income (including any short-term capital gains)	$934,874(a)

(a) Included in the fund's distributions from ordinary income is $1,176 in excess of investment company taxable income, which in accordance with applicable U.S. tax law, is taxable to shareholders as ordinary income distribution.

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/12	
Cost of investments	$498,171,302
Gross appreciation	103,577,492
Gross depreciation	(16,423,853)
Net unrealized appreciation (depreciation)	$87,153,639
As of 12/31/11	
Capital loss carryforwards	(44,674,146)
Other temporary differences	(186,624)
Net unrealized appreciation (depreciation)	61,201,393

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(16,766,873)
12/31/17	(27,907,273)
Total	$(44,674,146)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share

Notes to Financial Statements (unaudited) – continued

dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/12	**Year ended 12/31/11**
Initial Class	$—	$925,433
Service Class	—	9,441
Total	$—	$934,874

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund.

The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2012, the fee was $28,901, which equated to 0.0102% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2012, these costs amounted to $1,028.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.0167% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended June 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $2,837 and are included in "Miscellaneous" expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $1,439, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $183,470,794 and $175,185,773, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	2,144,510	$57,029,269	2,705,438	$67,872,176
Service Class	1,085,218	28,725,110	1,506,623	36,837,421
	3,229,728	$85,754,379	4,212,061	$104,709,597
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	38,916	$925,433
Service Class	—	—	404	9,441
	—	$—	39,320	$934,874
Shares reacquired				
Initial Class	(1,980,169)	$(53,272,907)	(4,355,037)	$(108,841,435)
Service Class	(610,172)	(16,048,697)	(931,109)	(22,561,863)
	(2,590,341)	$(69,321,604)	(5,286,146)	$(131,403,298)
Net change				
Initial Class	164,341	$3,756,362	(1,610,683)	$(40,043,826)
Service Class	475,046	12,676,413	575,918	14,284,999
	639,387	$16,432,775	(1,034,765)	$(25,758,827)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2012, the fund's commitment fee and interest expense were $1,899 and $0, respectively, and are included in "Miscellaneous" expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	13,485,319	98,644,827	(92,960,879)	19,169,267

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$7,426	$19,169,267

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS will be available on or about November 1, 2012 by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site (*mfs.com*).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov*, and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

MFS®

SEMIANNUAL REPORT
June 30, 2012

MFS® RESEARCH SERIES

MFS® Variable Insurance Trust

VFR-SEM

MFS® RESEARCH SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis. A slowing in the Chinese economy has added another layer of trepidation, as investors worry that the primary engine of global growth may be sputtering.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning of our investment process in all business climates. Real-time collaboration across the globe is vital in periods of heightened volatility and economic uncertainty. At MFS our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

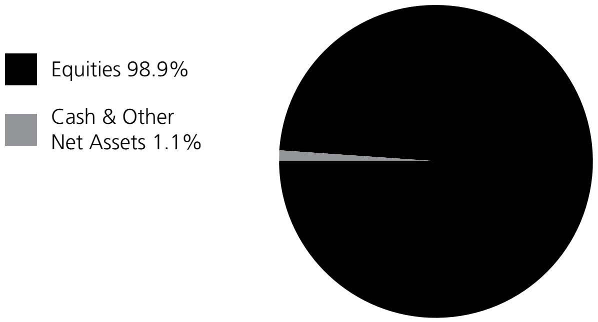
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

August 16, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (s)



Global equity sectors

Technology (s)	18.9%
Energy	14.5%
Financial Services	14.3%
Capital Goods	14.0%
Health Care	12.0%
Consumer Cyclicals	11.9%
Consumer Staples (s)	8.7%
Telecommunications/Cable Television	4.6%

Top ten holdings

Apple, Inc.	5.4%
Exxon Mobil Corp.	4.6%
Danaher Corp.	2.3%
Pfizer, Inc.	2.1%
JPMorgan Chase & Co.	2.1%
Target Corp.	1.9%
Google, Inc., “A”	1.8%
Philip Morris International, Inc.	1.8%
Merck & Co., Inc.	1.6%
Oracle Corp.	1.6%

(s) Includes securities sold short.

Percentages are based on net assets as of 6/30/12.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2012 through June 30, 2012

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (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.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table 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 the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/12	Ending Account Value 6/30/12	Expenses Paid During Period (p) 1/01/12-6/30/12
Initial Class	Actual	0.87%	$1,000.00	$1,089.46	$4.52
	Hypothetical (h)	0.87%	$1,000.00	$1,020.54	$4.37
Service Class	Actual	1.12%	$1,000.00	$1,087.84	$5.81
	Hypothetical (h)	1.12%	$1,000.00	$1,019.29	$5.62

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

Expenses Impacting Table

Expense ratios include 0.01% of investment related expenses from short sale dividend and interest expenses.

PORTFOLIO OF INVESTMENTS – 6/30/12 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 98.8%		
Aerospace – 2.4%		
Honeywell International, Inc.	27,150	$ 1,516,053
Precision Castparts Corp.	9,780	1,608,712
United Technologies Corp.	16,700	1,261,351
		$ 4,386,116
Apparel Manufacturers – 1.6%		
Guess?, Inc.	20,700	$ 628,659
Li & Fung Ltd.	234,000	454,065
NIKE, Inc., "B"	10,230	897,989
VF Corp.	7,240	966,178
		$ 2,946,891
Automotive – 1.3%		
Delphi Automotive PLC (a)	38,480	$ 981,240
General Motors Co. (a)	34,610	682,509
Johnson Controls, Inc.	25,920	718,243
		$ 2,381,992
Biotechnology – 1.6%		
Celgene Corp. (a)	15,690	$ 1,006,670
Gilead Sciences, Inc. (a)	23,700	1,215,336
ViroPharma, Inc. (a)	30,700	727,590
		$ 2,949,596
Broadcasting – 2.5%		
News Corp., "A"	110,690	$ 2,467,280
Walt Disney Co.	43,610	2,115,085
		$ 4,582,365
Brokerage & Asset Managers – 1.9%		
BlackRock, Inc.	7,734	$ 1,313,388
CME Group, Inc.	2,310	619,334
Franklin Resources, Inc.	11,570	1,284,154
NASDAQ OMX Group, Inc.	15,370	348,438
		$ 3,565,314
Business Services – 1.3%		
Accenture PLC, "A"	23,770	$ 1,428,339
FleetCor Technologies, Inc. (a)	29,570	1,036,133
		$ 2,464,472
Cable TV – 1.5%		
Comcast Corp., "Special A"	58,730	$ 1,844,122
Time Warner Cable, Inc.	10,700	878,470
		$ 2,722,592
Chemicals – 2.1%		
3M Co.	30,270	$ 2,712,192
Celanese Corp.	32,810	1,135,882
		$ 3,848,074
Computer Software – 4.7%		
Autodesk, Inc. (a)	27,950	$ 977,971
Check Point Software Technologies Ltd. (a)	17,900	887,661

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – continued		
Citrix Systems, Inc. (a)	17,900	$ 1,502,526
Microsoft Corp.	21,700	663,803
Oracle Corp.	100,040	2,971,188
Red Hat, Inc. (a)	12,400	700,352
Salesforce.com, Inc. (a)	6,590	911,133
		$ 8,614,634
Computer Software – Systems – 7.1%		
Apple, Inc. (a)(s)	16,840	$ 9,834,560
EMC Corp. (a)	80,430	2,061,421
Hewlett-Packard Co.	57,000	1,146,270
		$ 13,042,251
Construction – 0.8%		
Stanley Black & Decker, Inc.	23,040	$ 1,482,854
Consumer Products – 2.1%		
Colgate-Palmolive Co.	12,900	$ 1,342,890
International Flavors & Fragrances, Inc.	15,750	863,100
Newell Rubbermaid, Inc.	49,880	904,823
Nu Skin Enterprises, Inc., "A"	7,240	339,556
Procter & Gamble Co.	7,430	455,088
		$ 3,905,457
Consumer Services – 0.3%		
Priceline.com, Inc. (a)	680	$ 451,874
Containers – 0.4%		
Silgan Holdings, Inc.	16,520	$ 705,239
Electrical Equipment – 2.3%		
Danaher Corp.	80,290	$ 4,181,503
Electronics – 2.0%		
Altera Corp.	25,730	$ 870,703
ASML Holding N.V.	21,353	1,097,971
JDS Uniphase Corp. (a)	39,160	430,760
Microchip Technology, Inc.	38,230	1,264,648
		$ 3,664,082
Energy – Independent – 3.9%		
Cabot Oil & Gas Corp.	26,610	$ 1,048,434
EOG Resources, Inc.	6,410	577,605
EQT Corp.	16,470	883,286
Noble Energy, Inc.	5,100	432,582
Occidental Petroleum Corp.	32,660	2,801,248
Pioneer Natural Resources Co.	9,170	808,886
WPX Energy, Inc. (a)	31,090	503,036
		$ 7,055,077
Energy – Integrated – 4.6%		
Exxon Mobil Corp. (s)	98,940	$ 8,466,296
Engineering – Construction – 0.6%		
Fluor Corp.	23,750	$ 1,171,825

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Food & Beverages – 4.0%		
Coca-Cola Enterprises, Inc.	29,420	$ 824,937
Dr Pepper Snapple Group, Inc.	29,040	1,270,500
General Mills, Inc.	29,130	1,122,670
Groupe Danone	19,071	1,182,944
Ingredion, Inc.	10,640	526,893
Kraft Foods, Inc., "A"	51,340	1,982,751
Mead Johnson Nutrition Co., "A"	5,890	474,204
		$ 7,384,899
Food & Drug Stores – 1.1%		
CVS Caremark Corp.	41,890	$ 1,957,520
Gaming & Lodging – 0.1%		
Sands China Ltd.	79,600	$ 254,987
General Merchandise – 2.7%		
Dollar General Corp. (a)	15,830	$ 860,994
Kohl's Corp.	12,670	576,358
Target Corp.	59,950	3,488,491
		$ 4,925,843
Health Maintenance Organizations – 1.0%		
Aetna, Inc.	15,720	$ 609,464
UnitedHealth Group, Inc.	19,660	1,150,110
		$ 1,759,574
Insurance – 3.4%		
ACE Ltd.	29,490	$ 2,186,094
American International Group, Inc. (a)	7,690	246,772
Aon PLC	7,770	363,481
Chubb Corp.	12,970	944,475
Everest Re Group Ltd.	13,670	1,414,708
Prudential Financial, Inc.	23,860	1,155,540
		$ 6,311,070
Internet – 2.7%		
eBay, Inc. (a)	37,560	$ 1,577,896
Google, Inc., "A" (a)	5,660	3,283,196
		$ 4,861,092
Machinery & Tools – 0.6%		
Joy Global, Inc.	18,210	$ 1,033,053
Major Banks – 4.5%		
Goldman Sachs Group, Inc.	17,650	$ 1,691,929
JPMorgan Chase & Co. (s)	105,790	3,779,877
PNC Financial Services Group, Inc.	25,960	1,586,416
State Street Corp.	24,640	1,099,930
		$ 8,158,152
Medical & Health Technology & Services – 1.5%		
AmerisourceBergen Corp.	25,150	$ 989,653
Express Scripts Holding Co. (a)	19,950	1,113,809
Henry Schein, Inc. (a)	7,670	602,018
		$ 2,705,480

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – 2.6%		
Covidien PLC	32,110	$ 1,717,885
Edwards Lifesciences Corp. (a)	6,270	647,691
St. Jude Medical, Inc.	28,780	1,148,610
Thermo Fisher Scientific, Inc.	23,980	1,244,802
		$ 4,758,988
Natural Gas – Distribution – 0.5%		
Spectra Energy Corp.	29,950	$ 870,347
Natural Gas – Pipeline – 0.2%		
Kinder Morgan, Inc.	10,058	$ 324,069
Network & Telecom – 1.3%		
F5 Networks, Inc. (a)	6,920	$ 688,955
Finisar Corp. (a)	34,590	517,466
Fortinet, Inc. (a)	27,440	637,157
Juniper Networks, Inc. (a)	35,350	576,559
		$ 2,420,137
Oil Services – 2.0%		
Cameron International Corp. (a)	22,010	$ 940,047
Dresser-Rand Group, Inc. (a)	17,250	768,315
FMC Technologies, Inc. (a)	8,770	344,047
Halliburton Co.	8,260	234,501
Schlumberger Ltd.	21,140	1,372,197
		$ 3,659,107
Other Banks & Diversified Financials – 3.6%		
Discover Financial Services	31,710	$ 1,096,532
Fifth Third Bancorp	117,750	1,577,850
SunTrust Banks, Inc.	14,860	360,058
Visa, Inc., "A"	19,590	2,421,912
Western Union Co.	70,330	1,184,357
		$ 6,640,709
Pharmaceuticals – 5.3%		
Abbott Laboratories	31,980	$ 2,061,751
Johnson & Johnson	12,830	866,795
Merck & Co., Inc.	71,680	2,992,640
Pfizer, Inc.	167,730	3,857,790
		$ 9,778,976
Pollution Control – 0.5%		
Waste Connections, Inc.	27,620	$ 826,390
Precious Metals & Minerals – 0.2%		
Goldcorp, Inc.	10,010	$ 376,176
Railroad & Shipping – 1.0%		
Union Pacific Corp.	16,030	$ 1,912,539
Real Estate – 0.9%		
BioMed Realty Trust, Inc., REIT	42,900	$ 801,372
Starwood Property Trust, Inc., REIT	41,060	874,989
		$ 1,676,361

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Restaurants – 1.6%		
Starbucks Corp.	14,300	$ 762,476
YUM! Brands, Inc.	33,980	2,188,992
		$ 2,951,468
Specialty Chemicals – 0.7%		
Airgas, Inc.	15,210	$ 1,277,792
Specialty Stores – 2.0%		
American Eagle Outfitters, Inc.	22,110	$ 436,230
Gap, Inc.	16,010	438,034
PetSmart, Inc.	17,490	1,192,468
Tiffany & Co.	12,850	680,408
Urban Outfitters, Inc. (a)	31,560	870,740
		$ 3,617,880
Telecommunications – Wireless – 0.9%		
American Tower Corp., REIT	10,980	$ 767,612
SBA Communications Corp. (a)	7,960	454,118
Vodafone Group PLC, ADR	16,000	450,880
		$ 1,672,610
Telephone Services – 2.2%		
AT&T, Inc.	72,280	$ 2,577,505
CenturyLink, Inc.	10,900	430,441
Verizon Communications, Inc.	20,440	908,354
Ziggo N.V.	5,130	163,501
		$ 4,079,801
Tobacco – 2.9%		
Lorillard, Inc.	15,220	$ 2,008,279
Philip Morris International, Inc.	37,530	3,274,868
		$ 5,283,147
Trucking – 1.1%		
Expeditors International of Washington, Inc.	51,820	$ 2,008,025
Utilities – Electric Power – 2.7%		
AES Corp. (a)	53,650	$ 688,330
American Electric Power Co., Inc.	22,010	878,199
CMS Energy Corp.	70,410	1,654,635
Edison International	37,950	1,753,290
		$ 4,974,454
Total Common Stocks (Identified Cost, $165,890,037)		**$181,049,150**
CONVERTIBLE PREFERRED STOCKS – 0.6%		
Utilities – Electric Power – 0.6%		
PPL Corp., 9.5% (Identified Cost, $1,030,366)	19,360	$ 1,024,144

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.0%				
Natural Gas – Pipeline – 0.0%				
Kinder Morgan, Inc. (1 share for 1 warrant) (a) (Identified Cost, $29,358)	$40	2/15/12	15,411	$ 33,288
MONEY MARKET FUNDS – 0.9%				
MFS Institutional Money Market Portfolio, 0.14%, at Cost and Net Asset Value (v)			1,685,118	$ 1,685,118
Total Investments (Identified Cost, $168,634,879)				**$183,791,700**
SECURITIES SOLD SHORT – (0.5)%				
Business Services – (0.2)%				
Computer Sciences Corp.			(19,070)	$ (473,317)
Food & Beverages – (0.3)%				
Conagra Foods, Inc.			(18,830)	$ (488,262)
Total Securities Sold Short (Proceeds Received, $976,753)				**$ (961,579)**
OTHER ASSETS, LESS LIABILITIES – 0.2%				**350,283**
Net Assets – 100.0%				**$183,180,404**

(a) Non-income producing security.

(s) Security or a portion of the security was pledged to cover collateral requirements for securities sold short.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

At June 30, 2012, the fund had cash collateral of $484,976 and other liquid securities with an aggregate value of $1,130,248 to cover any commitments for securities sold short. Cash collateral includes "Deposits with brokers" on the Statement of Assets and Liabilities.

The following abbreviations are used in this report and are defined:

ADR	American Depositary Receipt
PLC	Public Limited Company
REIT	Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $166,949,761)	$182,106,582	
Underlying affiliated funds, at cost and value	1,685,118	
Total investments, at value (identified cost, $168,634,879)	$183,791,700	
Deposits with brokers	484,976	
Receivables for		
Investments sold	2,279,050	
Fund shares sold	125,225	
Dividends	251,649	
Other assets	988	
Total assets		$186,933,588
Liabilities		
Payables for		
Dividends on securities sold short	$2,680	
Securities sold short, at value (proceeds received, $976,753)	961,579	
Investments purchased	2,397,039	
Fund shares reacquired	315,772	
Payable to affiliates		
Investment adviser	11,298	
Shareholder servicing costs	323	
Distribution and/or service fees	442	
Payable for independent Trustees' compensation	817	
Accrued expenses and other liabilities	63,234	
Total liabilities		$3,753,184
Net assets		$183,180,404
Net assets consist of		
Paid-in capital	$190,952,487	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	15,171,981	
Accumulated net realized gain (loss) on investments and foreign currency	(25,350,147)	
Undistributed net investment income	2,406,083	
Net assets		$183,180,404
Shares of beneficial interest outstanding		8,960,568

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$161,099,882	7,873,440	$20.46
Service Class	22,080,522	1,087,128	20.31

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/12

Net investment income		
Income		
Dividends	$1,787,293	
Interest	3,757	
Dividends from underlying affiliated funds	512	
Foreign taxes withheld	(12,575)	
Total investment income		$1,778,987
Expenses		
Management fee	$702,810	
Distribution and/or service fees	27,335	
Shareholder servicing costs	10,189	
Administrative services fee	19,003	
Independent Trustees' compensation	3,545	
Custodian fee	14,273	
Shareholder communications	21,554	
Audit and tax fees	25,952	
Legal fees	1,450	
Dividend and interest expense on securities sold short	10,159	
Miscellaneous	9,152	
Total expenses		$845,422
Fees paid indirectly	(5)	
Reduction of expenses by investment adviser	(482)	
Net expenses		$844,935
Net investment income		$934,052
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$9,745,729	
Written options	8,538	
Securities sold short	70,627	
Foreign currency	(139)	
Net realized gain (loss) on investments and foreign currency		$9,824,755
Change in unrealized appreciation (depreciation)		
Investments	$5,073,436	
Written options	63,775	
Securities sold short	74,234	
Translation of assets and liabilities in foreign currencies	(2)	
Net unrealized gain (loss) on investments and foreign currency translation		$5,211,443
Net realized and unrealized gain (loss) on investments and foreign currency		$15,036,198
Change in net assets from operations		$15,970,250

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/12 (unaudited)	Year ended 12/31/11
Change in net assets		
From operations		
Net investment income	$934,052	$1,480,417
Net realized gain (loss) on investments and foreign currency	9,824,755	10,557,510
Net unrealized gain (loss) on investments and foreign currency translation	5,211,443	(12,321,464)
Change in net assets from operations	$15,970,250	$(283,537)
Distributions declared to shareholders		
From net investment income	$—	$(1,601,688)
Change in net assets from fund share transactions	$(13,696,506)	$(19,927,763)
Total change in net assets	$2,273,744	$(21,812,988)
Net assets		
At beginning of period	180,906,660	202,719,648
At end of period (including undistributed net investment income of $2,406,083 and $1,472,031, respectively)	$183,180,404	$180,906,660

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31 2011	2010	2009	2008	2007
Net asset value, beginning of period	$18.78	$19.04	$16.57	$12.90	$20.28	$18.04
Income (loss) from investment operations						
Net investment income (d)	$0.10	$0.15	$0.15	$0.15	$0.18	$0.09
Net realized and unrealized gain (loss) on investments and foreign currency	1.58	(0.24)	2.47	3.72	(7.47)	2.28
Total from investment operations	$1.68	$(0.09)	$2.62	$3.87	$(7.29)	$2.37
Less distributions declared to shareholders						
From net investment income	$—	$(0.17)	$(0.15)	$(0.20)	$(0.09)	$(0.13)
Net asset value, end of period (x)	$20.46	$18.78	$19.04	$16.57	$12.90	$20.28
Total return (%) (k)(r)(s)(x)	8.95(n)	(0.45)	15.90	30.54	(36.09)	13.20
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.87(a)	0.88	0.89	0.90	0.88	0.88
Expenses after expense reductions (f)	0.87(a)	0.88	0.89	0.90	0.88	0.88
Net investment income	1.02(a)	0.79	0.86	1.05	1.04	0.46
Portfolio turnover	34(n)	70	71	107	123	87
Net assets at end of period (000 omitted)	$161,100	$160,892	$182,895	$180,229	$149,517	$281,339
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.86(a)	0.86	0.89	0.90	N/A	N/A

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$18.67	$18.93	$16.48	$12.82	$20.16	$17.94
Income (loss) from investment operations						
Net investment income (d)	$0.08	$0.10	$0.10	$0.11	$0.13	$0.05
Net realized and unrealized gain (loss) on investments and foreign currency	1.56	(0.24)	2.47	3.71	(7.42)	2.26
Total from investment operations	$1.64	$(0.14)	$2.57	$3.82	$(7.29)	$2.31
Less distributions declared to shareholders						
From net investment income	$—	$(0.12)	$(0.12)	$(0.16)	$(0.05)	$(0.09)
Net asset value, end of period (x)	$20.31	$18.67	$18.93	$16.48	$12.82	$20.16
Total return (%) (k)(r)(s)(x)	8.78(n)	(0.69)	15.64	30.20	(36.25)	12.93
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.12(a)	1.13	1.14	1.15	1.14	1.13
Expenses after expense reductions (f)	1.12(a)	1.13	1.14	1.15	1.13	1.13
Net investment income	0.78(a)	0.55	0.61	0.80	0.78	0.23
Portfolio turnover	34(n)	70	71	107	123	87
Net assets at end of period (000 omitted)	$22,081	$20,015	$19,825	$17,196	$12,951	$21,116
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.11(a)	1.11	1.14	1.15	N/A	N/A

(a) Annualized.

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(n) Not annualized.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Enron Corp., the Initial Class and Service Class total returns for the year ended December 31, 2008 would have each been lower by approximately 0.82%. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Tyco International Ltd., the Initial Class and Service Class total returns for the year ended December 31, 2010 would have each been lower by approximately 0.60%.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Research Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued.

In this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$177,238,396	$—	$—	$177,238,396
Netherlands	1,261,473	—	—	1,261,473
France	1,182,944	—	—	1,182,944
Israel	887,661	—	—	887,661
Hong Kong	—	709,052	—	709,052
United Kingdom	450,880	—	—	450,880
Canada	376,176	—	—	376,176
Mutual Funds	1,685,118	—	—	1,685,118
Total Investments	$183,082,648	$709,052	$—	$183,791,700
Short Sales	$(961,579)	$—	$—	$(961,579)

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $709,052 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were written options and purchased options. At June 30, 2012, the fund did not have any outstanding derivative instruments.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)	Written Options
Equity	$(84,264)	$8,538

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Written Options
Equity	$63,775

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Written Options – In exchange for a premium, the fund wrote call options on securities that it anticipated the price would decline and also wrote put options on securities that it anticipated the price would increase. At the time the option was written, the fund believed the premium received exceeded the potential loss that could result from adverse price changes in the options' underlying securities. In a written option, the fund as the option writer grants the buyer the right to purchase from, or sell to, the fund a specified number of shares or units of a particular security, currency or index at a specified price within a specified period of time.

The premium received is initially recorded as a liability on the Statement of Assets and Liabilities. The option is subsequently marked-to-market daily with the difference between the premium received and the market value of the written option being recorded as unrealized appreciation or depreciation. When a written option expires, the fund realizes a gain equal to the amount of the premium received. The difference between the premium received and the amount paid on effecting a closing transaction is considered a realized gain or loss. When a written call option is exercised, the premium received is offset against the proceeds to determine the realized gain or loss. When a written put option is exercised, the premium reduces the cost basis of the security purchased by the fund.

At the initiation of the written option contract, for exchange traded options, the fund is required to deposit securities or cash as collateral with the custodian for the benefit of the broker. For over-the-counter options, the fund may post collateral subject to the terms of an ISDA Master Agreement as generally described above if the market value of the options contract moves against it. The fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option. Losses from writing options can exceed the premium received and can exceed the potential loss from an ordinary buy and sell transaction. Although the fund's market risk may be significant, the maximum counterparty credit risk to the fund is equal to the market value of any collateral posted to the broker. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above.

Written Options

	Number of contracts	Premiums received
Outstanding, beginning of period	67	$23,427
Options written	114	10,211
Options closed	(48)	(7,597)
Options exercised	(102)	(23,641)
Options expired	(31)	(2,400)
Outstanding, end of period	—	$—

Purchased Options – The fund purchased call and put options for a premium. Purchased call and put options entitle the holder to buy and sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may be used to hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or to increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call and put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased call option, the premium paid is added to the cost of the security or financial instrument. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Short Sales – The fund entered into short sales whereby it sells a security it does not own in anticipation of a decline in the value of that security. The fund will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the fund replaces the borrowed security. Losses from short sales can exceed the proceeds of the security sold; and they can also exceed the potential loss from an ordinary buy and sell transaction. The amount of any premium, dividends, or interest the fund may be required to pay in connection with a short sale will be recognized as a fund expense. During the six months ended June 30, 2012, this expense amounted to $10,159. The fund segregates cash or marketable securities in an amount that, when combined with the amount of proceeds from the short sale deposited with the broker, at least equals the current market value of the security sold short.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended June 30, 2012, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/11
Ordinary income (including any short-term capital gains)	$1,601,688

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/12	
Cost of investments	$168,720,991
Gross appreciation	23,986,551
Gross depreciation	(8,915,842)
Net unrealized appreciation (depreciation)	$15,070,709
As of 12/31/11	
Undistributed ordinary income	1,472,031
Capital loss carryforwards	(35,088,790)
Other temporary differences	(122,847)
Net unrealized appreciation (depreciation)	9,997,273

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(9,633,475)
12/31/17	(25,455,315)
Total	$(35,088,790)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/12	**Year ended 12/31/11**
Initial Class	$—	$1,473,743
Service Class	—	127,945
Total	$—	$1,601,688

Notes to Financial Statements (unaudited) – continued

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2012, the fee was $9,610, which equated to 0.0103% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2012, these costs amounted to $579.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.0203% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended June 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $970 and are included in "Miscellaneous" expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $482, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, short sales, and short-term obligations, aggregated $63,695,974 and $77,427,377, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/12		Year ended 12/31/11	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	297,178	$6,055,241	1,101,108	$20,631,224
Service Class	133,921	2,718,545	194,431	3,679,825
	431,099	$8,773,786	1,295,539	$24,311,049
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	82,194	$1,473,743
Service Class	—	—	7,172	127,945
	—	$—	89,366	$1,601,688
Shares reacquired				
Initial Class	(989,456)	$(20,076,548)	(2,224,124)	$(42,513,132)
Service Class	(118,907)	(2,393,744)	(177,010)	(3,327,368)
	(1,108,363)	$(22,470,292)	(2,401,134)	$(45,840,500)
Net change				
Initial Class	(692,278)	$(14,021,307)	(1,040,822)	$(20,408,165)
Service Class	15,014	324,801	24,593	480,402
	(677,264)	$(13,696,506)	(1,016,229)	$(19,927,763)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2012, the fund's commitment fee and interest expense were $655 and $0, respectively, and are included in "Miscellaneous" expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

Underlying Affiliated Fund	**Beginning Shares/Par Amount**	**Acquisitions Shares/Par Amount**	**Dispositions Shares/Par Amount**	**Ending Shares/Par Amount**
MFS Institutional Money Market Portfolio	63	20,651,562	(18,966,507)	1,685,118

Underlying Affiliated Fund	**Realized Gain (Loss)**	**Capital Gain Distributions**	**Dividend Income**	**Ending Value**
MFS Institutional Money Market Portfolio	$—	$—	$512	$1,685,118

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS will be available on or about November 1, 2012 by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site (*mfs.com*).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov*, and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

MFS®

SEMIANNUAL REPORT
June 30, 2012

MFS® UTILITIES SERIES

MFS® Variable Insurance Trust

VUF-SEM

MFS® UTILITIES SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis. A slowing in the Chinese economy has added another layer of trepidation, as investors worry that the primary engine of global growth may be sputtering.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning of our investment process in all business climates. Real-time collaboration across the globe is vital in periods of heightened volatility and economic uncertainty. At MFS our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

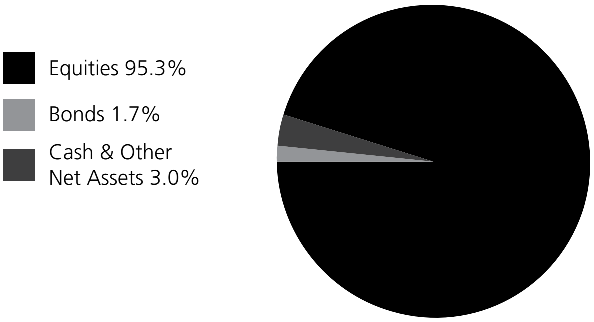
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

August 16, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top ten holdings (i)

Comcast Corp., "Special A"	4.0%
Virgin Media, Inc.	3.6%
CMS Energy Corp.	3.0%
Williams Cos., Inc.	3.0%
Edison International	2.7%
Kinder Morgan, Inc.	2.6%
Energias de Portugal S.A.	2.4%
Public Service Enterprise Group, Inc.	2.3%
AES Corp.	2.2%
Calpine Corp.	2.1%

Top five industries (i)

Utilities – Electric Power	46.2%
Cable TV	12.1%
Telephone Services	10.2%
Natural Gas – Pipeline	9.2%
Telecommunications – Wireless	7.1%

Issuer country weightings (i)(x)

United States	67.4%
Brazil	7.4%
United Kingdom	4.1%
Spain	4.1%
Portugal	3.5%
Germany	2.9%
Czech Republic	1.5%
Chile	1.4%
Italy	1.3%
Other Countries	6.4%

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

(x) Represents the portfolio's exposure to issuer countries as a percentage of a portfolio's net assets.

Percentages are based on net assets as of 6/30/12.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2012 through June 30, 2012

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (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.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table 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 the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/12	Ending Account Value 6/30/12	Expenses Paid During Period (p) 1/01/12-6/30/12
Initial Class	Actual	0.82%	$1,000.00	$1,049.08	$4.18
	Hypothetical (h)	0.82%	$1,000.00	$1,020.79	$4.12
Service Class	Actual	1.07%	$1,000.00	$1,047.80	$5.45
	Hypothetical (h)	1.07%	$1,000.00	$1,019.54	$5.37

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 6/30/12 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 90.4%		
Broadcasting – 0.7%		
Viacom, Inc., "B"	190,401	$ 8,952,655
Cable TV – 11.4%		
Charter Communications, Inc., "A" (a)	28,830	$ 2,043,182
Comcast Corp., "Special A"	1,598,205	50,183,637
Liberty Global, Inc., "A" (a)	238,524	11,837,946
Telenet Group Holding N.V.	208,815	9,116,805
Time Warner Cable, Inc.	313,953	25,775,541
Virgin Media, Inc.	1,882,031	45,902,736
		$ 144,859,847
Energy – Independent – 5.1%		
Cabot Oil & Gas Corp.	149,781	$ 5,901,371
Energen Corp.	159,076	7,179,100
EQT Corp.	354,589	19,016,608
Occidental Petroleum Corp.	80,977	6,945,397
QEP Resources, Inc.	514,300	15,413,571
WPX Energy, Inc. (a)	590,473	9,553,853
		$ 64,009,900
Natural Gas – Distribution – 5.7%		
AGL Resources, Inc.	146,451	$ 5,674,976
Atmos Energy Corp.	39,024	1,368,572
GDF SUEZ	632,063	15,080,344
NiSource, Inc.	183,066	4,530,883
ONEOK, Inc.	73,586	3,113,424
Sempra Energy	371,302	25,575,282
Spectra Energy Corp.	596,917	17,346,408
		$ 72,689,889
Natural Gas – Pipeline – 8.7%		
El Paso Pipeline Partners LP	54,435	$ 1,839,903
Enagas S.A.	1,000,542	18,257,998
Kinder Morgan, Inc.	1,036,214	33,386,815
Williams Cos., Inc.	1,312,362	37,822,273
Williams Partners LP	366,919	19,167,849
		$ 110,474,838
Oil Services – 0.1%		
Cheniere Energy, Inc. (a)	98,147	$ 1,446,687
Telecommunications – Wireless – 6.4%		
American Tower Corp., REIT	191,238	$ 13,369,449
Cellcom Israel Ltd.	500,887	3,055,411
KDDI Corp.	97	625,683
Mobile TeleSystems OJSC, ADR	565,181	9,721,113
NII Holdings, Inc. (a)	158,844	1,624,974
SBA Communications Corp. (a)	192,278	10,969,460
TIM Participacoes S.A., ADR	745,712	20,477,251
Vodafone Group PLC	7,360,513	20,680,362
		$ 80,523,703

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telephone Services – 10.2%		
Bezeq – The Israel Telecommunication Corp. Ltd.	7,689,931	$ 8,137,012
CenturyLink, Inc.	370,732	14,640,207
China Unicom (Hong Kong) Ltd.	1,090,000	1,371,290
Crown Castle International Corp. (a)	114,420	6,711,877
Deutsche Telekom AG	1,162,596	12,753,967
Empresa Nacional de Telecomunicaciones S.A.	482,930	9,161,927
Frontier Communications Corp. (l)	1,080,243	4,137,331
Kabel Deutschland Holding AG (a)	146,226	9,100,044
PT XL Axiata Tbk	11,241,000	7,360,357
TDC A.S.	2,018,136	14,027,827
Telecom Italia S.p.A.	21,039,517	16,924,174
Telefonica Brasil S.A., ADR	712,717	17,632,619
Ziggo N.V.	233,356	7,437,428
		$ 129,396,060
Utilities – Electric Power – 42.1%		
AES Corp. (a)	2,187,614	$ 28,067,088
Aguas Andinas S.A.	7,960,966	4,928,406
American Electric Power Co., Inc.	381,937	15,239,286
Calpine Corp. (a)	1,601,722	26,444,430
CenterPoint Energy, Inc.	763,506	15,781,669
CEZ A.S.	533,077	18,422,210
China Hydroelectric Corp., ADR (a)	298,729	210,634
China Longyuan Power Group	709,000	466,951
CMS Energy Corp.	1,631,339	38,336,466
Companhia de Saneamento Basico do Estado de Sao Paulo	61,400	2,353,896
Companhia de Saneamento de Minas Gerais – Copasa MG	371,700	8,050,261
Companhia Energetica de Minas Gerais, IPS	334,725	6,254,533
Companhia Paranaense de Energia, ADR	260,327	5,643,889
Companhia Paranaense de Energia, IPS	345,700	7,607,638
E-CL S.A.	1,700,550	4,054,492
E.ON AG	334,689	7,209,349
E.On Russia JSC	20,766,243	1,506,840
Edison International	729,008	33,680,170
EDP Renovaveis S.A. (a)	3,805,332	13,039,716
Enel OGK-5 OAO (a)	20,601,901	1,059,226
Energias de Portugal S.A.	13,105,778	30,961,070
Energias do Brasil S.A.	1,397,400	8,968,128
FirstEnergy Corp.	240,400	11,825,276
GenOn Energy, Inc. (a)	4,727,894	8,084,699
Great Plains Energy, Inc.	383,346	8,207,438
Iberdrola S.A.	3,395,315	16,076,454
ITC Holdings Corp.	161,389	11,121,316
Light S.A.	767,830	9,480,799
National Grid PLC	1,330,267	14,073,361
NextEra Energy, Inc.	348,842	24,003,818
Northeast Utilities	350,113	13,587,885
NRG Energy, Inc. (a)	1,116,150	19,376,364

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
NV Energy, Inc.	401,094	$ 7,051,232
OGE Energy Corp.	310,345	16,072,767
PPL Corp.	583,806	16,235,645
Public Service Enterprise Group, Inc.	905,341	29,423,582
Red Electrica de Espana	399,532	17,423,457
RWE AG	182,812	7,473,157
SSE PLC	600,970	13,092,229
SUEZ Environnement	117,320	1,262,891
TGK International GmbH	4,125,771,888	874,664
Tractebel Energia S.A.	369,600	6,836,266
United Utilities Group PLC	243,065	2,571,766
		$ 532,441,414
Total Common Stocks (Identified Cost, $1,191,856,617)		**$1,144,794,993**
CONVERTIBLE PREFERRED STOCKS – 3.1%		
Utilities – Electric Power – 3.1%		
NextEra Energy, Inc., 7%	227,382	$ 12,453,712
PPL Corp., 9.5%	245,213	12,971,768
PPL Corp., 8.75%	248,819	13,304,352
Total Convertible Preferred Stocks (Identified Cost, $38,812,673)		**$ 38,729,832**
BONDS – 1.6%		
Asset-Backed & Securitized – 0.0%		
Falcon Franchise Loan LLC, FRN, 5.541%, 2023 (i)(z)	$ 77,884	$ 7,414
Energy – Independent – 0.6%		
Everest Acquisition LLC/Everest Acquisition Finance, Inc., 9.375%, 2020 (n)	$ 7,070,000	$ 7,326,287
Utilities – Electric Power – 1.0%		
GenOn Energy, Inc., 9.875%, 2020	$ 8,316,000	$ 8,108,100
NRG Energy, Inc., 7.875%, 2021	3,260,000	3,292,600
Viridian Group FundCo II, 11.125%, 2017 (z)	2,195,000	2,019,400
		$ 13,420,100
Total Bonds (Identified Cost, $20,696,168)		**$ 20,753,801**

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
CONVERTIBLE BONDS – 1.4%				
Cable TV – 0.7%				
Virgin Media, Inc., 6.5%, 2016			$ 5,838,559	$ 8,728,646
Telecommunications – Wireless – 0.7%				
SBA Communications Corp., 4%, 2014			$ 4,298,807	$ 8,291,324
Total Convertible Bonds (Identified Cost, $12,672,080)				**$ 17,019,970**
WARRANTS – 0.1%				
Natural Gas – Pipeline – 0.1%				
Kinder Morgan, Inc. (1 share for 1 warrant) (Identified Cost, $958,817) (a)	$40	2/15/17	503,316	$ 1,087,163
Total Warrants (Identified Cost, $958,817)				**$ 1,087,163**
MONEY MARKET FUNDS – 2.7%				
MFS Institutional Money Market Portfolio, 0.14%, at Cost and Net Asset Value (v)			34,709,807	$ 34,709,807
COLLATERAL FOR SECURITIES LOANED – 0.2%				
Navigator Securities Lending Prime Portfolio, 0.28%, at Cost and Net Asset Value (j)			2,814,448	$ 2,814,448
Total Investments (Identified Cost, $1,302,520,610)				**$1,259,910,014**
OTHER ASSETS, LESS LIABILITIES – 0.5%				**6,040,443**
Net Assets – 100.0%				**$1,265,950,457**

(a) Non-income producing security.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(j) The rate quoted is the annualized seven-day yield of the fund at period end.

(l) A portion of this security is on loan.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $7,326,287, representing 0.6% of net assets.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	**Acquisition Date**	**Cost**	**Value**
Falcon Franchise Loan LLC, FRN, 5.541%, 2023	1/18/02	$3,929	$7,414
Viridian Group FundCo II, 11.125%, 2017	3/01/12	2,126,515	2,019,400
Total Restricted Securities			$2,026,814
% of Net assets			0.2%

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.

IPS International Preference Stock

PLC Public Limited Company

REIT Real Estate Investment Trust

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

BRL Brazilian Real

EUR Euro

GBP British Pound

Derivative Contracts at 6/30/12

Forward Foreign Currency Exchange Contracts at 6/30/12

Type	**Currency**	**Counterparty**	**Contracts to Deliver/Receive**	**Settlement Date Range**	**In Exchange For**	**Contracts at Value**	**Net Unrealized Appreciation (Depreciation)**
Asset Derivatives							
SELL	BRL	UBS AG	32,841,839	8/02/12	$16,258,336	$16,246,531	$ 11,805
BUY	EUR	Barclays Bank PLC	370	7/13/12	464	469	5
BUY	EUR	Credit Suisse Group	139,640	7/13/12	173,771	176,728	2,957
BUY	EUR	Deutsche Bank AG	254,913	7/13/12	315,239	322,617	7,378
BUY	EUR	Merrill Lynch International Bank	213,212	7/13/12	267,307	269,841	2,534
BUY	EUR	UBS AG	608,455	7/13/12	764,878	770,060	5,182
SELL	EUR	Barclays Bank PLC	5,090,599	7/13/12	6,593,220	6,442,658	150,562
SELL	EUR	Citibank N.A.	5,045,075	7/13/12	6,612,335	6,385,043	227,292
SELL	EUR	Credit Suisse Group	11,581,946	7/13/12	15,165,780	14,658,101	507,679
SELL	EUR	Deutsche Bank AG	4,470,558	7/13/12	5,808,751	5,657,934	150,817
SELL	EUR	Goldman Sachs International	182,242	7/13/12	239,015	230,645	8,370
SELL	EUR	JPMorgan Chase Bank N.A.	2,813,934	7/13/12	3,679,162	3,561,312	117,850
SELL	EUR	Merrill Lynch International Bank	5,963,884	7/13/12	7,809,515	7,547,886	261,629
SELL	EUR	UBS AG	5,294,079	7/13/12	6,940,259	6,700,182	240,077
SELL	GBP	Barclays Bank PLC	16,732,958	7/13/12	26,547,343	26,205,693	341,650
SELL	GBP	Citibank N.A.	296,995	7/13/12	483,079	465,128	17,951
SELL	GBP	Deutsche Bank AG	17,822,578	7/13/12	28,242,638	27,912,160	330,478
SELL	GBP	JPMorgan Chase Bank N.A.	158,421	7/13/12	248,154	248,106	48
SELL	GBP	UBS AG	512,703	7/13/12	819,738	802,950	16,788
							$2,401,052

Portfolio of Investments (unaudited) – continued

Forward Foreign Currency Exchange Contracts at 6/30/12 - continued

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Liability Derivatives							
BUY	BRL	UBS AG	5,250,000	8/02/12	$ 2,599,010	$ 2,597,123	$ (1,887)
BUY	EUR	Barclays Bank PLC	129,658	7/13/12	167,778	164,095	(3,683)
BUY	EUR	Credit Suisse Group	57,079	7/13/12	73,980	72,239	(1,741)
BUY	EUR	Deutsche Bank AG	1,661,593	7/13/12	2,199,848	2,102,911	(96,937)
BUY	EUR	Goldman Sachs International	129,467	7/13/12	164,670	163,854	(816)
BUY	EUR	JPMorgan Chase Bank N.A.	40,036,533	7/13/12	52,346,967	50,670,204	(1,676,763)
BUY	EUR	UBS AG	4,683,390	7/13/12	6,153,932	5,927,295	(226,637)
SELL	EUR	Barclays Bank PLC	980,566	7/13/12	1,228,777	1,241,004	(12,227)
SELL	EUR	Citibank N.A.	1,604	7/13/12	2,016	2,030	(14)
SELL	EUR	Credit Suisse Group	1,645,742	7/13/12	2,057,972	2,082,850	(24,878)
SELL	EUR	Deutsche Bank AG	77,105	7/13/12	96,320	97,585	(1,265)
SELL	EUR	JPMorgan Chase Bank N.A.	965,847	7/13/12	1,213,860	1,222,375	(8,515)
SELL	EUR	Merrill Lynch International Bank	1,028,456	7/13/12	1,292,925	1,301,614	(8,689)
SELL	EUR	UBS AG	87,147,516	7/13/12-9/17/12	108,834,262	110,361,830	(1,527,568)
BUY	GBP	Citibank N.A.	350,338	7/13/12	565,934	548,668	(17,266)
BUY	GBP	UBS AG	1,247,000	7/13/12	2,022,075	1,952,942	(69,133)
SELL	GBP	Barclays Bank PLC	119,537	7/13/12	187,198	187,208	(10)
SELL	GBP	JPMorgan Chase Bank N.A.	63,036	7/12/12	98,179	98,722	(543)
							$(3,678,572)

At June 30, 2012, the fund had cash collateral of $2,150,000 to cover any commitments for certain derivative contracts. Cash collateral includes "Restricted cash" on the Statement of Assets and Liabilities.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/12		
Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,267,810,803)	$1,225,200,207	
Underlying affiliated funds, at cost and value	34,709,807	
Total investments, at value, including $2,694,834 of securities on loan (identified cost, $1,302,520,610)	$1,259,910,014	
Cash	51,568	
Restricted cash	2,150,000	
Foreign currency, at value (identified cost, $304,976)	310,519	
Receivables for		
Forward foreign currency exchange contracts	2,401,052	
Investments sold	8,967,204	
Fund shares sold	529,669	
Interest and dividends	5,382,724	
Other assets	8,703	
Total assets		$1,279,711,453
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$3,678,572	
Investments purchased	4,674,762	
Fund shares reacquired	2,212,884	
Collateral for securities loaned, at value	2,814,448	
Payable to affiliates		
Investment adviser	76,884	
Shareholder servicing costs	1,239	
Distribution and/or service fees	15,934	
Payable for independent Trustees' compensation	1,590	
Accrued expenses and other liabilities	284,683	
Total liabilities		$13,760,996
Net assets		$1,265,950,457
Net assets consist of		
Paid-in capital	$1,163,033,220	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	(43,870,258)	
Accumulated net realized gain (loss) on investments and foreign currency	48,505,892	
Undistributed net investment income	98,281,603	
Net assets		$1,265,950,457
Shares of beneficial interest outstanding		46,699,322

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$473,158,998	17,294,019	$27.36
Service Class	792,791,459	29,405,303	26.96

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/12

Net investment income		
Income		
Dividends	$29,239,039	
Interest	1,142,129	
Dividends from underlying affiliated funds	20,523	
Foreign taxes withheld	(2,037,748)	
Total investment income		$28,363,943
Expenses		
Management fee	$5,424,670	
Distribution and/or service fees	1,217,827	
Shareholder servicing costs	77,263	
Administrative services fee	116,387	
Independent Trustees' compensation	20,873	
Custodian fee	242,719	
Shareholder communications	93,635	
Audit and tax fees	26,471	
Legal fees	13,885	
Miscellaneous	54,678	
Total expenses		$7,288,408
Fees paid indirectly	(325)	
Reduction of expenses by investment adviser	(3,944)	
Net expenses		$7,284,139
Net investment income		$21,079,804
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$152,494,651	
Foreign currency	7,809,484	
Net realized gain (loss) on investments and foreign currency		$160,304,135
Change in unrealized appreciation (depreciation)		
Investments	$(81,697,451)	
Translation of assets and liabilities in foreign currencies	(8,179,921)	
Net unrealized gain (loss) on investments and foreign currency translation		$(89,877,372)
Net realized and unrealized gain (loss) on investments and foreign currency		$70,426,763
Change in net assets from operations		$91,506,567

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/12 (unaudited)	Year ended 12/31/11
Change in net assets		
From operations		
Net investment income	$21,079,804	$68,837,745
Net realized gain (loss) on investments and foreign currency	160,304,135	131,137,099
Net unrealized gain (loss) on investments and foreign currency translation	(89,877,372)	(78,973,517)
Change in net assets from operations	$91,506,567	$121,001,327
Distributions declared to shareholders		
From net investment income	$—	$(60,160,403)
Change in net assets from fund share transactions	$(816,260,019)	$52,904,945
Total change in net assets	$(724,753,452)	$113,745,869
Net assets		
At beginning of period	1,990,703,909	1,876,958,040
At end of period (including undistributed net investment income of $98,281,603 and $77,201,799, respectively)	$1,265,950,457	$1,990,703,909

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	**Six months ended 6/30/12 (unaudited)**	**Years ended 12/31**				
		2011	**2010**	**2009**	**2008**	**2007**
Net asset value, beginning of period	$26.08	$25.27	$22.92	$18.21	$34.48	$29.27
Income (loss) from investment operations						
Net investment income (d)	$0.44	$0.97	$0.79	$0.80	$0.73	$0.71
Net realized and unrealized gain (loss) on investments and foreign currency	0.84	0.70	2.29	4.90	(11.97)	7.10
Total from investment operations	$1.28	$1.67	$3.08	$5.70	$(11.24)	$7.81
Less distributions declared to shareholders						
From net investment income	$—	$(0.86)	$(0.73)	$(0.99)	$(0.44)	$(0.32)
From net realized gain on investments	—	—	—	—	(4.59)	(2.28)
Total distributions declared to shareholders	$—	$(0.86)	$(0.73)	$(0.99)	$(5.03)	$(2.60)
Net asset value, end of period (x)	$27.36	$26.08	$25.27	$22.92	$18.21	$34.48
Total return (%) (k)(r)(s)(x)	4.91(n)	6.78	13.81	33.44	(37.77)	27.90
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.82(a)	0.80	0.81	0.83	0.84	0.85
Expenses after expense reductions (f)	0.82(a)	0.80	0.81	0.83	0.81	0.82
Net investment income	3.27(a)	3.71	3.47	4.11	2.76	2.22
Portfolio turnover	27(n)	53	56	70	68	84
Net assets at end of period (000 omitted)	$473,159	$532,447	$541,653	$564,822	$495,297	$969,404

Service Class	**Six months ended 6/30/12 (unaudited)**	**Years ended 12/31**				
		2011	**2010**	**2009**	**2008**	**2007**
Net asset value, beginning of period	$25.73	$24.95	$22.65	$17.98	$34.11	$29.01
Income (loss) from investment operations						
Net investment income (d)	$0.34	$0.89	$0.73	$0.73	$0.66	$0.62
Net realized and unrealized gain (loss) on investments and foreign currency	0.89	0.70	2.25	4.86	(11.82)	7.03
Total from investment operations	$1.23	$1.59	$2.98	$5.59	$(11.16)	$7.65
Less distributions declared to shareholders						
From net investment income	$—	$(0.81)	$(0.68)	$(0.92)	$(0.38)	$(0.27)
From net realized gain on investments	—	—	—	—	(4.59)	(2.28)
Total distributions declared to shareholders	$—	$(0.81)	$(0.68)	$(0.92)	$(4.97)	$(2.55)
Net asset value, end of period (x)	$26.96	$25.73	$24.95	$22.65	$17.98	$34.11
Total return (%) (k)(r)(s)(x)	4.78(n)	6.51	13.51	33.09	(37.91)	27.56
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.07(a)	1.05	1.06	1.08	1.09	1.10
Expenses after expense reductions (f)	1.07(a)	1.05	1.06	1.07	1.06	1.07
Net investment income	2.63(a)	3.45	3.23	3.83	2.54	1.96
Portfolio turnover	27(n)	53	56	70	68	84
Net assets at end of period (000 omitted)	$792,791	$1,458,257	$1,335,305	$1,209,765	$992,502	$1,715,446

See Notes to Financial Statements

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Utilities Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests primarily in securities of issuers in the utility industry. Issuers in a single industry can react similarly to market, economic, political and regulatory conditions and developments. The fund invests in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

In this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of June 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$773,788,094	$—	$—	$773,788,094
Brazil	93,305,280	—	—	93,305,280
Spain	—	51,757,908	—	51,757,908
United Kingdom	27,165,590	23,252,128	—	50,417,718
Portugal	—	44,000,786	—	44,000,786
Germany	—	36,536,518	—	36,536,518
Czech Republic	18,422,210	—	—	18,422,210
Chile	18,144,825	—	—	18,144,825
Italy	—	16,924,174	—	16,924,174
Other Countries	38,273,038	43,041,437	—	81,314,475
Corporate Bonds	—	35,746,957	—	35,746,957
Commercial Mortgage-Backed Securities	—	7,414	—	7,414
Foreign Bonds	—	2,019,400	—	2,019,400
Mutual Funds	37,524,255	—	—	37,524,255
Total Investments	$1,006,623,292	$253,286,722	$—	$1,259,910,014
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$(1,277,520)	$—	$(1,277,520)

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $75,098,476 would have been considered level 1 investments at the beginning of the period. Of the level 1 investments presented above, equity investments amounting to $9,116,805 would have been considered level 2 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments.

Notes to Financial Statements (unaudited) – continued

Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were forward foreign currency exchange contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract Tables generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at June 30, 2012 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Asset Derivatives	Liability Derivatives
Foreign Exchange	Forward Foreign Currency Exchange	$2,401,052	$(3,678,572)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Foreign Currency
Foreign Exchange	$8,105,822

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Translation of Assets and Liabilities in Foreign Currencies
Foreign Exchange	$(8,254,300)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as "Restricted cash." Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Forward Foreign Currency Exchange Contracts – The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on foreign currency.

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, an industry accepted settlement system. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended June 30, 2012, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities, wash sale loss deferrals, and derivative transactions.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/11
Ordinary income (including any short-term capital gains)	$60,160,403

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/12	
Cost of investments	$1,312,896,783
Gross appreciation	106,694,613
Gross depreciation	(159,681,382)
Net unrealized appreciation (depreciation)	$(52,986,769)
As of 12/31/11	
Undistributed ordinary income	84,208,490
Capital loss carryforwards	(101,608,243)
Other temporary differences	(86,432)
Net unrealized appreciation (depreciation)	28,896,855

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011 the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/17	$(101,608,243)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/12	**Year ended 12/31/11**
Initial Class	$—	$17,376,268
Service Class	—	42,784,135
Total	$—	$60,160,403

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.70%

The management fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.73% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2012, the fee was $76,301, which equated to

0.0103% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2012, these costs amounted to $962.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.0157% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended June 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $8,964 and are included in "Miscellaneous" expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $3,944, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $396,442,690 and $430,643,954, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	714,403	$19,027,654	1,930,246	$51,018,561
Service Class	3,300,010	86,753,626	7,808,390	201,808,348
	4,014,413	$105,781,280	9,738,636	$252,826,909
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	697,562	$17,376,268
Service Class	—	—	1,739,192	42,784,135
	—	$—	2,436,754	$60,160,403
Shares reacquired				
Initial Class	(3,838,879)	$(104,235,212)	(3,642,984)	$(95,642,985)
Service Class	(30,571,148)	(817,806,087)	(6,387,884)	(164,439,382)
	(34,410,027)	$(922,041,299)	(10,030,868)	$(260,082,367)
Net change				
Initial Class	(3,124,476)	$(85,207,558)	(1,015,176)	$(27,248,156)
Service Class	(27,271,138)	(731,052,461)	3,159,698	80,153,101
	(30,395,614)	$(816,260,019)	2,144,522	$52,904,945

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2012, the fund's commitment fee and interest expense were $6,641 and $0, respectively, and are included in "Miscellaneous" expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	60,086,370	185,891,565	(211,268,128)	34,709,807

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$20,523	$34,709,807

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS will be available on or about November 1, 2012 by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site (*mfs.com*).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov*, and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

MFS®

SEMIANNUAL REPORT
June 30, 2012

MFS® INVESTORS TRUST SERIES

MFS® Variable Insurance Trust

VGI-SEM

MFS® INVESTORS TRUST SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

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NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

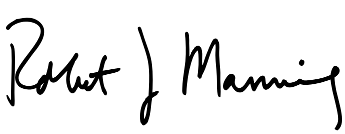
World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis. A slowing in the Chinese economy has added another layer of trepidation, as investors worry that the primary engine of global growth may be sputtering.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning of our investment process in all business climates. Real-time collaboration across the globe is vital in periods of heightened volatility and economic uncertainty. At MFS our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,



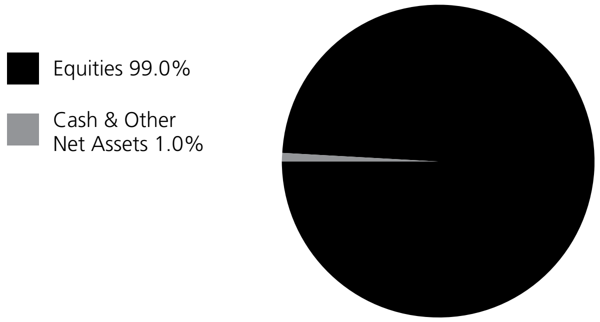
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

August 16, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	4.7%
Exxon Mobil Corp.	2.6%
Danaher Corp.	2.6%
Walt Disney Co.	2.5%
Philip Morris International, Inc.	2.3%
Pfizer, Inc.	2.3%
JPMorgan Chase & Co.	2.3%
Google, Inc., "A"	2.1%
Oracle Corp.	2.1%
Procter & Gamble Co.	2.0%

Equity sectors

Technology	16.5%
Financial Services	16.1%
Health Care	12.3%
Consumer Staples	10.9%
Energy	10.1%
Industrial Goods & Services	7.2%
Retailing	6.0%
Utilities & Communications	5.7%
Leisure	4.7%
Basic Materials	4.1%
Transportation	2.4%
Autos & Housing	2.3%
Special Products & Services	0.7%

Percentages are based on net assets as of 6/30/12.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2012 through June 30, 2012

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (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.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table 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 the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/12	Ending Account Value 6/30/12	Expenses Paid During Period (p) 1/01/12-6/30/12
Initial Class	Actual	0.82%	$1,000.00	$1,088.61	$4.26
	Hypothetical (h)	0.82%	$1,000.00	$1,020.79	$4.12
Service Class	Actual	1.07%	$1,000.00	$1,087.00	$5.55
	Hypothetical (h)	1.07%	$1,000.00	$1,019.54	$5.37

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 6/30/12 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.0%		
Aerospace – 3.8%		
Honeywell International, Inc.	134,600	$ 7,516,064
Precision Castparts Corp.	25,120	4,131,989
United Technologies Corp.	125,380	9,469,951
		$ 21,118,004
Alcoholic Beverages – 2.3%		
Diageo PLC	194,267	$ 4,995,809
Heineken N.V.	144,307	7,537,840
		$ 12,533,649
Apparel Manufacturers – 2.4%		
LVMH Moet Hennessy Louis Vuitton S.A.	34,147	$ 5,204,627
NIKE, Inc., "B"	43,560	3,823,697
VF Corp.	31,500	4,203,675
		$ 13,231,999
Automotive – 0.8%		
Bayerische Motoren Werke AG	41,860	$ 3,033,088
Delphi Automotive PLC (a)	49,150	1,253,325
		$ 4,286,413
Biotechnology – 1.4%		
Celgene Corp. (a)	37,010	$ 2,374,562
Gilead Sciences, Inc. (a)	110,610	5,672,081
		$ 8,046,643
Broadcasting – 3.4%		
Viacom, Inc., "B"	112,690	$ 5,298,684
Walt Disney Co.	284,260	13,786,610
		$ 19,085,294
Brokerage & Asset Managers – 2.6%		
BlackRock, Inc.	49,013	$ 8,323,388
Franklin Resources, Inc.	56,180	6,235,418
		$ 14,558,806
Business Services – 0.7%		
Accenture PLC, "A"	66,330	$ 3,985,770
Cable TV – 1.3%		
Comcast Corp., "A"	226,730	$ 7,248,558
Chemicals – 2.2%		
3M Co.	97,490	$ 8,735,104
Celanese Corp.	97,030	3,359,179
		$ 12,094,283
Computer Software – 3.7%		
Check Point Software Technologies Ltd. (a)	106,190	$ 5,265,962
Citrix Systems, Inc. (a)	21,560	1,809,746
Oracle Corp.	390,830	11,607,651
VeriSign, Inc. (a)	46,170	2,011,627
		$ 20,694,986
COMMON STOCKS – continued		
Computer Software – Systems – 6.6%		
Apple, Inc. (a)	44,280	$ 25,859,520
EMC Corp. (a)	413,860	10,607,232
		$ 36,466,752
Construction – 1.5%		
Sherwin-Williams Co.	26,590	$ 3,519,187
Stanley Black & Decker, Inc.	74,630	4,803,187
		$ 8,322,374
Consumer Products – 3.9%		
Colgate-Palmolive Co.	50,020	$ 5,207,082
Procter & Gamble Co.	180,680	11,066,650
Reckitt Benckiser Group PLC	98,720	5,202,641
		$ 21,476,373
Electrical Equipment – 2.6%		
Danaher Corp.	272,390	$ 14,186,071
Electronics – 2.8%		
Altera Corp.	144,810	$ 4,900,370
ASML Holding N.V.	55,283	2,842,652
Microchip Technology, Inc.	241,700	7,995,436
		$ 15,738,458
Energy – Independent – 2.7%		
EOG Resources, Inc.	72,470	$ 6,530,272
Occidental Petroleum Corp.	99,290	8,516,103
		$ 15,046,375
Energy – Integrated – 4.4%		
Chevron Corp.	97,010	$ 10,234,555
Exxon Mobil Corp.	167,400	14,324,418
		$ 24,558,973
Engineering – Construction – 0.8%		
Fluor Corp.	86,900	$ 4,287,646
Food & Beverages – 2.4%		
General Mills, Inc.	135,150	$ 5,208,681
Groupe Danone	131,103	8,132,115
		$ 13,340,796
General Merchandise – 2.9%		
Kohl's Corp.	118,480	$ 5,389,655
Target Corp.	182,240	10,604,546
		$ 15,994,201
Insurance – 1.8%		
ACE Ltd.	128,520	$ 9,527,188
Aon PLC	7,140	334,009
		$ 9,861,197

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Internet – 2.3%		
Facebook, Inc., "A " (a)	40,490	$ 1,260,049
Google, Inc., "A" (a)	20,110	11,665,208
		$ 12,925,257
Major Banks – 7.3%		
Bank of America Corp.	510,990	$ 4,179,898
Bank of New York Mellon Corp.	121,943	2,676,649
Goldman Sachs Group, Inc.	77,740	7,452,156
JPMorgan Chase & Co.	357,870	12,786,695
State Street Corp.	74,180	3,311,395
Wells Fargo & Co.	307,200	10,272,768
		$ 40,679,561
Medical Equipment – 6.1%		
Baxter International, Inc.	67,830	$ 3,605,164
Covidien PLC	172,060	9,205,210
Medtronic, Inc.	133,620	5,175,103
St. Jude Medical, Inc.	218,980	8,739,492
Thermo Fisher Scientific, Inc.	137,840	7,155,274
		$ 33,880,243
Network & Telecom – 1.1%		
Cisco Systems, Inc.	368,992	$ 6,335,593
Oil Services – 3.0%		
Cameron International Corp. (a)	98,540	$ 4,208,643
Dresser-Rand Group, Inc. (a)	85,100	3,790,354
National Oilwell Varco, Inc.	67,150	4,327,146
Schlumberger Ltd.	65,030	4,221,097
		$ 16,547,240
Other Banks & Diversified Financials – 4.4%		
American Express Co.	162,960	$ 9,485,902
MasterCard, Inc., "A"	15,650	6,731,221
Visa, Inc., "A"	68,430	8,460,001
		$ 24,677,124
Pharmaceuticals – 4.8%		
Johnson & Johnson	153,776	$ 10,389,107
Pfizer, Inc.	556,430	12,797,890
Teva Pharmaceutical Industries Ltd., ADR	95,010	3,747,194
		$ 26,934,191
Railroad & Shipping – 1.2%		
Canadian National Railway Co.	80,350	$ 6,779,933
Specialty Chemicals – 1.9%		
Linde AG	33,993	$ 5,294,681
Praxair, Inc.	49,330	5,363,651
		$ 10,658,332

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Stores – 0.7%		
Hennes & Mauritz AB, "B"	104,710	$ 3,764,623
Telecommunications – Wireless – 1.4%		
American Tower Corp., REIT	111,010	$ 7,760,709
Telephone Services – 1.2%		
AT&T, Inc.	181,670	$ 6,478,352
Tobacco – 2.3%		
Philip Morris International, Inc.	147,890	$ 12,904,881
Trucking – 1.2%		
United Parcel Service, Inc., "B"	81,070	$ 6,385,073
Utilities – Electric Power – 3.1%		
Alliant Energy Corp.	94,260	$ 4,295,428
American Electric Power Co., Inc.	139,460	5,564,454
CMS Energy Corp.	119,110	2,799,085
Wisconsin Energy Corp.	116,980	4,628,899
		$ 17,287,866
Total Common Stocks (Identified Cost, $481,527,309)		**$550,162,599**
MONEY MARKET FUNDS – 0.9%		
MFS Institutional Money Market Portfolio, 0.14%, at Cost and Net Asset Value (v)	4,836,278	$ 4,836,278
Total Investments (Identified Cost, $486,363,587)		**$554,998,877**
OTHER ASSETS, LESS LIABILITIES – 0.1%		**627,969**
Net Assets – 100.0%		**$555,626,846**

(a) Non-income producing security.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $481,527,309)	$550,162,599	
Underlying affiliated funds, at cost and value	4,836,278	
Total investments, at value (identified cost, $486,363,587)	$554,998,877	
Cash	25,023	
Receivables for		
Investments sold	5,080,218	
Fund shares sold	535,927	
Interest and dividends	484,050	
Other assets	2,719	
Total assets		$561,126,814
Liabilities		
Payables for		
Investments purchased	$4,345,837	
Fund shares reacquired	1,001,474	
Payable to affiliates		
Investment adviser	34,016	
Shareholder servicing costs	566	
Distribution and/or service fees	1,961	
Payable for independent Trustees' compensation	186	
Accrued expenses and other liabilities	115,928	
Total liabilities		$5,499,968
Net assets		$555,626,846
Net assets consist of		
Paid-in capital	$499,795,359	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	68,633,221	
Accumulated net realized gain (loss) on investments and foreign currency	(20,768,288)	
Undistributed net investment income	7,966,554	
Net assets		$555,626,846
Shares of beneficial interest outstanding		26,326,574

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$457,120,503	21,632,857	$21.13
Service Class	98,506,343	4,693,717	20.99

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/12

Net investment income		
Income		
Dividends	$5,515,427	
Interest	67,732	
Dividends from underlying affiliated funds	2,531	
Foreign taxes withheld	(150,062)	
Total investment income		$5,435,628
Expenses		
Management fee	$2,160,842	
Distribution and/or service fees	112,801	
Shareholder servicing costs	30,015	
Administrative services fee	48,109	
Independent Trustees' compensation	9,263	
Custodian fee	32,931	
Shareholder communications	45,094	
Audit and tax fees	24,871	
Legal fees	4,443	
Miscellaneous	16,231	
Total expenses		$2,484,600
Reduction of expenses by investment adviser	(1,487)	
Net expenses		$2,483,113
Net investment income		$2,952,515
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$25,165,144	
Foreign currency	(4,876)	
Net realized gain (loss) on investments and foreign currency		$25,160,268
Change in unrealized appreciation (depreciation)		
Investments	$21,593,274	
Translation of assets and liabilities in foreign currencies	(634)	
Net unrealized gain (loss) on investments and foreign currency translation		$21,592,640
Net realized and unrealized gain (loss) on investments and foreign currency		$46,752,908
Change in net assets from operations		$49,705,423

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/12 (unaudited)	Year ended 12/31/11
Change in net assets		
From operations		
Net investment income	$2,952,515	$5,031,290
Net realized gain (loss) on investments and foreign currency	25,160,268	23,627,753
Net unrealized gain (loss) on investments and foreign currency translation	21,592,640	(39,378,834)
Change in net assets from operations	$49,705,423	$(10,719,791)
Distributions declared to shareholders		
From net investment income	$—	$(5,466,481)
Change in net assets from fund share transactions	$(58,971,042)	$(84,509,302)
Total change in net assets	$(9,265,619)	$(100,695,574)
Net assets		
At beginning of period	564,892,465	665,588,039
At end of period (including undistributed net investment income of $7,966,554 and $5,014,039, respectively)	$555,626,846	$564,892,465

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$19.41	$20.04	$18.24	$14.64	$23.52	$21.69
Income (loss) from investment operations						
Net investment income (d)	$0.11	$0.17	$0.16	$0.19	$0.24	$0.17
Net realized and unrealized gain (loss) on investments and foreign currency	1.61	(0.61)	1.86	3.67	(7.54)	2.04
Total from investment operations	$1.72	$(0.44)	$2.02	$3.86	$(7.30)	$2.21
Less distributions declared to shareholders						
From net investment income	$—	$(0.19)	$(0.22)	$(0.26)	$(0.17)	$(0.19)
From net realized gain on investments	—	—	—	—	(1.41)	(0.19)
Total distributions declared to shareholders	$—	$(0.19)	$(0.22)	$(0.26)	$(1.58)	$(0.38)
Net asset value, end of period (x)	$21.13	$19.41	$20.04	$18.24	$14.64	$23.52
Total return (%) (k)(r)(s)(x)	8.86(n)	(2.18)	11.10	26.90	(33.08)	10.31
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.82(a)	0.82	0.83	0.86	0.84	0.85
Expenses after expense reductions (f)	0.82(a)	0.82	0.83	0.86	0.84	0.85
Net investment income	1.07(a)	0.84	0.87	1.25	1.25	0.74
Portfolio turnover	17(n)	22	22	34	29	37
Net assets at end of period (000 omitted)	$457,121	$486,500	$603,279	$636,809	$560,356	$917,158

Service Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$19.31	$19.95	$18.16	$14.56	$23.39	$21.57
Income (loss) from investment operations						
Net investment income (d)	$0.08	$0.12	$0.11	$0.15	$0.19	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	1.60	(0.61)	1.86	3.65	(7.51)	2.03
Total from investment operations	$1.68	$(0.49)	$1.97	$3.80	$(7.32)	$2.14
Less distributions declared to shareholders						
From net investment income	$—	$(0.15)	$(0.18)	$(0.20)	$(0.10)	$(0.13)
From net realized gain on investments	—	—	—	—	(1.41)	(0.19)
Total distributions declared to shareholders	$—	$(0.15)	$(0.18)	$(0.20)	$(1.51)	$(0.32)
Net asset value, end of period (x)	$20.99	$19.31	$19.95	$18.16	$14.56	$23.39
Total return (%) (k)(r)(s)(x)	8.70(n)	(2.42)	10.88	26.56	(33.25)	10.03
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.07(a)	1.07	1.08	1.11	1.09	1.11
Expenses after expense reductions (f)	1.07(a)	1.07	1.08	1.11	1.09	1.11
Net investment income	0.80(a)	0.60	0.63	0.99	1.00	0.49
Portfolio turnover	17(n)	22	22	34	29	37
Net assets at end of period (000 omitted)	$98,506	$78,392	$62,309	$46,267	$38,259	$65,180

See Notes to Financial Statements

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Investors Trust Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

In this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$488,361,433	$—	$—	$488,361,433
France	8,132,115	5,204,627	—	13,336,742
Netherlands	2,842,652	7,537,841	—	10,380,493
United Kingdom	10,198,450	—	—	10,198,450
Israel	9,013,157	—	—	9,013,157
Germany	—	8,327,768	—	8,327,768
Canada	6,779,933	—	—	6,779,933
Sweden	—	3,764,623	—	3,764,623
Mutual Funds	4,836,278	—	—	4,836,278
Total Investments	$530,164,018	$24,834,859	$—	$554,998,877

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $5,294,681 would have been considered level 1 investments at the beginning of the period. Of the level 1 investments presented above, equity investments amounting to $5,502,641 would have been considered level 2 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. For the six months ended June 30, 2012, custody fees were not reduced.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/11
Ordinary income (including any short-term capital gains)	$5,466,481

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/12	
Cost of investments	$487,547,111
Gross appreciation	96,259,957
Gross depreciation	(28,808,191)
Net unrealized appreciation (depreciation)	$67,451,766
As of 12/31/11	
Undistributed ordinary income	5,014,039
Capital loss carryforwards	(44,745,032)
Other temporary differences	(1,435)
Net unrealized appreciation (depreciation)	45,858,492

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011 the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/17	$(44,745,032)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/12	**Year ended 12/31/11**
Initial Class	$—	$4,901,513
Service Class	—	564,968
Total	$—	$5,466,481

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The investment adviser has agreed in writing to reduce its management fee to 0.60% of average daily net assets in excess of $2.5 billion. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2014. For the six months ended June 30, 2012, the fund's average daily net assets did not exceed $2.5 billion and therefore, the management fee was not reduced.

The management fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2012, the fee was $29,559, which equated to 0.0103% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2012, these costs amounted to $456.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.0167% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended June 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $3,007 and are included in "Miscellaneous" expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $1,487, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

Notes to Financial Statements (unaudited) – continued

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $98,615,584 and $155,768,276, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/12		Year ended 12/31/11	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	317,036	$6,779,313	956,445	$17,827,008
Service Class	1,083,079	22,735,510	1,634,433	32,550,264
	1,400,115	$29,514,823	2,590,878	$50,377,272
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	258,655	$4,901,513
Service Class	—	—	29,956	564,968
	—	$—	288,611	$5,466,481
Shares reacquired				
Initial Class	(3,742,523)	$(79,021,464)	(6,254,861)	$(125,918,742)
Service Class	(449,846)	(9,464,401)	(727,691)	(14,434,313)
	(4,192,369)	$(88,485,865)	(6,982,552)	$(140,353,055)
Net change				
Initial Class	(3,425,487)	$(72,242,151)	(5,039,761)	$(103,190,221)
Service Class	633,233	13,271,109	936,698	18,680,919
	(2,792,254)	$(58,971,042)	(4,103,063)	$(84,509,302)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2012, the fund's commitment fee and interest expense were $2,067 and $0, respectively, and are included in "Miscellaneous" expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	3,692,509	63,271,060	(62,127,291)	4,836,278

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$2,531	$4,836,278

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS will be available on or about November 1, 2012 by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site (*mfs.com*).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov*, and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

MFS®

SEMIANNUAL REPORT
June 30, 2012

MFS® CORE EQUITY SERIES

MFS® Variable Insurance Trust

VVS-SEM

MFS® CORE EQUITY SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE •
NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis. A slowing in the Chinese economy has added another layer of trepidation, as investors worry that the primary engine of global growth may be sputtering.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning of our investment process in all business climates. Real-time collaboration across the globe is vital in periods of heightened volatility and economic uncertainty. At MFS our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

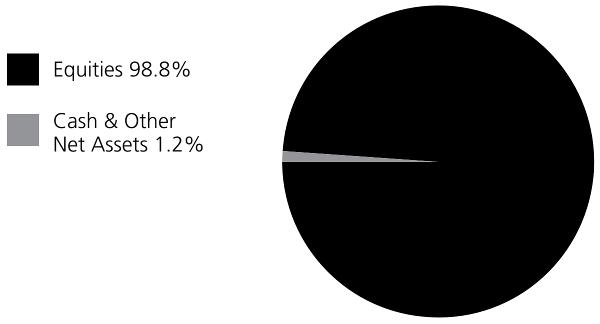
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

August 16, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	5.2%
Exxon Mobil Corp.	4.7%
JPMorgan Chase & Co.	2.1%
Danaher Corp.	2.0%
Philip Morris International, Inc.	1.7%
Target Corp.	1.7%
Pfizer, Inc.	1.7%
ACE Ltd.	1.5%
Google, Inc., "A"	1.3%
AT&T, Inc.	1.3%

Equity sectors

Technology	17.2%
Financial Services	16.3%
Health Care	10.8%
Energy	10.1%
Industrial Goods & Services	7.9%
Consumer Staples	7.7%
Retailing	7.1%
Utilities & Communications	7.0%
Leisure	5.5%
Basic Materials	3.2%
Special Products & Services	2.6%
Transportation	2.0%
Autos & Housing	1.4%

Percentages are based on net assets as of 6/30/12.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2012 through June 30, 2012

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (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.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table 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 the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/12	Ending Account Value 6/30/12	Expenses Paid During Period (p) 1/01/12-6/30/12
Initial Class	Actual	0.90%	$1,000.00	$1,079.58	$4.65
	Hypothetical (h)	0.90%	$1,000.00	$1,020.39	$4.52
Service Class	Actual	1.15%	$1,000.00	$1,077.88	$5.94
	Hypothetical (h)	1.15%	$1,000.00	$1,019.14	$5.77

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 6/30/12 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 98.1%		
Aerospace – 2.5%		
Embraer S.A., ADR	3,590	$ 95,234
Honeywell International, Inc.	7,630	426,059
Lockheed Martin Corp.	2,030	176,772
Precision Castparts Corp.	1,910	314,176
Textron, Inc.	3,350	83,315
United Technologies Corp.	5,260	397,288
		$ 1,492,844
Apparel Manufacturers – 1.2%		
Guess?, Inc.	8,710	$ 264,523
NIKE, Inc., "B"	2,950	258,951
VF Corp.	1,240	165,478
		$ 688,952
Automotive – 1.0%		
Delphi Automotive PLC (a)	15,410	$ 392,955
General Motors Co. (a)	8,980	177,086
		$ 570,041
Biotechnology – 1.7%		
Amgen, Inc.	1,510	$ 110,290
Celgene Corp. (a)	4,010	257,282
Gilead Sciences, Inc. (a)	6,930	355,370
ViroPharma, Inc. (a)	10,590	250,983
		$ 973,925
Broadcasting – 2.2%		
News Corp., "A"	27,610	$ 615,427
Walt Disney Co.	14,320	694,520
		$ 1,309,947
Brokerage & Asset Managers – 1.2%		
BlackRock, Inc.	1,373	$ 233,163
CME Group, Inc.	450	120,650
Franklin Resources, Inc.	880	97,671
FXCM, Inc. "A"	7,450	87,612
GFI Group, Inc.	26,440	94,126
NASDAQ OMX Group, Inc.	3,511	79,594
		$ 712,816
Business Services – 1.7%		
Accenture PLC, "A"	3,900	$ 234,351
Automatic Data Processing, Inc.	5,140	286,092
FleetCor Technologies, Inc. (a)	9,340	327,274
Global Payments, Inc.	3,390	146,550
		$ 994,267
Cable TV – 1.3%		
Comcast Corp., "Special A"	13,950	$ 438,030
Time Warner Cable, Inc.	4,210	345,641
		$ 783,671
Chemicals – 0.5%		
Celanese Corp.	7,970	$ 275,921

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – 4.5%		
Autodesk, Inc. (a)	7,700	$ 269,423
Check Point Software Technologies Ltd. (a)	6,380	316,384
Citrix Systems, Inc. (a)	6,070	509,516
Microsoft Corp.	5,720	174,975
Oracle Corp.	21,920	651,024
Red Hat, Inc. (a)	3,070	173,394
Salesforce.com, Inc. (a)	1,710	236,425
SolarWinds, Inc. (a)	6,580	286,625
		$ 2,617,766
Computer Software – Systems – 7.7%		
Apple, Inc. (a)(s)	5,200	$ 3,036,800
EMC Corp. (a)	22,550	577,957
Hewlett-Packard Co.	19,580	393,754
International Business Machines Corp.	1,170	228,829
NICE Systems Ltd., ADR (a)	5,020	183,732
ServiceSource International, Inc. (a)	8,290	114,817
		$ 4,535,889
Construction – 0.4%		
Mohawk Industries, Inc. (a)	950	$ 66,339
Stanley Black & Decker, Inc.	2,750	176,990
		$ 243,329
Consumer Products – 1.9%		
Colgate-Palmolive Co.	5,880	$ 612,108
International Flavors & Fragrances, Inc.	4,250	232,900
Newell Rubbermaid, Inc.	13,480	244,527
Nu Skin Enterprises, Inc., "A"	940	44,086
		$ 1,133,621
Consumer Services – 0.9%		
DeVry, Inc.	7,110	$ 220,197
Priceline.com, Inc. (a)	440	292,389
		$ 512,586
Containers – 0.8%		
Silgan Holdings, Inc.	11,200	$ 478,128
Electrical Equipment – 2.6%		
AMETEK, Inc.	3,530	$ 176,182
Danaher Corp.	23,060	1,200,965
Sensata Technologies Holding B.V. (a)	6,330	169,517
		$ 1,546,664
Electronics – 2.3%		
Altera Corp.	11,450	$ 387,468
ASML Holding N.V.	5,390	277,154
KLA-Tencor Corp.	1,940	95,545
Linear Technology Corp.	5,890	184,534
Microchip Technology, Inc.	12,830	424,416
		$ 1,369,117

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Energy – Independent – 3.2%		
Cabot Oil & Gas Corp.	6,400	$ 252,160
Concho Resources, Inc. (a)	1,270	108,102
CONSOL Energy, Inc.	1,670	50,501
EOG Resources, Inc.	1,460	131,561
EQT Corp.	4,620	247,771
Noble Energy, Inc.	3,870	328,253
Occidental Petroleum Corp.	3,370	289,045
Peabody Energy Corp.	1,830	44,872
Pioneer Natural Resources Co.	3,070	270,805
SM Energy Co.	1,814	89,086
WPX Energy, Inc. (a)	2,570	41,583
		$ 1,853,739
Energy – Integrated – 5.3%		
Chevron Corp.	3,460	$ 365,030
Exxon Mobil Corp. (s)	32,230	2,757,921
		$ 3,122,951
Engineering – Construction – 0.4%		
Fluor Corp.	4,580	$ 225,977
Food & Beverages – 3.3%		
Coca-Cola Enterprises, Inc.	5,680	$ 159,267
General Mills, Inc.	15,270	588,506
J.M. Smucker Co.	2,930	221,274
Kraft Foods, Inc., “A”	17,230	665,423
Mead Johnson Nutrition Co., “A”	3,800	305,938
		$ 1,940,408
Food & Drug Stores – 1.0%		
CVS Caremark Corp.	10,070	$ 470,571
Kroger Co.	4,690	108,761
		$ 579,332
Gaming & Lodging – 0.6%		
Las Vegas Sands Corp.	3,530	$ 153,520
Royal Caribbean Cruises Ltd.	6,960	181,169
		$ 334,689
General Merchandise – 1.7%		
Target Corp.	17,500	$ 1,018,325
Health Maintenance Organizations – 0.7%		
Aetna, Inc.	9,760	$ 378,395
UnitedHealth Group, Inc.	540	31,590
		$ 409,985
Insurance – 3.5%		
ACE Ltd.	11,930	$ 884,371
Aflac, Inc.	1,120	47,701
American International Group, Inc. (a)	1,040	33,374
Aon PLC	4,130	193,201
Chubb Corp.	2,710	197,342
Everest Re Group Ltd.	3,620	374,634
MetLife, Inc.	4,950	152,708
Prudential Financial, Inc.	3,280	158,850
		$ 2,042,181

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Internet – 1.8%		
eBay, Inc. (a)	6,510	$ 273,485
Google, Inc., “A” (a)	1,330	771,493
		$ 1,044,978
Leisure & Toys – 0.2%		
Activision Blizzard, Inc.	5,550	$ 66,545
Brunswick Corp.	2,780	61,772
		$ 128,317
Machinery & Tools – 2.2%		
Allison Transmission Holdings, Inc.	3,750	$ 65,850
Eaton Corp.	5,790	229,458
Gardner Denver, Inc.	2,160	114,286
Joy Global, Inc.	4,600	260,958
Kennametal, Inc.	7,650	253,598
Polypore International, Inc. (a)	3,180	128,440
Roper Industries, Inc.	2,490	245,464
		$ 1,298,054
Major Banks – 4.6%		
Goldman Sachs Group, Inc.	4,470	$ 428,494
JPMorgan Chase & Co. (s)	35,160	1,256,267
PNC Financial Services Group, Inc.	10,100	617,211
State Street Corp.	9,460	422,294
		$ 2,724,266
Medical & Health Technology & Services – 1.2%		
AmerisourceBergen Corp.	4,750	$ 186,913
Cerner Corp. (a)	980	81,007
Express Scripts Holding Co. (a)	5,520	308,182
Henry Schein, Inc. (a)	1,240	97,328
Quest Diagnostics, Inc.	980	58,702
		$ 732,132
Medical Equipment – 2.3%		
Cooper Cos., Inc.	3,620	$ 288,731
Covidien PLC	8,320	445,120
Sirona Dental Systems, Inc. (a)	1,570	70,666
St. Jude Medical, Inc.	8,620	344,024
Thermo Fisher Scientific, Inc.	3,520	182,723
		$ 1,331,264
Metals & Mining – 0.5%		
Cliffs Natural Resources, Inc.	2,910	$ 143,434
Teck Resources Ltd., “B”	4,701	145,587
		$ 289,021
Natural Gas – Distribution – 0.5%		
Spectra Energy Corp.	9,980	$ 290,019
Natural Gas – Pipeline – 0.1%		
Kinder Morgan, Inc.	2,156	$ 69,466
Network & Telecom – 0.9%		
Acme Packet, Inc. (a)	1,000	$ 18,650
F5 Networks, Inc. (a)	1,360	135,402
Finisar Corp. (a)	9,300	139,128

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Network & Telecom – continued		
Fortinet, Inc. (a)	8,070	$ 187,385
Juniper Networks, Inc. (a)	4,220	68,828
		$ 549,393
Oil Services – 1.6%		
Cameron International Corp. (a)	6,140	$ 262,239
Dresser-Rand Group, Inc. (a)	4,020	179,051
FMC Technologies, Inc. (a)	2,810	110,236
Lufkin Industries, Inc.	790	42,913
Schlumberger Ltd.	4,340	281,709
Transocean, Inc.	1,830	81,856
		$ 958,004
Other Banks & Diversified Financials – 3.7%		
American Express Co.	2,210	$ 128,644
CapitalSource, Inc.	23,400	157,248
CIT Group, Inc. (a)	11,930	425,185
EuroDekania Ltd. (a)(z)	50,820	107,283
Fifth Third Bancorp	26,430	354,162
First Republic Bank (a)	4,210	141,456
Visa, Inc., "A"	5,050	624,332
Western Union Co.	12,970	218,415
		$ 2,156,725
Pharmaceuticals – 4.9%		
Abbott Laboratories	9,990	$ 644,055
Auxilium Pharmaceuticals, Inc. (a)	730	19,630
Johnson & Johnson	7,280	491,837
Merck & Co., Inc.	15,550	649,213
Pfizer, Inc.	42,249	971,727
Teva Pharmaceutical Industries Ltd., ADR	3,260	128,574
		$ 2,905,036
Pollution Control – 0.2%		
Waste Connections, Inc.	3,360	$ 100,531
Precious Metals & Minerals – 0.3%		
Goldcorp, Inc.	4,730	$ 177,753
Printing & Publishing – 0.4%		
Moody's Corp.	5,960	$ 217,838
Railroad & Shipping – 0.8%		
Union Pacific Corp.	4,160	$ 496,330
Real Estate – 3.3%		
Atrium European Real Estate Ltd.	24,270	$ 114,009
BioMed Realty Trust, Inc., REIT	20,750	387,610
Mid-America Apartment Communities, Inc., REIT	7,160	488,598
Public Storage, Inc., REIT	3,330	480,885
Tanger Factory Outlet Centers, Inc., REIT	15,240	488,442
		$ 1,959,544
Restaurants – 0.8%		
YUM! Brands, Inc.	7,730	$ 497,967

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Chemicals – 1.1%		
Airgas, Inc.	3,300	$ 277,233
Albemarle Corp.	2,960	176,534
Chemtura Corp. (a)	8,820	127,890
Ferro Corp. (a)	11,960	57,408
		$ 639,065
Specialty Stores – 3.2%		
American Eagle Outfitters, Inc.	12,810	$ 252,741
Children's Place Retail Store, Inc. (a)	4,500	224,235
Gap, Inc.	7,130	195,077
PetSmart, Inc.	7,270	495,669
rue21, Inc. (a)	7,410	187,028
Tiffany & Co.	3,840	203,328
Urban Outfitters, Inc. (a)	10,690	294,937
		$ 1,853,015
Telecommunications – Wireless – 0.7%		
American Tower Corp., REIT	3,680	$ 257,269
SBA Communications Corp. (a)	2,650	151,183
		$ 408,452
Telephone Services – 2.4%		
AT&T, Inc.	20,780	$ 741,015
CenturyLink, Inc.	3,522	139,084
Verizon Communications, Inc.	12,050	535,502
		$ 1,415,601
Tobacco – 2.5%		
Lorillard, Inc.	3,410	$ 449,950
Philip Morris International, Inc.	11,720	1,022,687
		$ 1,472,637
Trucking – 1.2%		
Expeditors International of Washington, Inc.	9,520	$ 368,900
Swift Transportation Co. (a)	35,550	335,948
		$ 704,848
Utilities – Electric Power – 2.6%		
AES Corp. (a)	14,290	$ 183,341
American Electric Power Co., Inc.	5,310	211,869
Calpine Corp. (a)	12,240	202,082
CMS Energy Corp.	11,550	271,425
Edison International	4,240	195,888
Great Plains Energy, Inc.	11,090	237,437
PG&E Corp.	4,460	201,904
		$ 1,503,946
Total Common Stocks (Identified Cost, $53,699,917)		**$57,691,273**
CONVERTIBLE PREFERRED STOCKS – 0.7%		
Utilities – Electric Power – 0.7%		
PPL Corp., 9.5%	3,660	$ 193,614
PPL Corp., 8.75%	3,270	174,847
Total Convertible Preferred Stocks (Identified Cost, $352,234)		**$ 368,461**

Portfolio of Investments (unaudited) – continued

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.0%				
Natural Gas – Pipeline – 0.0%				
Kinder Morgan, Inc. (1 share for 1 warrant) (Identified Cost, $6,241)(a)	$40	2/15/17	3,276	$ 7,076

Issuer	Shares/Par	Value ($)
MONEY MARKET FUNDS - 0.5%		
MFS Institutional Money Market Portfolio, 0.14%, at Cost and Net Asset Value (v)	295,172	$ 295,172
Total Investments (Identified Cost, $54,353,564)		**$58,361,982**
OTHER ASSETS, LESS LIABILITIES – 0.7%		**435,860**
Net Assets – 100.0%		**$58,797,842**

(a) Non-income producing security.

(s) Security or a portion of the security was pledged to cover collateral requirements for securities sold short and/or certain derivative transactions. At June 30, 2012, the fund had no short sales outstanding.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
EuroDekania Ltd.	6/25/07	$737,167	$107,283
% of Net assets			0.2%

At June 30, 2012, the fund had liquid securities with an aggregate value of $593,809 to cover any commitments for securities sold short and/or certain derivatives contracts.

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt
PLC Public Limited Company
REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $54,058,392)	$58,066,810	
Underlying affiliated funds, at cost and value	295,172	
Total investments, at value (identified cost, $54,353,564)	$58,361,982	
Foreign currency, at value (identified cost, $4,622)	4,535	
Receivables for		
Investments sold	724,548	
Fund shares sold	2,029	
Interest and dividends	66,228	
Receivable from investment adviser	1,493	
Other assets	405	
Total assets		$59,161,220
Liabilities		
Payables for		
Investments purchased	$225,759	
Fund shares reacquired	87,643	
Payable to affiliates		
Shareholder servicing costs	149	
Distribution and/or service fees	68	
Payable for independent Trustees' compensation	16	
Accrued expenses and other liabilities	49,743	
Total liabilities		$363,378
Net assets		$58,797,842
Net assets consist of		
Paid-in capital	$73,296,420	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	4,008,332	
Accumulated net realized gain (loss) on investments and foreign currency	(19,194,581)	
Undistributed net investment income	687,671	
Net assets		$58,797,842
Shares of beneficial interest outstanding		3,554,508

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$55,379,506	3,346,976	$16.55
Service Class	3,418,336	207,532	16.47

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/12

Net investment income		
Income		
Dividends	$519,720	
Interest	610	
Dividends from underlying affiliated funds	319	
Foreign taxes withheld	(1,677)	
Total investment income		$518,972
Expenses		
Management fee	$226,704	
Distribution and/or service fees	4,431	
Shareholder servicing costs	3,364	
Administrative services fee	9,507	
Independent Trustees' compensation	1,555	
Custodian fee	8,566	
Shareholder communications	15,590	
Audit and tax fees	25,951	
Legal fees	541	
Interest expense on securities sold short	22	
Miscellaneous	6,098	
Total expenses		$302,329
Reduction of expenses by investment adviser	(25,645)	
Net expenses		$276,684
Net investment income		$242,288
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$2,178,990	
Written options	5,827	
Securities sold short	(6,437)	
Foreign currency	58	
Net realized gain (loss) on investments and foreign currency		$2,178,438
Change in unrealized appreciation (depreciation)		
Investments	$2,177,958	
Written options	(1,151)	
Translation of assets and liabilities in foreign currencies	(106)	
Net unrealized gain (loss) on investments and foreign currency translation		$2,176,701
Net realized and unrealized gain (loss) on investments and foreign currency		$4,355,139
Change in net assets from operations		$4,597,427

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/12 (unaudited)	Year ended 12/31/11
Change in net assets		
From operations		
Net investment income	$242,288	$447,180
Net realized gain (loss) on investments and foreign currency	2,178,438	3,839,546
Net unrealized gain (loss) on investments and foreign currency translation	2,176,701	(4,723,782)
Change in net assets from operations	$4,597,427	$(437,056)
Distributions declared to shareholders		
From net investment income	$—	$(586,002)
Change in net assets from fund share transactions	$(3,807,658)	$(8,193,687)
Total change in net assets	$789,769	$(9,216,745)
Net assets		
At beginning of period	58,008,073	67,224,818
At end of period (including undistributed net investment income of $687,671 and $445,383, respectively)	$58,797,842	$58,008,073

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$15.33	$15.65	$13.49	$10.38	$17.18	$15.51
Income (loss) from investment operations						
Net investment income (d)	$0.07	$0.11	$0.13	$0.14	$0.16	$0.09
Net realized and unrealized gain (loss) on investments and foreign currency	1.15	(0.28)	2.18	3.16	(6.85)	1.64
Total from investment operations	$1.22	$(0.17)	$2.31	$3.30	$(6.69)	$1.73
Less distributions declared to shareholders						
From net investment income	$—	$(0.15)	$(0.15)	$(0.19)	$(0.11)	$(0.06)
Net asset value, end of period (x)	$16.55	$15.33	$15.65	$13.49	$10.38	$17.18
Total return (%) (k)(r)(s)(x)	7.96(n)	(1.02)	17.21	32.43	(39.15)	11.15
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.99(a)	1.00	1.01	1.01	0.95	1.03
Expenses after expense reductions (f)	0.90(a)	0.91	0.91	0.90	0.90	0.90
Net investment income	0.82(a)	0.72	0.93	1.20	1.13	0.53
Portfolio turnover	37(n)	68	69	90	109	151
Net assets at end of period (000 omitted)	$55,380	$54,471	$62,602	$61,856	$54,049	$115,251
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.90(a)	0.90	0.90	0.90	N/A	N/A

See Notes to Financial Statements

Service Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$15.28	$15.59	$13.45	$10.32	$17.07	$15.41
Income (loss) from investment operations						
Net investment income (d)	$0.05	$0.07	$0.09	$0.11	$0.12	$0.04
Net realized and unrealized gain (loss) on investments and foreign currency	1.14	(0.27)	2.17	3.17	(6.81)	1.63
Total from investment operations	$1.19	$(0.20)	$2.26	$3.28	$(6.69)	$1.67
Less distributions declared to shareholders						
From net investment income	$—	$(0.11)	$(0.12)	$(0.15)	$(0.06)	$(0.01)
Net asset value, end of period (x)	$16.47	$15.28	$15.59	$13.45	$10.32	$17.07
Total return (%) (k)(r)(s)(x)	7.79(n)	(1.28)	16.86	32.24	(39.32)	10.87
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.24(a)	1.25	1.26	1.26	1.20	1.27
Expenses after expense reductions (f)	1.15(a)	1.16	1.16	1.15	1.15	1.15
Net investment income	0.57(a)	0.47	0.67	0.95	0.87	0.25
Portfolio turnover	37(n)	68	69	90	109	151
Net assets at end of period (000 omitted)	$3,418	$3,537	$4,623	$4,783	$4,571	$9,288
Supplemental Ratios (%):						
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.15(a)	1.15	1.15	1.15	N/A	N/A

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Enron Corp, the Initial Class and Service Class total returns for the year end December 31, 2008 would have each been lower by approximately 0.87%.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS Core Equity Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued.

In this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of June 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$56,521,089	$—	$—	$56,521,089
Israel	628,691	—	—	628,691
Canada	323,341	—	—	323,341
Netherlands	277,154	—	—	277,154
Austria	—	114,009	—	114,009
United Kingdom	—	—	107,283	107,283
Brazil	95,243	—	—	95,243
Mutual Funds	295,172	—	—	295,172
Total Investments	$58,140,690	$114,009	$107,283	$58,361,982

For further information regarding security characteristics, see the Portfolio of Investments.

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. The fund's policy is to recognize transfers between the levels as of the end of the period. The table presents the activity of level 3 securities held at the beginning and the end of the period.

	Equity Securities
Balance as of 12/31/11	$127,787
Change in unrealized appreciation (depreciation)	(20,504)
Balance as of 6/30/12	$107,283

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at June 30, 2012 is $(20,504).

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were written options and purchased options. At June 30, 2012, the fund did not have any outstanding derivative instruments.

Notes to Financial Statements (unaudited) – continued

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)	Written Options
Equity	$(3,917)	$5,827

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Written Options
Equity	$(1,151)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as "Restricted cash." Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Written Options – In exchange for a premium, the fund wrote call options on securities that it anticipated the price would decline and also wrote put options on securities that it anticipated the price would increase. At the time the option was written, the fund believed the premium received exceeded the potential loss that could result from adverse price changes in the options' underlying securities. In a written option, the fund as the option writer grants the buyer the right to purchase from, or sell to, the fund a specified number of shares or units of a particular security, currency or index at a specified price within a specified period of time.

The premium received is initially recorded as a liability on the Statement of Assets and Liabilities. The option is subsequently marked-to-market daily with the difference between the premium received and the market value of the written option being recorded as unrealized appreciation or depreciation. When a written option expires, the fund realizes a gain equal to the amount of the premium received. The difference between the premium received and the amount paid on effecting a closing transaction is considered a realized gain or loss. When a written call option is exercised, the premium received is offset against the proceeds to determine the realized gain or loss. When a written put option is exercised, the premium reduces the cost basis of the security purchased by the fund.

At the initiation of the written option contract, for exchange traded options, the fund is required to deposit securities or cash as collateral with the custodian for the benefit of the broker. For over-the-counter options, the fund may post collateral subject to the terms of an ISDA Master Agreement as generally described above if the market value of the options contract moves against it. The fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option. Losses from writing options can exceed the premium received and can exceed the potential loss from an ordinary buy and sell transaction. Although the fund's market risk may be significant, the maximum counterparty credit risk to the fund is equal to the market value of any collateral posted to the broker. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above.

Written Options

	Number of contracts	Premiums received
Outstanding, beginning of period	16	$1,711
Options written	31	4,784
Options closed	(4)	(3,100)
Options expired	(43)	(3,395)
Outstanding, end of period	—	$—

Purchased Options – The fund purchased put options for a premium. Purchased put options entitle the holder to sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Short Sales – The fund entered into short sales whereby it sells a security it does not own in anticipation of a decline in the value of that security. The fund will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the fund replaces the borrowed security. Losses from short sales can exceed the proceeds of the security sold; and they can also exceed the potential loss from an ordinary buy and sell transaction. The amount of any premium, dividends, or interest the fund may be required to pay in connection with a short sale will be recognized as a fund expense. During the six months ended June 30, 2012, this expense amounted to $22. The fund segregates cash or marketable securities in an amount that, when combined with the amount of proceeds from the short sale deposited with the broker, at least equals the current market value of the security sold short. At June 30, 2012, the fund had no short sales outstanding.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in "Interest" income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. For the six months ended June 30, 2012, custody fees were not reduced.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/11
Ordinary income (including any short-term capital gains)	$586,002

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/12	
Cost of investments	$54,387,791
Gross appreciation	7,832,824
Gross depreciation	(3,858,633)
Net unrealized appreciation (depreciation)	$3,974,191
As of 12/31/11	
Undistributed ordinary income	445,383
Capital loss carryforwards	(21,325,098)
Other temporary differences	(12,525)
Net unrealized appreciation (depreciation)	1,796,235

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(12,320,793)
12/31/17	(9,004,305)
Total	$(21,325,098)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/12	**Year ended 12/31/11**
Initial Class	$—	$560,229
Service Class	—	25,773
Total	$—	$586,002

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that total annual operating expenses do not exceed 0.90% of average daily net assets for the Initial Class shares and 1.15% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2014. For the six months ended June 30, 2012, this reduction amounted to $25,490 and is reflected as a reduction of total expenses in the Statement of Operations.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2012, the fee was $3,100, which equated to 0.0103% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2012, these costs amounted to $264.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.0314% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended June 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $312 and are included in "Miscellaneous" expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $155 which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $22,117,237 and $25,899,486, respectively.

Notes to Financial Statements (unaudited) – continued

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/12		Year ended 12/31/11	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	197,202	$3,258,310	432,255	$6,792,348
Service Class	6,378	105,362	22,622	357,190
	203,580	$3,363,672	454,877	$7,149,538
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	38,215	$560,229
Service Class	—	—	1,762	25,773
	—	$—	39,977	$586,002
Shares reacquired				
Initial Class	(403,399)	$(6,670,823)	(917,874)	$(14,513,082)
Service Class	(30,326)	(500,507)	(89,506)	(1,416,145)
	(433,725)	$(7,171,330)	(1,007,380)	$(15,929,227)
Net change				
Initial Class	(206,197)	$(3,412,513)	(447,404)	$(7,160,505)
Service Class	(23,948)	(395,145)	(65,122)	(1,033,182)
	(230,145)	$(3,807,658)	(512,526)	$(8,193,687)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2012, the fund's commitment fee and interest expense were $212 and $0 respectively, and are included in "Miscellaneous" expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

Underlying Affiliated Fund	**Beginning Shares/Par Amount**	**Acquisitions Shares/Par Amount**	**Dispositions Shares/Par Amount**	**Ending Shares/Par Amount**
MFS Institutional Money Market Portfolio	284,156	7,559,403	(7,548,387)	295,172

Underlying Affiliated Fund	**Realized Gain (Loss)**	**Capital Gain Distributions**	**Dividend Income**	**Ending Value**
MFS Institutional Money Market Portfolio	$—	$—	$319	$295,172

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS will be available on or about November 1, 2012 by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site (*mfs.com*).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov*, and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

MFS®

SEMIANNUAL REPORT
June 30, 2012

MFS® HIGH INCOME SERIES

MFS® Variable Insurance Trust

VHI-SEM

MFS® HIGH INCOME SERIES

CONTENTS

The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

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NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis. A slowing in the Chinese economy has added another layer of trepidation, as investors worry that the primary engine of global growth may be sputtering.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning of our investment process in all business climates. Real-time collaboration across the globe is vital in periods of heightened volatility and economic uncertainty. At MFS our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

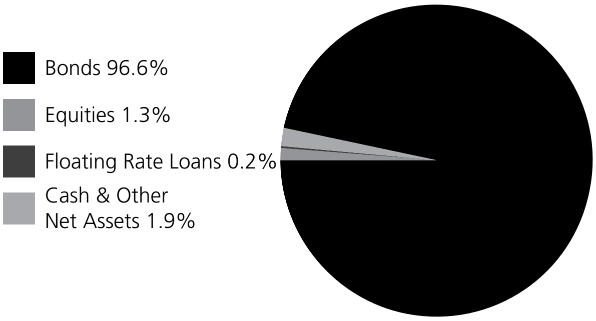
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

August 16, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top five industries (i)

Energy – Independent	8.5%
Medical & Health Technology & Services	6.0%
Broadcasting	5.8%
Utilities – Electric Power	5.2%
Gaming & Lodging	4.3%

Composition including fixed income credit quality (a)(i)

A	0.3%
BBB	5.8%
BB	32.4%
B	43.5%
CCC	14.2%
CC	0.1%
C	0.1%
D	0.1%
Not Rated	0.3%
Non-Fixed Income	1.3%
Cash & Other	1.9%

Portfolio facts (i)

Average Duration (d)	4.1
Average Effective Maturity (m)	7.1 yrs.

(a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.

(d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

(m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.

Percentages are based on net assets as of 6/30/12.

The portfolio is actively managed and current holdings may be different.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, January 1, 2012 through June 30, 2012

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (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.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period January 1, 2012 through June 30, 2012.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, 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 first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table 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 the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 1/01/12	Ending Account Value 6/30/12	Expenses Paid During Period (p) 1/01/12-6/30/12
Initial Class	Actual	0.80%	$1,000.00	$1,067.55	$4.11
	Hypothetical (h)	0.80%	$1,000.00	$1,020.89	$4.02
Service Class	Actual	1.05%	$1,000.00	$1,066.67	$5.40
	Hypothetical (h)	1.05%	$1,000.00	$1,019.64	$5.27

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 6/30/12 (unaudited)

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
BONDS – 94.7%		
Aerospace – 2.0%		
BE Aerospace, Inc., 8.5%, 2018	$ 410,000	$ 448,400
Bombardier, Inc., 7.5%, 2018 (n)	1,370,000	1,501,863
Bombardier, Inc., 7.75%, 2020 (n)	550,000	611,875
CPI International, Inc., 8%, 2018	1,040,000	937,300
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 386,000	356,592
Huntington Ingalls Industries, Inc., 7.125%, 2021	$ 1,090,000	1,139,050
Kratos Defense & Security Solutions, Inc., 10%, 2017	1,040,000	1,120,600
		$ 6,115,680
Apparel Manufacturers – 0.9%		
Hanesbrands, Inc., 8%, 2016	$ 230,000	$ 253,288
Hanesbrands, Inc., 6.375%, 2020	535,000	563,088
Jones Group, Inc., 6.875%, 2019	610,000	585,600
Levi Strauss & Co., 6.875%, 2022 (n)	165,000	169,331
Phillips-Van Heusen Corp., 7.375%, 2020	1,065,000	1,179,488
		$ 2,750,795
Asset-Backed & Securitized – 0.5%		
Arbor Realty Mortgage Securities, CDO, FRN, 2.765%, 2038 (z)	$ 568,229	$ 142,057
Citigroup Commercial Mortgage Trust, FRN, 5.888%, 2049	985,952	254,434
Crest Ltd., CDO, 7%, 2040 (a)(p)	972,241	48,612
CWCapital Cobalt Ltd., CDO, 6.23%, 2045 (a)(p)(z)	1,164,584	11,646
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.765%, 2050 (z)	521,248	10,425
First Union National Bank Commercial Mortgage Trust, 6.75%, 2032	726,303	392,360
G-Force LLC, CDO, "A2", 4.83%, 2036 (z)	572,913	547,132
JPMorgan Chase Commercial Mortgage Securities Corp., "C", FRN, 6.251%, 2051	750,000	171,789
		$ 1,578,455
Automotive – 3.4%		
Accuride Corp., 9.5%, 2018	$ 1,515,000	$ 1,560,450
Allison Transmission, Inc., 7.125%, 2019 (n)	900,000	938,250
Chrysler Group LLC/CG Co-Issuer, Inc., 8.25%, 2021	345,000	354,488
Ford Motor Co., 7.45%, 2031	320,000	400,800
Ford Motor Credit Co. LLC, 12%, 2015	1,926,000	2,393,055
Ford Motor Credit Co. LLC, 8.125%, 2020	395,000	482,460
General Motors Financial Co., Inc., 6.75%, 2018	905,000	989,278
Goodyear Tire & Rubber Co., 7%, 2022	425,000	424,469
IDQ Holdings, Inc., 11.5%, 2017 (z)	360,000	374,400
Jaguar Land Rover PLC, 7.75%, 2018 (n)	200,000	206,000
Jaguar Land Rover PLC, 8.125%, 2021 (n)	1,640,000	1,693,300
BONDS – continued		
Automotive – continued		
Lear Corp., 8.125%, 2020	$ 625,000	$ 700,000
		$ 10,516,950
Basic Industry – 0.3%		
Trimas Corp., 9.75%, 2017	$ 840,000	$ 924,000
Broadcasting – 5.4%		
Allbritton Communications Co., 8%, 2018	$ 490,000	$ 512,050
AMC Networks, Inc., 7.75%, 2021 (n)	631,000	695,678
Clear Channel Communications, Inc., 9%, 2021	763,000	663,810
Clear Channel Worldwide Holdings, Inc., 7.625%, 2020 (n)	535,000	522,963
Clear Channel Worldwide Holdings, Inc., "A", 7.625%, 2020 (n)	50,000	47,875
Hughes Network Systems LLC, 7.625%, 2021	645,000	701,438
Inmarsat Finance PLC, 7.375%, 2017 (n)	860,000	918,050
Intelsat Bermuda Ltd., 11.25%, 2017	1,735,000	1,787,050
Intelsat Bermuda Ltd., 11.5%, 2017 (p)	1,360,000	1,404,200
Intelsat Jackson Holdings Ltd., 11.25%, 2016	481,000	503,848
LBI Media, Inc., 8.5%, 2017 (z)	645,000	133,838
Liberty Media Corp., 8.5%, 2029	1,215,000	1,251,450
Liberty Media Corp., 8.25%, 2030	160,000	164,400
Local TV Finance LLC, 9.25%, 2015 (p)(z)	772,946	779,709
Newport Television LLC, 13%, 2017 (n)(p)	542,770	561,767
Nexstar Broadcasting Group, Inc., 8.875%, 2017	430,000	454,188
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	585,000	646,425
Sinclair Broadcast Group, Inc., 8.375%, 2018	175,000	190,750
SIRIUS XM Radio, Inc., 13%, 2013 (n)	300,000	334,500
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	595,000	669,375
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	835,000	897,625
Townsquare Radio LLC, 9%, 2019 (z)	410,000	428,450
Univision Communications, Inc., 6.875%, 2019 (n)	595,000	612,850
Univision Communications, Inc., 7.875%, 2020 (n)	820,000	877,400
Univision Communications, Inc., 8.5%, 2021 (n)	675,000	680,063
		$ 16,439,752
Brokerage & Asset Managers – 0.5%		
E*TRADE Financial Corp., 12.5%, 2017	$1,400,000	$ 1,604,750
Building – 2.0%		
Building Materials Holding Corp., 6.875%, 2018 (n)	$ 815,000	$ 865,938
Building Materials Holding Corp., 7%, 2020 (n)	480,000	517,200

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Building – continued		
Building Materials Holding Corp., 6.75%, 2021 (n)	$ 445,000	$ 476,150
CEMEX S.A., 9.25%, 2020	1,110,000	933,788
HD Supply, Inc., 8.125%, 2019 (n)	325,000	351,000
Masonite International Corp., 8.25%, 2021 (n)	960,000	988,800
Nortek, Inc., 8.5%, 2021	1,300,000	1,270,750
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 (z)	320,000	334,400
USG Corp., 7.875%, 2020 (n)	490,000	507,150
		$ 6,245,176
Business Services – 1.5%		
Ceridian Corp., 12.25%, 2015 (p)	$ 620,000	$ 601,400
Ceridian Corp., 8.875%, 2019 (z)	200,000	206,500
Fidelity National Information Services, Inc., 7.625%, 2017	425,000	468,563
Fidelity National Information Services, Inc., 5%, 2022 (n)	415,000	422,263
iGate Corp., 9%, 2016	1,072,000	1,147,040
Iron Mountain, Inc., 8.375%, 2021	1,170,000	1,269,450
SunGard Data Systems, Inc., 10.25%, 2015	139,000	142,823
SunGard Data Systems, Inc., 7.375%, 2018	315,000	337,838
		$ 4,595,877
Cable TV – 3.8%		
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	$ 270,000	$ 282,150
CCH II LLC, 13.5%, 2016	620,000	691,300
CCO Holdings LLC, 7.875%, 2018	1,135,000	1,234,313
CCO Holdings LLC, 8.125%, 2020	1,640,000	1,828,600
Cequel Communications Holdings, 8.625%, 2017 (n)	585,000	630,338
DISH DBS Corp., 6.75%, 2021	530,000	572,400
EchoStar Corp., 7.125%, 2016	825,000	905,438
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR 270,000	339,122
UPC Holding B.V., 9.875%, 2018 (n)	$ 685,000	750,075
UPCB Finance III Ltd., 6.625%, 2020 (n)	1,472,000	1,494,080
Videotron Ltee, 5%, 2022 (n)	530,000	537,950
Virgin Media Finance PLC, 9.5%, 2016	170,000	189,550
Virgin Media Finance PLC, 8.375%, 2019	120,000	134,850
Virgin Media Finance PLC, 5.25%, 2022	1,020,000	1,042,950
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR 700,000	961,147
		$ 11,594,263
Chemicals – 3.0%		
Celanese U.S. Holdings LLC, 6.625%, 2018	$ 835,000	$ 908,063
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018	1,025,000	1,045,500
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020	270,000	232,875

Issuer	Shares/Par	Value ($)
BONDS – continued		
Chemicals – continued		
Huntsman International LLC, 8.625%, 2021	$ 730,000	$ 823,075
INEOS Finance PLC, 8.375%, 2019 (n)	660,000	683,100
INEOS Group Holdings PLC, 8.5%, 2016 (n)	880,000	807,400
LyondellBasell Industries N.V., 5%, 2019 (n)	455,000	477,181
LyondellBasell Industries N.V., 6%, 2021 (n)	805,000	883,488
Momentive Performance Materials, Inc., 12.5%, 2014	1,505,000	1,568,963
Momentive Performance Materials, Inc., 11.5%, 2016	907,000	675,715
Polypore International, Inc., 7.5%, 2017	975,000	1,034,719
		$ 9,140,079
Computer Software – 1.1%		
Lawson Software, Inc., 11.5%, 2018 (n)	$1,100,000	$ 1,243,000
Lawson Software, Inc., 9.375%, 2019 (n)	280,000	298,900
Syniverse Holdings, Inc., 9.125%, 2019	1,075,000	1,166,375
TransUnion Holding Co., Inc., 9.625%, 2018 (n)(p)	410,000	442,800
TransUnion LLC/TransUnion Financing Corp., 11.375%, 2018	195,000	229,369
		$ 3,380,444
Computer Software – Systems – 1.0%		
Audatex North America, Inc., 6.75%, 2018 (n)	$ 645,000	$ 678,863
CDW LLC/CDW Finance Corp., 12.535%, 2017	465,000	504,525
CDW LLC/CDW Finance Corp., 8.5%, 2019	1,295,000	1,379,175
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	560,000	616,000
		$ 3,178,563
Conglomerates – 1.5%		
Amsted Industries, Inc., 8.125%, 2018 (n)	$1,710,000	$ 1,808,325
Dynacast International LLC, 9.25%, 2019 (z)	745,000	772,938
Griffon Corp., 7.125%, 2018	1,280,000	1,299,200
Tomkins LLC/Tomkins, Inc., 9%, 2018	577,000	641,913
		$ 4,522,376
Consumer Products – 1.1%		
ACCO Brands Corp., 6.75%, 2020	$ 165,000	$ 174,075
Easton-Bell Sports, Inc., 9.75%, 2016	890,000	975,663
Elizabeth Arden, Inc., 7.375%, 2021	910,000	998,725
FGI Operating Co./FGI Finance, Inc., 7.875%, 2020 (z)	85,000	88,613
Jarden Corp., 7.5%, 2020	770,000	841,225
Libbey Glass, Inc., 6.875%, 2020 (z)	320,000	328,800
Prestige Brands, Inc., 8.125%, 2020 (z)	95,000	104,263
		$ 3,511,364
Consumer Services – 0.6%		
Service Corp. International, 6.75%, 2015	$ 565,000	$ 613,025
Service Corp. International, 7%, 2017	1,015,000	1,129,188
		$ 1,742,213

Issuer	Shares/Par	Value ($)
BONDS – continued		
Containers – 1.9%		
Ardagh Packaging Finance PLC, 9.125%, 2020 (n)	$ 690,000	$ 724,500
Ball Corp., 5%, 2022	521,000	541,840
Consolidated Container Co. LLC/ Consolidated Container Finance, Inc., 10.125%, 2020 (z)	225,000	231,750
Exopack Holding Corp., 10%, 2018	545,000	546,363
Greif, Inc., 6.75%, 2017	1,070,000	1,160,950
Reynolds Group, 7.75%, 2016 (n)	470,000	494,675
Reynolds Group, 7.125%, 2019 (n)	695,000	728,013
Reynolds Group, 9.875%, 2019 (n)	330,000	342,375
Reynolds Group, 8.5%, 2021 (n)	615,000	584,250
Sealed Air Corp., 8.125%, 2019 (n)	165,000	183,975
Sealed Air Corp., 8.375%, 2021 (n)	165,000	186,450
		$ 5,725,141
Defense Electronics – 0.7%		
Ducommun, Inc., 9.75%, 2018	$ 845,000	$ 889,363
ManTech International Corp., 7.25%, 2018	720,000	756,000
MOOG, Inc., 7.25%, 2018	540,000	572,400
		$ 2,217,763
Electrical Equipment – 0.2%		
Avaya, Inc., 9.75%, 2015	$ 615,000	$ 508,913
Avaya, Inc., 7%, 2019 (z)	250,000	231,875
		$ 740,788
Electronics – 0.9%		
Freescale Semiconductor, Inc., 9.25%, 2018 (n)	$1,170,000	$ 1,251,900
Nokia Corp., 5.375%, 2019	335,000	263,813
NXP B.V., 9.75%, 2018 (n)	108,000	123,120
Sensata Technologies B.V., 6.5%, 2019 (n)	960,000	991,200
		$ 2,630,033
Energy – Independent – 8.4%		
ATP Oil & Gas Corp., 11.875%, 2015	$ 400,000	$ 186,000
BreitBurn Energy Partners LP, 8.625%, 2020	445,000	470,588
BreitBurn Energy Partners LP, 7.875%, 2022 (n)	515,000	515,000
Carrizo Oil & Gas, Inc., 8.625%, 2018	385,000	402,325
Chaparral Energy, Inc., 7.625%, 2022 (n)	505,000	515,100
Chesapeake Energy Corp., 6.875%, 2020	525,000	517,125
Concho Resources, Inc., 8.625%, 2017	625,000	689,063
Concho Resources, Inc., 6.5%, 2022	770,000	800,800
Continental Resources, Inc., 8.25%, 2019	925,000	1,033,688
Denbury Resources, Inc., 8.25%, 2020	1,270,000	1,390,650
Energy XXI Gulf Coast, Inc., 9.25%, 2017	1,425,000	1,524,750
Everest Acquisition LLC/Everest Acquisition Finance, Inc., 9.375%, 2020 (n)	1,990,000	2,062,138
EXCO Resources, Inc., 7.5%, 2018	1,305,000	1,128,825
Harvest Operations Corp., 6.875%, 2017 (n)	1,245,000	1,322,813
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n)	350,000	377,125
Laredo Petroleum, Inc., 9.5%, 2019	615,000	685,725
LINN Energy LLC, 6.5%, 2019 (n)	445,000	440,550

Issuer	Shares/Par	Value ($)
BONDS – continued		
Energy – Independent – continued		
LINN Energy LLC, 8.625%, 2020	$ 535,000	$ 576,463
LINN Energy LLC, 7.75%, 2021	546,000	570,570
Newfield Exploration Co., 6.625%, 2016	855,000	876,375
Newfield Exploration Co., 6.875%, 2020	1,150,000	1,224,750
OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (n)	1,659,000	1,476,510
Pioneer Natural Resources Co., 7.5%, 2020	605,000	748,562
Plains Exploration & Production Co., 8.625%, 2019	675,000	745,031
QEP Resources, Inc., 6.875%, 2021	1,265,000	1,404,150
Range Resources Corp., 8%, 2019	1,045,000	1,141,663
SandRidge Energy, Inc., 8%, 2018 (n)	1,595,000	1,614,938
SM Energy Co., 6.5%, 2021	890,000	905,575
Whiting Petroleum Corp., 6.5%, 2018	245,000	260,925
		$ 25,607,777
Energy – Integrated – 0.1%		
Pacific Rubiales Energy Corp., 7.25%, 2021 (n)	$ 405,000	$ 439,425
Engineering – Construction – 0.3%		
B-Corp. Merger Sub, Inc., 8.25%, 2019 (n)	$ 800,000	$ 794,000
Entertainment – 1.1%		
AMC Entertainment, Inc., 8.75%, 2019	$ 440,000	$ 471,900
AMC Entertainment, Inc., 9.75%, 2020	725,000	783,000
Cedar Fair LP, 9.125%, 2018	595,000	660,450
Cinemark USA, Inc., 8.625%, 2019	760,000	841,700
NAI Entertainment Holdings LLC, 8.25%, 2017 (n)	450,000	497,250
		$ 3,254,300
Financial Institutions – 4.6%		
Ally Financial, Inc., 5.5%, 2017	$1,295,000	$ 1,315,385
CIT Group, Inc., 5.25%, 2014 (n)	795,000	822,825
CIT Group, Inc., 7%, 2017 (z)	380,072	380,784
CIT Group, Inc., 5.25%, 2018	680,000	702,100
CIT Group, Inc., 6.625%, 2018 (n)	1,189,000	1,281,148
CIT Group, Inc., 5.5%, 2019 (n)	1,086,000	1,115,865
Credit Acceptance Corp., 9.125%, 2017	815,000	884,275
GMAC, Inc., 8%, 2031	175,000	205,188
Icahn Enterprises LP, 8%, 2018	926,000	983,875
International Lease Finance Corp., 4.875%, 2015	415,000	417,054
International Lease Finance Corp., 8.625%, 2015	420,000	464,100
International Lease Finance Corp., 7.125%, 2018 (n)	928,000	1,023,120
Nationstar Mortgage LLC/Capital Corp., 10.875%, 2015	1,325,000	1,431,000
Nationstar Mortgage LLC/Capital Corp., 9.625%, 2019 (n)	350,000	370,125
PHH Corp., 9.25%, 2016	865,000	919,063
SLM Corp., 8.45%, 2018	295,000	330,400
SLM Corp., 8%, 2020	1,220,000	1,335,900

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Financial Institutions – continued		
SLM Corp., 7.25%, 2022	$ 210,000	$ 222,075
		$ 14,204,282
Food & Beverages – 1.6%		
ARAMARK Corp., 8.5%, 2015	$ 355,000	$ 363,435
B&G Foods, Inc., 7.625%, 2018	1,365,000	1,467,375
Constellation Brands, Inc., 7.25%, 2016	240,000	271,800
JBS USA LLC/JBS USA Finance, 8.25%, 2020 (n)	520,000	505,700
Pinnacle Foods Finance LLC, 9.25%, 2015	1,195,000	1,227,863
Pinnacle Foods Finance LLC, 8.25%, 2017	275,000	290,813
TreeHouse Foods, Inc., 7.75%, 2018	850,000	921,188
		$ 5,048,174
Forest & Paper Products – 1.6%		
Boise, Inc., 8%, 2020	$ 665,000	$ 734,825
Cascades, Inc., 7.75%, 2017	695,000	700,213
Georgia-Pacific Corp., 8%, 2024	590,000	788,062
Graphic Packaging Holding Co., 7.875%, 2018	415,000	456,500
Millar Western Forest Products Ltd., 8.5%, 2021	200,000	153,000
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 715,000	970,432
Tembec Industries, Inc., 11.25%, 2018	$ 480,000	478,800
Xerium Technologies, Inc., 8.875%, 2018	735,000	578,813
		$ 4,860,645
Gaming & Lodging – 4.2%		
Boyd Gaming Corp., 7.125%, 2016	$ 620,000	$ 598,300
Caesars Operating Escrow LLC, 8.5%, 2020 (n)	250,000	251,875
Choice Hotels International, Inc., 5.75%, 2022	150,000	156,837
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (a)(d)(n)	1,190,000	744
GWR Operating Partnership LLP, 10.875%, 2017	470,000	526,400
Harrah's Operating Co., Inc., 11.25%, 2017	1,945,000	2,122,481
Harrah's Operating Co., Inc., 10%, 2018	461,000	305,413
Host Hotels & Resorts, Inc., 5.25%, 2022 (z)	495,000	507,375
MGM Mirage, 10.375%, 2014	670,000	755,425
MGM Mirage, 6.625%, 2015	360,000	370,800
MGM Mirage, 7.5%, 2016	180,000	186,300
MGM Resorts International, 11.375%, 2018	1,100,000	1,295,250
MGM Resorts International, 9%, 2020	520,000	577,200
Penn National Gaming, Inc., 8.75%, 2019	1,450,000	1,605,875
Pinnacle Entertainment, Inc., 8.75%, 2020	700,000	766,500
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 9.5%, 2019 (z)	160,000	166,200
Seven Seas Cruises S. de R.L., 9.125%, 2019	1,180,000	1,218,350

Issuer	Shares/Par	Value ($)
BONDS – continued		
Gaming & Lodging – continued		
Wyndham Worldwide Corp., 7.375%, 2020	$ 535,000	$ 635,926
Wynn Las Vegas LLC, 7.75%, 2020	820,000	908,150
		$ 12,955,401
Industrial – 1.6%		
Altra Holdings, Inc., 8.125%, 2016	$ 710,000	$ 762,363
Dematic S.A., 8.75%, 2016 (z)	1,450,000	1,518,875
Hillman Group, Inc., 10.875%, 2018	565,000	597,488
Hyva Global B.V., 8.625%, 2016 (n)	695,000	590,750
Mueller Water Products, Inc., 8.75%, 2020	779,000	864,690
Rexel S.A., 6.125%, 2019 (n)	545,000	549,088
		$ 4,883,254
Insurance – 1.4%		
American International Group, Inc., 8.25%, 2018	$ 890,000	$ 1,074,396
American International Group, Inc., 8.175% to 2038, FRN to 2068	2,420,000	2,625,700
MetLife, Inc., 9.25% to 2038, FRN to 2068 (n)	500,000	612,500
		$ 4,312,596
Insurance – Health – 0.2%		
AMERIGROUP Corp., 7.5%, 2019	$ 555,000	$ 596,625
Insurance – Property & Casualty – 0.9%		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	$1,075,000	$ 1,462,000
XL Group PLC, 6.5% to 2017, FRN to 2049	1,415,000	1,149,688
		$ 2,611,688
Machinery & Tools – 1.7%		
Ashtead Capital, Inc., 6.5%, 2022 (z)	$ 235,000	$ 235,000
Case Corp., 7.25%, 2016	545,000	599,500
Case New Holland, Inc., 7.875%, 2017	1,390,000	1,605,450
CNH Capital LLC, 6.25%, 2016 (n)	255,000	272,850
NESCO LLC/NESCO Holdings Corp., 11.75%, 2017 (z)	625,000	640,625
RSC Equipment Rental, Inc., 8.25%, 2021	930,000	990,450
UR Financing Escrow Corp., 5.75%, 2018 (n)	455,000	473,200
UR Financing Escrow Corp., 7.625%, 2022 (n)	454,000	475,565
		$ 5,292,640
Major Banks – 0.9%		
Bank of America Corp., 5.65%, 2018	$ 930,000	$ 994,442
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (a)(d)(n)	530,000	408,100
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049	1,580,000	1,264,000
		$ 2,666,542
Medical & Health Technology & Services – 5.9%		
Biomet, Inc., 10%, 2017	$ 835,000	$ 891,884
Biomet, Inc., 10.375%, 2017 (p)	375,000	400,781
Biomet, Inc., 11.625%, 2017	605,000	652,644
Davita, Inc., 6.375%, 2018	1,550,000	1,600,375

Issuer	Shares/Par	Value ($)
BONDS – continued		
Medical & Health Technology & Services – continued		
Davita, Inc., 6.625%, 2020	$ 950,000	$ 990,375
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	865,000	993,669
Fresenius Medical Care Capital Trust III, 5.625%, 2019 (n)	735,000	766,238
HCA, Inc., 8.5%, 2019	2,765,000	3,096,800
HCA, Inc., 7.5%, 2022	620,000	675,800
HCA, Inc., 5.875%, 2022	435,000	454,575
HealthSouth Corp., 8.125%, 2020	1,385,000	1,513,113
IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 2019	670,000	663,300
Physio-Control International, Inc., 9.875%, 2019 (z)	595,000	633,675
Select Medical Corp., 7.625%, 2015	320,000	320,400
Teleflex, Inc., 6.875%, 2019	545,000	579,063
Tenet Healthcare Corp., 9.25%, 2015	575,000	639,688
Truven Health Analytics, Inc., 10.625%, 2020 (z)	410,000	426,400
Universal Health Services, Inc., 7%, 2018	715,000	768,625
Universal Hospital Services, Inc., 8.5%, 2015 (p)	980,000	998,988
Universal Hospital Services, Inc., FRN, 4.111%, 2015	310,000	294,500
Vanguard Health Systems, Inc., 0%, 2016	4,000	2,660
Vanguard Health Systems, Inc., 8%, 2018	535,000	547,038
		$ 17,910,591
Metals & Mining – 1.7%		
Arch Coal, Inc., 7.25%, 2020	$ 570,000	$ 481,650
Cloud Peak Energy, Inc., 8.25%, 2017	1,505,000	1,557,675
Cloud Peak Energy, Inc., 8.5%, 2019	755,000	783,313
Consol Energy, Inc., 8%, 2017	595,000	617,313
Consol Energy, Inc., 8.25%, 2020	130,000	136,500
Fortescue Metals Group Ltd., 8.25%, 2019 (n)	835,000	885,100
Peabody Energy Corp., 6%, 2018 (n)	420,000	417,900
Peabody Energy Corp., 6.25%, 2021 (n)	420,000	415,800
		$ 5,295,251
Natural Gas – Distribution – 0.4%		
AmeriGas Finance LLC, 6.75%, 2020	$ 715,000	$ 729,300
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021	540,000	492,750
		$ 1,222,050
Natural Gas – Pipeline – 2.7%		
Atlas Pipeline Partners LP, 8.75%, 2018	$1,165,000	$ 1,243,638
Crosstex Energy, Inc., 8.875%, 2018	1,435,000	1,515,719
El Paso Corp., 7%, 2017	985,000	1,117,341
El Paso Corp., 7.75%, 2032	1,415,000	1,590,955
Energy Transfer Equity LP, 7.5%, 2020	1,150,000	1,262,125
Enterprise Products Partners LP, 8.375% to 2016, FRN to 2066	750,000	812,813
Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068	391,000	418,370

Issuer	Shares/Par	Value ($)
BONDS – continued		
Natural Gas – Pipeline – continued		
Rockies Express Pipeline LLC, 5.625%, 2020 (n)	$ 461,000	$ 419,510
		$ 8,380,471
Network & Telecom – 1.6%		
Cincinnati Bell, Inc., 8.25%, 2017	$ 315,000	$ 327,600
Citizens Communications Co., 9%, 2031	650,000	620,750
Eileme 2 AB, 11.625%, 2020 (n)	686,000	704,865
Frontier Communications Corp., 8.125%, 2018	190,000	201,875
Qwest Communications International, Inc., 7.125%, 2018 (n)	695,000	733,225
Telefonica S.A., 5.877%, 2019	230,000	205,720
Windstream Corp., 8.125%, 2018	215,000	231,125
Windstream Corp., 7.75%, 2020	1,420,000	1,505,200
Windstream Corp., 7.75%, 2021	440,000	466,400
		$ 4,996,760
Oil Services – 1.2%		
Chesapeake Energy Corp., 6.625%, 2019 (n)	$ 325,000	$ 292,500
Dresser-Rand Group, Inc., 6.5%, 2021	415,000	430,563
Edgen Murray Corp., 12.25%, 2015	645,000	641,775
Pioneer Energy Services Corp., 9.875%, 2018	1,375,000	1,443,750
Pioneer Energy Services Corp., 9.875%, 2018 (n)	80,000	84,000
Unit Corp., 6.625%, 2021	640,000	636,800
		$ 3,529,388
Other Banks & Diversified Financials – 1.7%		
Capital One Financial Corp., 10.25%, 2039	$ 1,605,000	$ 1,637,100
Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)	710,000	714,672
LBG Capital No. 1 PLC, 7.875%, 2020 (n)	900,000	814,500
Santander UK PLC, 8.963% to 2030, FRN to 2049	1,965,000	1,886,400
		$ 5,052,672
Pharmaceuticals – 0.7%		
Capsugel FinanceCo. SCA, 9.875%, 2019 (n)	EUR 385,000	$ 521,322
Endo Health Solutions, Inc., 7%, 2019	610,000	663,375
Valeant Pharmaceuticals International, Inc., 6.5%, 2016 (n)	345,000	360,525
Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)	670,000	676,700
		$ 2,221,922
Pollution Control – 0.2%		
Heckmann Corp., 9.875%, 2018 (z)	$ 580,000	$ 551,000
Printing & Publishing – 0.5%		
American Media, Inc., 13.5%, 2018 (z)	$ 94,618	$ 88,941
Nielsen Finance LLC, 11.5%, 2016	501,000	569,888
Nielsen Finance LLC, 7.75%, 2018	885,000	980,138
		$ 1,638,967

Portfolio of Investments (unaudited) – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Railroad & Shipping – 0.2%		
Kansas City Southern de Mexico S.A. de C.V., 6.125%, 2021	$ 455,000	$ 500,500
Real Estate – 1.1%		
CB Richard Ellis Group, Inc., 11.625%, 2017	$ 335,000	$ 380,225
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019	465,000	427,800
Entertainment Properties Trust, REIT, 7.75%, 2020	1,015,000	1,115,981
Kennedy Wilson, Inc., 8.75%, 2019	390,000	401,700
MPT Operating Partnership LP, REIT, 6.875%, 2021	780,000	813,150
MPT Operating Partnership LP, REIT, 6.375%, 2022	275,000	275,688
		$ 3,414,544
Retailers – 2.5%		
Academy Ltd., 9.25%, 2019 (n)	$ 665,000	$ 721,525
Burlington Coat Factory Warehouse Corp., 10%, 2019	915,000	969,900
J. Crew Group, Inc., 8.125%, 2019	750,000	774,375
Limited Brands, Inc., 6.9%, 2017	760,000	843,600
Limited Brands, Inc., 7%, 2020	300,000	333,000
Limited Brands, Inc., 6.95%, 2033	415,000	402,550
QVC, Inc., 7.375%, 2020 (n)	705,000	780,788
Rite Aid Corp., 9.25%, 2020 (z)	430,000	430,000
Sally Beauty Holdings, Inc., 6.875%, 2019	420,000	456,750
Toys "R" Us Property Co. II LLC, 8.5%, 2017	355,000	369,644
Toys "R" Us, Inc., 10.75%, 2017	1,060,000	1,158,050
Yankee Acquisition Corp., 8.5%, 2015	6,000	6,120
YCC Holdings LLC/Yankee Finance, Inc., 10.25%, 2016 (p)	445,000	452,788
		$ 7,699,090
Specialty Chemicals – 0.1%		
Koppers, Inc., 7.875%, 2019	$ 355,000	$ 382,513
Specialty Stores – 0.4%		
Gymboree Corp., 9.125%, 2018	$ 155,000	$ 143,763
Michaels Stores, Inc., 11.375%, 2016	440,000	467,504
Michaels Stores, Inc., 7.75%, 2018	510,000	538,050
		$ 1,149,317
Telecommunications – Wireless – 3.8%		
Clearwire Corp., 12%, 2015 (n)	$ 605,000	$ 550,550
Cricket Communications, Inc., 7.75%, 2016	275,000	291,844
Cricket Communications, Inc., 7.75%, 2020	1,165,000	1,112,575
Crown Castle International Corp., 9%, 2015	915,000	998,494
Crown Castle International Corp., 7.125%, 2019	1,315,000	1,410,338
Digicel Group Ltd., 12%, 2014 (n)	200,000	222,000
Digicel Group Ltd., 8.25%, 2017 (n)	655,000	666,463
Digicel Group Ltd., 10.5%, 2018 (n)	930,000	971,850
MetroPCS Wireless, Inc., 7.875%, 2018	465,000	482,438
Sprint Capital Corp., 6.875%, 2028	735,000	591,675
Sprint Nextel Corp., 6%, 2016	1,050,000	1,005,375
Sprint Nextel Corp., 8.375%, 2017	825,000	845,625

Issuer	Shares/Par	Value ($)
BONDS – continued		
Telecommunications – Wireless – continued		
Sprint Nextel Corp., 9%, 2018 (n)	$ 440,000	$ 491,700
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	1,570,000	1,267,775
Wind Acquisition Finance S.A., 7.25%, 2018 (n)	650,000	568,750
		$ 11,477,452
Telephone Services – 0.7%		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	$ 470,000	$ 501,725
Level 3 Financing, Inc., 9.375%, 2019	815,000	880,200
Level 3 Financing, Inc., 8.625%, 2020	415,000	435,750
Sable International Finance Ltd., 8.75%, 2020 (n)	200,000	214,000
		$ 2,031,675
Transportation – 0.2%		
Navios South American Logistics, Inc., 9.25%, 2019	$ 779,000	$ 716,680
Transportation – Services – 3.2%		
ACL I Corp., 10.625%, 2016 (p)	$1,033,986	$ 988,246
Aguila American Resources Ltd., 7.875%, 2018 (n)	890,000	916,700
Avis Budget Car Rental LLC, 8.25%, 2019 (n)	205,000	219,863
Avis Budget Car Rental LLC, 8.25%, 2019	420,000	450,450
Avis Budget Car Rental LLC, 9.75%, 2020	365,000	405,606
CEVA Group PLC, 8.375%, 2017 (n)	1,185,000	1,149,450
Commercial Barge Line Co., 12.5%, 2017	1,890,000	2,135,700
Navios Maritime Acquisition Corp., 8.625%, 2017	1,065,000	990,450
Navios Maritime Holdings, Inc., 8.875%, 2017 (z)	270,000	270,653
Navios Maritime Holdings, Inc., 8.875%, 2017	650,000	654,875
Swift Services Holdings, Inc., 10%, 2018	1,370,000	1,486,450
		$ 9,668,443
Utilities – Electric Power – 5.0%		
AES Corp., 8%, 2017	$ 890,000	$ 1,012,375
Atlantic Power Corp., 9%, 2018 (z)	565,000	577,713
Calpine Corp., 8%, 2016 (n)	805,000	869,400
Calpine Corp., 7.875%, 2020 (n)	1,210,000	1,334,025
Covanta Holding Corp., 7.25%, 2020	1,165,000	1,262,176
Covanta Holding Corp., 6.375%, 2022	275,000	290,673
Dolphin Subsidiary II, Inc., 7.25%, 2021 (n)	670,000	743,700
Edison Mission Energy, 7%, 2017	795,000	445,200
EDP Finance B.V., 6%, 2018 (n)	1,660,000	1,444,066
Energy Future Holdings Corp., 10%, 2020	1,140,000	1,216,950
Energy Future Holdings Corp., 10%, 2020	1,810,000	1,968,375
Energy Future Holdings Corp., 11.75%, 2022 (n)	600,000	613,500
GenOn Energy, Inc., 9.5%, 2018	65,000	64,269
GenOn Energy, Inc., 9.875%, 2020	1,445,000	1,408,875
NRG Energy, Inc., 7.375%, 2017	590,000	613,600

Issuer	Shares/Par	Value ($)
BONDS – continued		
Utilities – Electric Power – continued		
NRG Energy, Inc., 8.25%, 2020	$960,000	$ 993,600
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	470,000	320,775
		$ 15,179,272
Total Bonds (Identified Cost, $288,481,335)		**$289,700,369**
FLOATING RATE LOANS (g)(r) – 0.2%		
Financial Institutions – 0.1%		
Springleaf Finance Corp., Term Loan, 5.5%, 2017	$452,233	$ 425,018
Utilities – Electric Power – 0.1%		
Dynegy Midwest Generation LLC, Term Loan, 9.25%, 2016	$120,675	$ 123,088
Dynegy Power LLC, Term Loan, 9.25%, 2016	181,012	185,940
		$ 309,028
Total Floating Rate Loans (Identified Cost, $746,563)		**$ 734,046**
COMMON STOCKS – 0.2%		
Automotive – 0.1%		
Accuride Corp. (a)	24,851	$ 149,106
Broadcasting – 0.1%		
New Young Broadcasting Holding Co., Inc. (a)	115	$ 333,500
Printing & Publishing – 0.0%		
American Media Operations, Inc. (a)	24,246	$ 134,565
Total Common Stocks (Identified Cost, $957,811)		**$ 617,171**
CONVERTIBLE PREFERRED STOCKS – 0.2%		
Automotive – 0.2%		
General Motors Co., 4.75% (Identified Cost, $791,000)	15,820	$ 525,224

Issuer	Shares/Par	Value ($)
PREFERRED STOCKS – 0.4%		
Other Banks & Diversified Financials – 0.4%		
Ally Financial, Inc., 7% (z)	511	$ 455,253
GMAC Capital Trust I, 8.125%	28,350	681,818
Total Preferred Stocks (Identified Cost, $1,193,270)		**$ 1,137,071**

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.2%				
Broadcasting – 0.2%				
New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant) (Identified Cost, $399,986) (a)	$0.01	7/14/10	209	$ 606,100

Issuer	Shares/Par	Value ($)
CONVERTIBLE BONDS – 0.3%		
Network & Telecom – 0.3%		
Nortel Networks Corp., 2.125%, 2014 (Identified Cost, $947,481) (a)(d)	$ 960,000	$ 950,400
MONEY MARKET FUNDS – 1.9%		
MFS Institutional Money Market Portfolio, 0.14%, at Cost and Net Asset Value (v)	5,674,903	$ 5,674,903
Total Investments (Identified Cost, $299,192,349)		**$299,945,284**
OTHER ASSETS, LESS LIABILITIES – 1.9%		**5,787,825**
Net Assets – 100.0%		**$305,733,109**

(a) Non-income producing security.
(d) In default. Interest and/or scheduled principal payment(s) have been missed.
(g) The rate shown represents a weighted average coupon rate on settled positions at period end, unless otherwise indicated.
(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $79,251,935, representing 25.9% of net assets.
(p) Payment-in-kind security.
(r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.
(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
Ally Financial, Inc., 7% (Preferred Stock),	4/13/11-4/14/11	$479,063	$455,253
American Media, Inc., 13.5%, 2018	12/22/10	95,929	88,941
Arbor Realty Mortgage Securities, CDO, FRN, 2.765%, 2038	12/20/05	568,229	142,057
Ashtead Capital, Inc., 6.5%, 2022	6/29/12	235,000	235,000
Atlantic Power Corp., 9%, 2018	10/26/11-3/02/12	561,866	577,713
Avaya, Inc., 7%, 2019	5/24/12	228,955	231,875
CIT Group, Inc., 7%, 2017	6/26/12	381,496	380,784
CWCapital Cobalt Ltd., CDO, 6.23%, 2045	3/20/06	1,107,321	11,646
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.765%, 2050	4/12/06	521,470	10,425
Ceridian Corp., 8.875%, 2019	6/28/12	200,000	206,500
Consolidated Container Co. LLC/Consolidated Container Finance, Inc., 10.125%, 2020	6/28/12	225,000	231,750
Dematic S.A., 8.75%, 2016	4/19/11-1/24/12	1,461,044	1,518,875
Dynacast International LLC, 9.25%, 2019	7/12/11-7/15/11	752,721	772,938
FGI Operating Co./FGI Finance, Inc., 7.875%, 2020	4/12/12	85,000	88,613
G-Force LLC, CDO, "A2", 4.83%, 2036	2/14/11	557,798	547,132
Heckler & Koch GmbH, 9.5%, 2018	5/06/11-5/10/11	547,583	356,592
Heckmann Corp., 9.875%, 2018	4/4/12	576,855	551,000
Host Hotels & Resorts, Inc., 5.25%, 2022	6/26/12-6/27/12	510,753	507,375
IDQ Holdings, Inc., 11.5%, 2017	3/20/12	353,086	374,400
LBI Media, Inc., 8.5%, 2017	7/18/07	638,481	133,838
Libbey Glass, Inc., 6.875%, 2020	5/11/12	320,000	328,800
Local TV Finance LLC, 9.25%, 2015	12/10/07-2/16/11	765,781	779,709
NESCO LLC/NESCO Holdings Corp., 11.75%, 2017	4/05/12-6/15/12	620,501	640,625
Navios Maritime Holdings, Inc., 8.875%, 2017	6/27/12	270,000	270,653
Physio-Control International, Inc., 9.875%, 2019	1/13/12-1/30/12	604,342	633,675
Prestige Brands, Inc., 8.125%, 2020	1/24/12	95,000	104,263
Rite Aid Corp., 9.25%, 2020	5/03/12-5/21/12	426,140	430,000
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 9.5%, 2019	5/30/12	160,000	166,200
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020	5/24/12	320,000	334,400
Townsquare Radio LLC, 9%, 2019	3/30/12	406,004	428,450
Truven Health Analytics, Inc., 10.625%, 2020	5/24/12-6/15/12	416,074	426,400
Total Restricted Securities			$11,965,882
% of Net Assets			3.9%

The following abbreviations are used in this report and are defined:

CDO Collateralized Debt Obligation

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.

PLC Public Limited Company

REIT Real Estate Investment Trust

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

EUR Euro

Portfolio of Investments (unaudited) – continued

Derivative Contracts at 6/30/12

Forward Foreign Currency Exchange Contracts at 6/30/12

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
SELL	EUR	JPMORGAN CHASE BANK N.A	2,608,980	7/13/12	$3,411,189	$3,301,923	$109,266

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 6/30/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $293,517,446)	$294,270,381	
Underlying affiliated funds, at cost and value	5,674,903	
Total investments, at value (identified cost, $299,192,349)	$299,945,284	
Receivables for		
Forward foreign currency exchange contracts	109,266	
Investments sold	2,175,158	
Fund shares sold	312,252	
Interest	5,811,137	
Other assets	1,583	
Total assets		$308,354,680
Liabilities		
Payable to custodian	$2,281	
Payables for		
Investments purchased	2,230,520	
Fund shares reacquired	282,193	
Payable to affiliates		
Investment adviser	17,902	
Shareholder servicing costs	297	
Distribution and/or service fees	135	
Payable for independent Trustees' compensation	42	
Accrued expenses and other liabilities	88,201	
Total liabilities		$2,621,571
Net assets		$305,733,109
Net assets consist of		
Paid-in capital	$297,572,235	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	861,839	
Accumulated net realized gain (loss) on investments and foreign currency	(28,682,927)	
Undistributed net investment income	35,981,962	
Net assets		$305,733,109
Shares of beneficial interest outstanding		34,546,752

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$299,133,883	33,796,616	$8.85
Service Class	6,599,226	750,136	8.80

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Six months ended 6/30/12

Net investment income		
Income		
Interest	$12,397,346	
Dividends	139,902	
Dividends from underlying affiliated funds	4,796	
Total investment income		$12,542,044
Expenses		
Management fee	$1,136,248	
Distribution and/or service fees	8,386	
Shareholder servicing costs	16,851	
Administrative services fee	29,267	
Independent Trustees' compensation	5,418	
Custodian fee	21,552	
Shareholder communications	28,168	
Audit and tax fees	34,310	
Legal fees	2,990	
Miscellaneous	18,736	
Total expenses		$1,301,926
Fees paid indirectly	(141)	
Reduction of expenses by investment adviser	(840)	
Net expenses		$1,300,945
Net investment income		$11,241,099
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$400,866	
Foreign currency	104,048	
Net realized gain (loss) on investments and foreign currency		$504,914
Change in unrealized appreciation (depreciation)		
Investments	$9,299,471	
Translation of assets and liabilities in foreign currencies	(24,386)	
Net unrealized gain (loss) on investments and foreign currency translation		$9,275,085
Net realized and unrealized gain (loss) on investments and foreign currency		$9,779,999
Change in net assets from operations		$21,021,098

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 6/30/12 (unaudited)	Year ended 12/31/11
Change in net assets		
From operations		
Net investment income	$11,241,099	$23,913,403
Net realized gain (loss) on investments and foreign currency	504,914	4,671,000
Net unrealized gain (loss) on investments and foreign currency translation	9,275,085	(14,447,125)
Change in net assets from operations	$21,021,098	$14,137,278
Distributions declared to shareholders		
From net investment income	$—	$(28,856,819)
Change in net assets from fund share transactions	$(35,697,069)	$(44,715,689)
Total change in net assets	$(14,675,971)	$(59,435,230)
Net assets		
At beginning of period	320,409,080	379,844,310
At end of period (including undistributed net investment income of $35,981,962 and $24,740,863, respectively)	$305,733,109	$320,409,080

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$8.29	$8.78	$8.25	$6.25	$9.52	$10.04
Income (loss) from investment operations						
Net investment income (d)	$0.30	$0.61	$0.63	$0.63	$0.71	$0.71
Net realized and unrealized gain (loss) on investments and foreign currency	0.26	(0.28)	0.53	1.98	(3.18)	(0.52)
Total from investment operations	$0.56	$0.33	$1.16	$2.61	$(2.47)	$0.19
Less distributions declared to shareholders						
From net investment income	$—	$(0.82)	$(0.63)	$(0.61)	$(0.80)	$(0.71)
Net asset value, end of period (x)	$8.85	$8.29	$8.78	$8.25	$6.25	$9.52
Total return (%) (k)(r)(s)(x)	6.76(n)	4.10	14.73	45.08	(28.26)	1.77
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	0.80(a)	0.79	0.80	0.81	0.87	0.88
Expenses after expense reductions (f)	0.80(a)	0.79	0.80	0.81	0.82	0.83
Net investment income	6.93(a)	7.01	7.55	8.89	8.66	7.21
Portfolio turnover	22(n)	59	70	52	60	73
Net assets at end of period (000 omitted)	$299,134	$313,703	$372,412	$344,186	$203,800	$324,081

Service Class	Six months ended 6/30/12 (unaudited)	Years ended 12/31				
		2011	2010	2009	2008	2007
Net asset value, beginning of period	$8.25	$8.74	$8.22	$6.22	$9.47	$9.99
Income (loss) from investment operations						
Net investment income (d)	$0.29	$0.59	$0.61	$0.62	$0.69	$0.68
Net realized and unrealized gain (loss) on investments and foreign currency	0.26	(0.28)	0.53	1.96	(3.17)	(0.52)
Total from investment operations	$0.55	$0.31	$1.14	$2.58	$(2.48)	$0.16
Less distributions declared to shareholders						
From net investment income	$—	$(0.80)	$(0.62)	$(0.58)	$(0.77)	$(0.68)
Net asset value, end of period (x)	$8.80	$8.25	$8.74	$8.22	$6.22	$9.47
Total return (%) (k)(r)(s)(x)	6.67(n)	3.85	14.40	44.75	(28.43)	1.54
Ratios (%) (to average net assets) and Supplemental data:						
Expenses before expense reductions (f)	1.05(a)	1.04	1.05	1.07	1.12	1.13
Expenses after expense reductions (f)	1.05(a)	1.04	1.05	1.06	1.07	1.08
Net investment income	6.68(a)	6.77	7.31	8.78	8.40	6.96
Portfolio turnover	22(n)	59	70	52	60	73
Net assets at end of period (000 omitted)	$6,599	$6,706	$7,432	$7,210	$6,442	$11,086

See Notes to Financial Statements

Financial Highlights – continued

(a) Annualized.
(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(n) Not annualized.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (unaudited)

(1) Business and Organization

MFS High Income Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

In this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of June 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	$1,356,148	$1,394,853	$134,565	$2,885,566
Corporate Bonds	—	241,024,142	—	241,024,142
Commercial Mortgage-Backed Securities	—	818,583	—	818,583
Asset-Backed Securities (including CDOs)	—	759,872	—	759,872
Foreign Bonds	—	48,048,172	—	48,048,172
Floating Rate Loans	—	734,046	—	734,046
Mutual Funds	5,674,903	—	—	5,674,903
Total Investments	$7,031,051	$292,779,668	$134,565	$299,945,284
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$109,266	$—	$109,266

For further information regarding security characteristics, see the Portfolio of Investments.

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. The fund's policy is to recognize transfers between the levels as of the end of the period. The table presents the activity of level 3 securities held at the beginning and the end of the period.

	Equity Securities
Balance as of 12/31/11	$288,285
Change in unrealized appreciation (depreciation)	(153,720)
Balance as of 6/30/12	$134,565

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at June 30, 2012 is $(153,720).

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were purchased options and forward foreign currency exchange contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract Tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at June 30, 2012 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value Asset Derivatives
Foreign Exchange	Forward Foreign Currency Exchange	$109,266

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Foreign Currency Transactions	Investment Transactions (Purchased Options)
Foreign Exchange	$109,703	$—
Equity	—	(161,611)
Total	$109,703	$(161,611)

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended June 30, 2012 as reported in the Statement of Operations:

Risk	Translation of Assets and Liabilities in Foreign Currencies	Investments (Purchased Options)
Foreign Exchange	$(25,847)	$—
Equity	—	131,872
Total	$(25,847)	$131,872

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as "Restricted cash." Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Purchased Options – The fund purchased put options for a premium. Purchased put options entitle the holder to sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call and put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Forward Foreign Currency Exchange Contracts – The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on foreign currency.

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, an industry accepted settlement system. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Loans and Other Direct Debt Instruments – The fund invests in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which obligate the fund to supply additional cash to the borrower on demand. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date. Debt obligations may be placed on non-accrual status or set to accrue at a rate of interest less than the contractual coupon when the collection of all or a portion of interest has become doubtful. Interest income for those debt obligations may be further reduced by the write-off of the related interest receivables when deemed uncollectible.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended June 30, 2012, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three year period.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities and wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last fiscal year is as follows:

	12/31/11
Ordinary income (including any short-term capital gains)	$28,856,819

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 6/30/12	
Cost of investments	$300,841,720
Gross appreciation	10,828,529
Gross depreciation	(11,724,965)
Net unrealized appreciation (depreciation)	$(896,436)
As of 12/31/11	
Undistributed ordinary income	25,018,410
Capital loss carryforwards	(27,951,482)
Other temporary differences	(12,385)
Net unrealized appreciation (depreciation)	(9,914,767)

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(20,426,634)
12/31/17	(7,524,848)
Total	$(27,951,482)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Six months ended 6/30/12	**Year ended 12/31/11**
Initial Class	$—	$28,197,014
Service Class	—	659,805
Total	$—	$28,856,819

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.70%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.70% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses, such that total annual operating expenses do not exceed 0.85% of average daily net assets for the Initial Class shares and 1.10% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2014. For the six months ended June 30, 2012, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the six months ended June 30, 2012, the fee was $16,647, which equated to 0.0103% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended June 30, 2012, these costs amounted to $204.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended June 30, 2012 was equivalent to an annual effective rate of 0.0180% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended June 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $1,699 and are included in "Miscellaneous" expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $840, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $68,734,204 and $85,516,448, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Six months ended 6/30/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	2,763,067	$24,030,863	7,341,306	$62,780,029
Service Class	18,975	164,590	108,386	967,172
	2,782,042	$24,195,453	7,449,692	$63,747,201
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	3,507,091	$28,197,014
Service Class	—	—	82,373	659,805
	—	$—	3,589,464	$28,856,819
Shares reacquired				
Initial Class	(6,826,352)	$(59,183,968)	(15,422,605)	$(135,365,132)
Service Class	(82,086)	(708,554)	(228,069)	(1,954,577)
	(6,908,438)	$(59,892,522)	(15,650,674)	$(137,319,709)
Net change				
Initial Class	(4,063,285)	$(35,153,105)	(4,574,208)	$(44,388,089)
Service Class	(63,111)	(543,964)	(37,310)	(327,600)
	(4,126,396)	$(35,697,069)	(4,611,518)	$(44,715,689)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the six months ended June 30, 2012, the fund's commitment fee and interest expense were $1,140 and $0, respectively, and are included in "Miscellaneous" expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	10,895,508	58,326,062	(63,546,667)	5,674,903

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$4,796	$5,674,903

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS will be available on or about November 1, 2012 by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site (*mfs.com*).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov*, and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

MFS®

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