LIBERTY LIFE'S

SPECTRUM SELECT® AND SPECTRUM SELECT PLUS®

VARIABLE LIFE INSURANCE

Annual Report

December 31, 2013

A spectrum of choices...a lifetime of protection®

Liberty Life Assurance Company of Boston

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

Dear Policyholder,

This Annual 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 V.I. American Franchise Fund

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 most recent 12-month period ended June 30 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-AR-1

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2013, Invesco V.I. American Franchise Fund had strong positive returns and outperformed the Fund's style-specific benchmark, the Russell 1000 Growth Index.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/12 to 12/31/13, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	40.13%
Series II Shares	39.79
S&P 500 Index▼ (Broad Market Index)	32.39
Russell 1000 Growth Index■ (Style-Specific Index)	33.48
Lipper VUF Large-Cap Growth Funds Index◆ (Peer Group Index)	34.73

Source(s): ▼Invesco, S&P-Dow Jones via FactSet Research Systems Inc.; ■Invesco, Russell via FactSet Research Systems Inc.; ◆Lipper Inc.

How we invest

Under normal market conditions, the Fund invests at least 80% of its net assets (plus any borrowing for investment purposes) in securities of US issuers at the time of investment.

We believe a growth investment strategy is an essential component of a diversified portfolio.

Our investment process emphasizes rigorous bottom-up analysis of individual companies. We seek to invest in companies with strong or improving fundamentals, attractive valuation relative to growth prospects and earnings expectations that appear fair to conservative.

To narrow our investment universe, we utilize a holistic approach that emphasizes fundamental research and, to a lesser extent, includes quantitative analysis. At the end of this distillation process, we have a set of stocks to analyze in greater depth.

Our fundamental analysis focuses on identifying companies with strong drivers of growth. We conduct rigorous bottom-up analysis to develop higher conviction in each company's prospects for growth. Through our analysis, we develop a mosaic of each company through detailed discussions with company management teams, competitors, distributors, suppliers, Wall Street analysts and customers. We also utilize a variety of valuation techniques based on the company in question, the industry in which the company operates, the stage of the business cycle and other factors that best reflect a company's value.

Risk management plays an important role in portfolio construction as we attempt to maximize the relationship between risk and return. We seek to accomplish this goal by investing in companies with attractive fundamental prospects for growth, and we divide the portfolio between stable growth stocks and catalyst-driven stocks.

We consider selling a stock for any of the following reasons:

- The price target set at purchase has been reached.
- There is deterioration in fundamentals.
- The catalysts for growth are no longer present or are reflected in the stock price.
- There is a more attractive investment opportunity.

Market conditions and your Fund

The year ended December 31, 2013, was characterized by slow but steady improvement in the US economy and strong US equity market returns. As the year began, consumer confidence trended higher based on the recovery of the US housing market, despite uncertainty surrounding the outcome of tax and spending negotiations between the White House and Congress — and implementation of sequestration spending cuts — which consequently left many businesses hesitant to spend.

US equity markets rose for the first half of the year, but from late May through June, capital markets declined following US Federal Reserve (the Fed) Chairman Ben Bernanke's comments suggesting that the time had come for the Fed to begin to reduce the size of its bond buying program, also known as quantitative easing (QE). This sell-off was brief but broad, and few asset classes were immune. Markets stabilized in mid-summer, despite some volatility in August surrounding a potential US military reaction to instability in Syria. The fourth quarter began amid uncertainty created by a two-week federal government shutdown, yet equities shrugged off this news and rallied steadily throughout the last three months of the year. In December, as expected, the Fed officially announced that it would begin reducing the scope of QE in early 2014. Despite the Fed's actions, equities continued to rise, as the announcement was widely anticipated and largely priced into stock valuations.

For the reporting period, major US equity market indexes delivered strong double-digit gains, and all 10 sectors of the S&P 500 Index had positive returns. The consumer discretionary sector had the highest return of any sector.

Portfolio Composition

By sector

Information Technology	30.2%
Consumer Discretionary	24.0
Health Care	14.2
Industrials	11.3
Financials	6.0
Telecommunication Services	4.5
Energy	4.3
Consumer Staples	4.1
Materials	0.8
Money Market Funds Plus Other Assets Less Liabilities	0.6

Top 10 Equity Holdings*

1.	Apple Inc.	5.9%
2.	Google Inc.-Class A	5.3
3.	Facebook Inc.-Class A	4.9
4.	DISH Network Corp.-Class A	4.7
5.	Sprint Corp.	4.5
6.	Gilead Sciences, Inc.	4.5
7.	Celgene Corp.	2.7
8.	Lowe's Cos., Inc.	2.5
9.	Amazon.com, Inc.	2.4
10.	Mondelez International Inc.-Class A	2.2

Top Five Industries*

1.	Internet Software & Services	11.8%
2.	Biotechnology	9.7
3.	Cable & Satellite	7.8
4.	Computer Hardware	6.1
5.	Internet Retail	4.9

Total Net Assets	$838.4 million
Total Number of Holdings*	75

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

During the reporting period, the Fund had double-digit positive returns and solidly outperformed the Russell 1000 Growth Index due primarily to positive stock selection. The Fund outperformed its style-specific index by the widest margins in the telecommunication services, consumer discretionary, information technology (IT), consumer staples and health care sectors. Some of this outperformance was offset by underperformance within the industrials sector and the relative drag of our modest cash position during a period of strong market performance.

The telecommunication services sector was the strongest performing sector for the Fund during the reporting period. Wireless communications company **Sprint** was a strong contributor to performance as it entertained several offers of strategic partnerships that resulted in a higher stock price before the company finally completed a merger during the reporting period.

Strong stock selection also drove the Fund's outperformance in the consumer discretionary sector. One of the leading contributors to Fund performance was **DISH Network**, a leading provider of satellite cable television. The stock benefited from significant discussions about strategic corporate partnerships and increasing market recognition of the value in its broadband spectrum assets. Another contributor to Fund performance was **Priceline.com**, an online travel company. The company benefited from a merger with online services provider Kayak Software (not a Fund holding) during the reporting period.

The IT sector also contributed to Fund performance, driven by strong stock selection. The largest individual stock contributor for the Fund was social networking company **Facebook**. The company's stock appreciated due to an increase in advertising revenue related to progress made in smartphone and tablet penetration. Additional technology contributors included Internet search giant **Google** and credit card company **Visa**.

Some of this outperformance was offset by an underweight exposure to the industrials sector. While the Fund's industrials stocks posted solid positive returns, the Fund underperformed its style-specific benchmark because it did not hold several of the strongest performing index names, like 3M and UPS, during the reporting period. Additionally, the Fund's position in **United Continental Holdings** underperformed and was sold during the reporting period.

We thank you for your commitment to Invesco V.I. American Franchise Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as 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 Invesco Advisers, Inc. 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.

See important Fund and, if applicable, index disclosures later in this report.

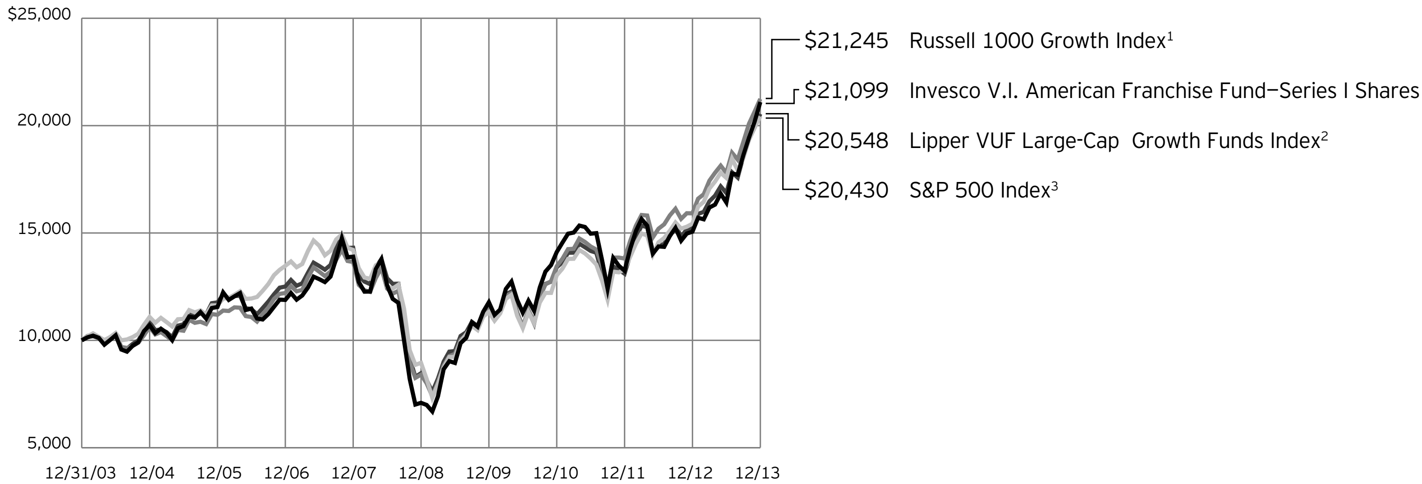
Erik Voss
Chartered Financial Analyst, portfolio manager, is lead manager of Invesco V.I. American Franchise Fund. He joined Invesco in 2010. Mr. Voss earned a BS in mathematics and an MS in finance from the University of Wisconsin.

Ido Cohen
Portfolio manager, is manager of Invesco V.I. American Franchise Fund. He joined Invesco in 2010. Mr. Cohen earned a BS in economics from The Wharton School of the University of Pennsylvania

Your Fund's Long-Term Performance

Results of a $10,000 Investment — Oldest Share Class(es)

Fund and index data from 12/31/03



1 Source(s): Invesco, Russell via FactSet Research Systems Inc.
2 Source: Lipper Inc.
3 Source(s): Invesco, S&P-Dow Jones via FactSet Research Systems Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/13*	
Series I Shares	
Inception (7/3/95)	9.28%
10 Years	7.75
5 Years	24.37
1 Year	40.13
Series II Shares	
Inception (9/18/00)	-0.52%
10 Years	7.48
5 Years	24.06
1 Year	39.79

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 (renamed Invesco V.I. American Franchise Fund on April 29, 2013). Returns shown above for Series I and Series II shares are blended returns of the predecessor fund and Invesco V.I. American Franchise Fund. 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 0.98% and 1.23%, 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. 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 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..

Invesco V.I. American Franchise Fund's investment objective is to seek capital growth.

- Unless otherwise stated, information presented in this report is as of December 31, 2013, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates, political and social instability, changes in economic or taxation policies, difficulties when enforcing obligations, decreased liquidity, and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Growth investing risk. Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stock. As a result they tend to be more sensitive to changes in their earnings and can be more volatile.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and currency and interest rate fluctuations.

Mid-capitalization risk. Stocks of mid-sized companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of mid-sized companies may be more volatile due to less market interest and less publicly available information about the issuer. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price.

About indexes used in this report

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) described 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.

Other information

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Industry 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.

Schedule of Investments[a]

December 31, 2013

	Shares	Value
Common Stocks & Other Equity Interests–99.38%		
Aerospace & Defense–4.46%		
B/E Aerospace, Inc.[b]	75,930	$ 6,608,188
Honeywell International Inc.	132,113	12,071,165
Precision Castparts Corp.	39,268	10,574,872
United Technologies Corp.	71,305	8,114,509
		37,368,734
Apparel Retail–0.67%		
Gap, Inc. (The)	144,510	5,647,451
Apparel, Accessories & Luxury Goods–1.72%		
Michael Kors Holdings Ltd.[b]	110,361	8,960,210
PVH Corp.	40,456	5,502,825
		14,463,035
Application Software–1.88%		
Salesforce.com, Inc.[b]	285,120	15,735,773
Automobile Manufacturers–1.64%		
General Motors Co.[b]	337,132	13,778,585
Biotechnology–9.71%		
Alkermes PLC[b]	102,103	4,151,508
Amgen Inc.	93,087	10,626,812
Biogen Idec Inc.[b]	23,231	6,498,872
Celgene Corp.[b]	133,399	22,539,095
Gilead Sciences, Inc.[b]	499,870	37,565,231
		81,381,518
Brewers–1.10%		
Anheuser-Busch InBev N.V.-ADR (Belgium)	86,814	9,242,219
Broadcasting–1.13%		
CBS Corp.-Class B	148,930	9,492,798
Cable & Satellite–7.80%		
Comcast Corp.-Class A	123,252	6,404,790
DIRECTV[b]	85,947	5,938,078
DISH Network Corp.-Class A[b]	672,924	38,975,758
Sirius XM Holdings Inc.[b]	1,620,771	5,656,491
Time Warner Cable Inc.	61,976	8,397,748
		65,372,865
Casinos & Gaming–1.06%		
Las Vegas Sands Corp.	112,708	8,889,280
Communications Equipment–2.89%		
F5 Networks, Inc.[b]	94,369	8,574,368
QUALCOMM, Inc.	211,277	15,687,317
		24,261,685
Computer Hardware–6.14%		
3D Systems Corp.[b][c]	24,692	2,294,627
Apple Inc.	87,707	49,213,275
		51,507,902

	Shares	Value
Construction & Engineering–2.89%		
Fluor Corp.	89,685	$ 7,200,808
Foster Wheeler AG (Switzerland)[b]	265,640	8,771,433
Jacobs Engineering Group, Inc.[b]	131,712	8,296,539
		24,268,780
Data Processing & Outsourced Services–2.49%		
MasterCard, Inc.-Class A	12,688	10,600,317
Visa Inc.-Class A	46,081	10,261,317
		20,861,634
Drug Retail–0.81%		
CVS Caremark Corp.	94,701	6,777,751
Electrical Components & Equipment–0.93%		
Roper Industries, Inc.	55,957	7,760,117
Fertilizers & Agricultural Chemicals–0.81%		
Monsanto Co.	57,990	6,758,735
General Merchandise Stores–0.95%		
Dollar General Corp.[b]	131,430	7,927,858
Health Care Facilities–0.89%		
HCA Holdings, Inc.[b]	156,267	7,455,499
Home Entertainment Software–0.30%		
Electronic Arts Inc.[b]	108,878	2,497,661
Home Improvement Retail–2.54%		
Lowe's Cos., Inc.	429,728	21,293,022
Household Appliances–1.02%		
Whirlpool Corp.	54,476	8,545,105
Industrial Machinery–1.81%		
Flowserve Corp.	104,394	8,229,379
Ingersoll-Rand PLC[b]	113,004	6,961,046
		15,190,425
Insurance Brokers–1.36%		
Aon PLC (United Kingdom)	135,598	11,375,316
Internet Retail–4.88%		
Amazon.com, Inc.[b]	49,488	19,735,319
Priceline.com Inc.[b]	15,219	17,690,566
TripAdvisor Inc.[b]	42,017	3,480,268
		40,906,153
Internet Software & Services–11.79%		
Baidu, Inc.-ADR (China)[b]	19,720	3,507,793
eBay Inc.[b]	46,446	2,549,421
Facebook Inc.-Class A[b]	757,493	41,404,567
Google Inc.-Class A[b]	39,639	44,423,824
LinkedIn Corp.-Class A[b]	24,306	5,270,270
Twitter, Inc.[b][c]	27,281	1,736,436
		98,892,311

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

	Shares	Value
IT Consulting & Other Services-0.93%		
Cognizant Technology Solutions Corp.-Class A(b)	77,220	$ 7,797,676
Life Sciences Tools & Services-0.70%		
Thermo Fisher Scientific, Inc.	52,375	5,831,956
Movies & Entertainment-0.57%		
Walt Disney Co. (The)	62,142	4,747,649
Oil & Gas Equipment & Services-2.33%		
Schlumberger Ltd.	109,286	9,847,761
Weatherford International Ltd.(b)	628,218	9,731,097
		19,578,858
Oil & Gas Exploration & Production-1.14%		
Anadarko Petroleum Corp.	74,853	5,937,340
Pioneer Natural Resources Co.	19,802	3,644,954
		9,582,294
Oil & Gas Refining & Marketing-0.81%		
Phillips 66	87,773	6,769,932
Other Diversified Financial Services-2.95%		
Citigroup Inc.	302,403	15,758,220
JPMorgan Chase & Co.	153,318	8,966,037
		24,724,257
Packaged Foods & Meats-2.22%		
Mondelez International Inc.-Class A	527,909	18,635,188
Pharmaceuticals-2.86%		
Actavis PLC(b)	39,046	6,559,728
Bristol-Myers Squibb Co.	117,365	6,237,950
Johnson & Johnson	38,698	3,544,350
Pfizer Inc.	249,525	7,642,950
		23,984,978
Semiconductor Equipment-0.92%		
Applied Materials, Inc.	436,370	7,719,385
Semiconductors-1.04%		
Altera Corp.	267,661	8,707,012
Specialized Finance-0.58%		
CME Group Inc.-Class A	61,725	$ 4,842,944
Specialized REIT's-1.16%		
American Tower Corp.	122,331	9,764,460
Systems Software-1.77%		
Microsoft Corp.	319,005	11,940,357
VMware, Inc.-Class A(b)	32,188	2,887,586
		14,827,943
Trading Companies & Distributors-0.48%		
Fastenal Co.	85,291	4,052,175
Trucking-0.72%		
J.B. Hunt Transport Services, Inc.	78,181	6,043,391
Wireless Telecommunication Services-4.53%		
Sprint Corp.(b)	3,529,619	37,943,404
Total Common Stocks & Other Equity Interests (Cost $542,335,982)		833,205,714
Money Market Funds-0.78%		
Liquid Assets Portfolio-Institutional Class(d)	3,274,831	3,274,831
Premier Portfolio-Institutional Class(d)	3,274,832	3,274,832
Total Money Market Funds (Cost $6,549,663)		6,549,663
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)-100.16% (Cost $548,885,645)		839,755,377
Investments Purchased with Cash Collateral from Securities on Loan-0.36%		
Money Market Funds-0.36%		
Liquid Assets Portfolio-Institutional Class (Cost $3,004,191)(d)(e)	3,004,191	3,004,191
TOTAL INVESTMENTS-100.52% (Cost $551,889,836)		842,759,568
OTHER ASSETS LESS LIABILITIES-(0.52)%		(4,351,446)
NET ASSETS-100.00%		$838,408,122

Investment Abbreviations:

ADR - American Depositary Receipt
REIT - Real Estate Investment Trust

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) All or a portion of this security was out on loan at December 31, 2013.
(d) The money market fund and the Fund are affiliated by having the same investment adviser.
(e) The security has been segregated to satisfy the commitment to return the cash collateral received in securities lending transactions upon the borrower's return of the securities loaned. See Note 1I. The following table presents the Fund's gross and net amount of assets available for offset by the Fund as of December 31, 2013.

Counterparty	Gross Amount of Securities on Loan at Value	Cash Collateral Received for Securities Loaned	Net Amount
State Street Bank and Trust Co.	$3,023,250	$(3,004,191)	$19,059

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

Statement of Assets and Liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $542,335,982)*	$ 833,205,714
Investments in affiliated money market funds, at value and cost	9,553,854
Total investments, at value (Cost $551,889,836)	842,759,568
Receivable for:	
Investments sold	789,174
Fund shares sold	24,625
Dividends	447,476
Fund expenses absorbed	81,514
Investment for trustee deferred compensation and retirement plans	385,387
Other assets	387
Total assets	844,488,131
Liabilities:	
Payable for:	
Fund shares reacquired	1,968,116
Collateral upon return of securities loaned	3,004,191
Accrued fees to affiliates	639,963
Accrued trustees' and officers' fees and benefits	1,721
Accrued other operating expenses	31,826
Trustee deferred compensation and retirement plans	434,192
Total liabilities	6,080,009
Net assets applicable to shares outstanding	$ 838,408,122
Net assets consist of:	
Shares of beneficial interest	$ 661,358,446
Undistributed net investment income	(296,947)
Undistributed net realized gain (loss)	(113,524,752)
Net unrealized appreciation	290,871,375
	$ 838,408,122
Net Assets:	
Series I	$ 580,620,467
Series II	$ 257,787,655
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	11,467,980
Series II	5,199,595
Series I:	
Net asset value per share	$ 50.63
Series II:	
Net asset value per share	$ 49.58

* At December 31, 2013, securities with an aggregate value of $3,023,250 were on loan to brokers.

Statement of Operations

For the year ended December 31, 2013

Investment income:	
Dividends (net of foreign withholding taxes of $78,285)	$ 7,435,067
Dividends from affiliated money market funds (includes securities lending income of $45,859)	52,611
Interest	10,498
Total investment income	7,498,176
Expenses:	
Advisory fees	5,102,054
Administrative services fees	1,961,200
Custodian fees	38,621
Distribution fees — Series II	593,629
Transfer agent fees	91,014
Trustees' and officers' fees and benefits	59,458
Other	68,081
Total expenses	7,914,057
Less: Fees waived	(478,728)
Net expenses	7,435,329
Net investment income	62,847
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (includes net gains from securities sold to affiliates of $563,856)	115,023,257
Foreign currencies	(482)
	115,022,775
Change in net unrealized appreciation of:	
Investment securities	143,861,918
Foreign currencies	260
	143,862,178
Net realized and unrealized gain	258,884,953
Net increase in net assets resulting from operations	$258,947,800

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

Statement of Changes in Net Assets

For the years ended December 31, 2013 and 2012

	2013	2012
Operations:		
Net investment income	$ 62,847	$ 2,548,252
Net realized gain	115,022,775	15,714,490
Change in net unrealized appreciation (depreciation)	143,862,178	(8,898,331)
Net increase in net assets resulting from operations	258,947,800	9,364,411
Distributions to shareholders from net investment income:		
Series I	(2,241,984)	–
Series II	(576,996)	–
Total distributions from net investment income	(2,818,980)	–
Share transactions–net:		
Series I	(92,234,602)	370,787,226
Series II	(46,160,962)	131,813,205
Net increase (decrease) in net assets resulting from share transactions	(138,395,564)	502,600,431
Net increase in net assets	117,733,256	511,964,842
Net assets:		
Beginning of year	720,674,866	208,710,024
End of year (includes undistributed net investment income of $(296,947) and $2,413,124, respectively)	$ 838,408,122	$720,674,866

Notes to Financial Statements

December 31, 2013

NOTE 1—Significant Accounting Policies

Invesco V.I. American Franchise Fund (the "Fund"), formerly Invesco Van Kampen V.I. American Franchise 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-four 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices 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 the Adviser determines 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 trades is not the current value as of the close of the NYSE. Foreign securities' prices 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 became 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 of 1986, as amended (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 failed 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. Forward Foreign Currency Contracts – The Fund may enter into forward foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into forward 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 forward 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 forward 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 forward 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 $550 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).

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. 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 Invesco continues the fee waiver agreement, it will terminate on June 30, 2014. The fee waiver agreement cannot be terminated during its term.

Further, the Adviser has contractually agreed, through at least April 30, 2015, 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 year ended December 31, 2013, the Adviser waived advisory fees of $478,728.

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 year ended December 31, 2013, Invesco was paid $180,247 for accounting and fund administrative services and reimbursed $1,780,953 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 year ended December 31, 2013, 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 year ended December 31, 2013, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2013, the Fund incurred $9,161 in brokerage commissions with Invesco Capital Markets, Inc., an affiliate of the Adviser and IDI, for portfolio transactions executed on behalf of the Fund.

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.

As of December 31, 2013, all of the securities in this Fund were valued based on Level 1 inputs (see the Schedule of Investments for security categories). 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.

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 year ended December 31, 2013, the Fund engaged in securities purchases of $1,581,464 and securities sales of $4,131,295, which resulted in net realized gains of $563,856.

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 were eligible to participate in a retirement plan that provided 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 *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 7—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2013 and 2012:

	2013	2012
Ordinary income	$2,818,980	$–

Tax Components of Net Assets at Period-End:

	2013
Undistributed ordinary income	$ 198,756
Net unrealized appreciation — investments	289,590,963
Net unrealized appreciation (depreciation) — other investments	(121,900)
Temporary book/tax differences	(395,660)
Capital loss carryforward	(112,222,483)
Shares of beneficial interest	661,358,446
Total net assets	$ 838,408,122

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

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. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. 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. Capital loss carryforwards with no expiration date 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 utilized $113,458,204 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2013, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$ 93,041,814	$–	$ 93,041,814
December 31, 2017	5,236,281	–	5,236,281
December 31, 2018	13,944,388	–	13,944,388
	$112,222,483	$–	$112,222,483

* Capital loss carryforward as of the date listed above is reduced for limitation, 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 year ended December 31, 2013 was $567,611,987 and $700,075,065, 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	$291,180,694
Aggregate unrealized (depreciation) of investment securities	(1,589,731)
Net unrealized appreciation of investment securities	$289,590,963

Cost of investments for tax purposes is $553,168,605.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of fair fund settlements and wash sales adjustments, on December 31, 2013, undistributed net investment income was increased by $46,062, undistributed net realized gain (loss) was decreased by $911,387 and shares of beneficial interest was increased by $865,325 . This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2013[a]		2012	
	Shares	Amount	Shares	Amount
Sold:				
Series I	372,037	$ 16,044,363	789,397	$ 28,721,163
Series II	211,725	9,101,632	320,230	11,081,001
Issued in connection with acquisitions:[b]				
Series I	–	–	11,970,981	445,461,917
Series II	–	–	4,415,803	161,335,668
Issued as reinvestment of dividends:				
Series I	49,800	2,241,984	–	–
Series II	13,081	576,996	–	–
Reacquired:				
Series I	(2,635,529)	(110,520,949)	(2,934,105)	(103,395,854)
Series II	(1,335,787)	(55,839,590)	(1,160,262)	(40,603,464)
Net increase (decrease) in share activity	(3,324,673)	$(138,395,564)	13,402,044	$ 502,600,431

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 19% 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 Funds 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 year ended December 31, 2012 assuming the reorganization had been completed on January 1, 2012, the beginning of the annual reporting period are as follows:

Net investment income	$ 2,254,431
Net realized/unrealized gains	92,187,134
Change in net assets resulting from operations	$94,441,565

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 Funds that have been included in the Fund's Statement of Operations since April 30, 2012.

NOTE 11—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 (000's 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]														
Year ended 12/31/13	$36.28	$ 0.04	$14.50	$14.54	$(0.19)	$ –	$(0.19)	$50.63	40.13%[d]	$580,620	0.90%[e]	0.96%[e]	0.08%[e]	75%
Year ended 12/31/12	31.90	0.19	4.19	4.38	–	–	–	36.28	13.73[d]	496,341	0.88	0.98	0.52	190
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
Series II[c]														
Year ended 12/31/13	35.55	(0.07)	14.20	14.13	(0.10)	–	(0.10)	49.58	39.79[d]	257,788	1.15[e]	1.21[e]	(0.17)[e]	75
Year ended 12/31/12	31.35	0.10	4.10	4.20	–	–	–	35.55	13.40[d]	224,334	1.13	1.23	0.27	190
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

[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 year ended December 31, 2012, the portfolio turnover calculation excludes the value of securities purchased of $14,357,093 and sold of $15,173,740 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, respectively.
[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 based on average daily net assets (000's) of $524,495 and $237,452 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%.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. American Franchise Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. American Franchise Fund (formerly known as Invesco Van Kampen V.I. American Franchise Fund; one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The financial highlights of the Fund for the period ended December 31, 2009 were audited by another independent registered public accounting firm whose report dated February 19, 2010 expressed an unqualified opinion on such financial statement.

PRICEWATERHOUSECOOPERS LLP

February 17, 2014
Houston, Texas

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 July 1, 2013 through December 31, 2013.

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 (07/01/13)	Ending Account Value (12/31/13)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/13)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,285.20	$5.18	$1,020.67	$4.58	0.90%
Series II	1,000.00	1,283.50	6.62	1,019.41	5.85	1.15

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2013 through December 31, 2013, 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 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2013:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	100%

* The above percentage is based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 1000, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] – 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	123	None
Philip A. Taylor[2] – 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	123	None
Wayne W. Whalen[3] – 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to certain funds in the Fund Complex	136	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

1 Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

2 Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

3 Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Invesco Fund Complex because he and his firm currently provide legal services as legal counsel to such Funds.

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	123	ACE Limited (insurance company); Investment Company Institute
David C. Arch — 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	136	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	123	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis Institute of Music
James T. Bunch — 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	123	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer — 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: Prior to 2001, Managing Partner at Equity Group Corporate Investments; Prior to 1995, Chief Executive Officer of Itel Corporation (formerly Anixter International); Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.; From 1987 to 2010, Director/ Trustee of investment companies in the Van Kampen Funds complex	123	Director of Quidel Corporation and Stericycle, Inc.; Prior to May 2008, Trustee of The Scripps Research Institute; Prior to February 2008, Director of Ventana Medical Systems, Inc.
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); and Reich & Tang Funds (5 portfolios) (registered investment company) Formerly: Director, Homeowners of America Holding Corporation/Homeowners of America Insurance Company (property casualty company); Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director, Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	123	Director of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	123	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis — 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	123	None
Larry Soll — 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	123	None
Hugo F. Sonnenschein — 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	136	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences

Trustees and Officers–(continued)

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee Other Officers	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	123	None
Other Officers				
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr – 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Karen Dunn Kelley – 1960 Vice President	1993	Senior Managing Director, Investments; Director, Co-President, Co-Chief Executive Officer, and Co-Chairman, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Chairman, Invesco Senior Secured Management, Inc.; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc., and Invesco Management Company Limited; Director and President, INVESCO Asset Management (Bermuda) Ltd., Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only) Formerly: Director, INVESCO Global Asset Management Limited and INVESCO Management S.A.; Senior Vice President, Van Kampen Investments Inc. and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Sheri Morris – 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Vice President, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; and Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., Invesco Management Group, Inc., Van Kampen Exchange Corp., The Invesco Funds, Invesco Funds (Chicago), and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc.	N/A	N/A
Todd L. Spillane – 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds; Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) Formerly: Chief Compliance Officer, Invesco Funds (Chicago); Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust; and Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, TX 77002-5678

Counsel to the Fund
Stradley Ronon Stevens & Young, LLP
2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

Counsel to the Independent Trustees
Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, D.C. 20001

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Annual Report to Shareholders **December 31, 2013**

Invesco V.I. Government Securities Fund

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 most recent 12-month period ended June 30 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-AR-1

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2013, Invesco V.I. Government Securities Fund underperformed its style-specific index, the Barclays U.S. Government Index. Yield curve positioning was the principal detractor from the Fund's performance versus its style-specific benchmark for the year.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/12 to 12/31/13, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-2.62%
Series II Shares	-2.85
Barclays U.S. Aggregate Index▼ (Broad Market Index)	-2.02
Barclays U.S. Government Index■ (Style-Specific Index)	-2.60
Lipper VUF General U.S. Government Funds Index■ (Peer Group Index)	-2.45

Source(s): ▼Invesco, Barclays via FactSet Research Systems Inc.; ■Lipper Inc.

How we invest

We invest primarily in debt securities issued, guaranteed or backed by the US government or its agencies and instrumentalities. These securities include US Treasury notes and bonds, US agency debentures and agency-backed mortgage-backed securities (MBS). The Fund may invest in derivative instruments such as interest rate futures contracts and swap agreements and engage in mortgage dollar roll transactions, a form of repurchase agreement in the to be-announced (TBA) market for agency MBS.

We believe dynamic and complex fixed income markets may create opportunities for investors that are best captured by independent specialists interconnected as a global team. We use this philosophy in an effort to generate a total return consisting of income and capital appreciation. Portfolio construction begins with a well-defined Fund design that establishes the target investment vehicles for generating the desired "alpha" (the extra return above a specific benchmark) as well as the risk parameters for the Fund. Investment vehicles are evaluated for liquidity and risk versus relative value. Our security selection is supported by a team of independent specialists. Team members conduct top-down macroeconomic as well as bottom-up analysis on individual securities. Recommendations are communicated to portfolio managers through proprietary technology that allows all investment professionals to communicate in a timely manner.

Sell decisions are based on:

- A conscious decision to alter the Fund's macro-risk exposure (for example, duration, yield curve positioning or sector exposure).
- The need to limit or reduce exposure to a particular sector or issuer.
- Degradation of an issuer's credit quality.
- Realignment of a valuation target.
- Presentation of a better relative value opportunity.
- The general liquidity needs of the Fund.

Market conditions and your Fund

The year ended December 31, 2013, was characterized by slow but steady improvement in the US economy, strong US equity market returns and generally negative US bond market returns.

As the year began, consumer confidence trended higher based on the recovery of the US housing market, despite uncertainty surrounding the outcome of tax and spending negotiations between the White House and Congress — and implementation of sequestration spending cuts — which consequently left many businesses hesitant to spend.

US bond markets were unremarkable for much of the first half of the year, but from late May through June, bond and stock markets declined following US Federal Reserve (the Fed) Chairman Ben Bernanke's comments suggesting that the time had come for the Fed to begin to reduce the size of its bond buying program, also known as quantitative easing (QE). This sell-off was brief but broad, and few asset classes were immune. Markets stabilized in mid-summer, despite some volatility in August surrounding a potential US military reaction to instability in Syria. The fourth quarter began amid uncertainty created by a two-week federal government shutdown, and bond yields rose in response to increased market volatility during the last three months of the year. In December, as expected, the Fed officially announced that it would begin reducing the scope of QE in January 2014. In contrast to a rallying stock market following the Fed's announcement, longer term bond yields rose, with the benchmark 10-year US Treasury yield breaking 3% by year end.[1] For only the third time in 34 years, investment grade

Portfolio Composition

By security type

U.S. Government Sponsored Agency Mortgage-Backed Securities	60.1%
U.S. Government Sponsored Agency Securities	16.5
U.S. Treasury Securities	14.9
Foreign Bonds	5.1
Corporate Notes	2.1
Money Market Funds Plus Other Assets Less Liabilities	1.3

Top Five Fixed Income Issuers*

1.	Federal National Mortgage Association	14.2%
2.	U.S. Treasury Notes	12.5
3.	Federal Home Loan Mortgage Corp.	11.8
4.	Fannie Mae REMICs	11.2
5.	Freddie Mac REMICs	11.0

Total Net Assets	$792.9 million
Total Number of Holdings*	827

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

bonds finished the year in the red.[1] For the reporting period, intermediate and longer-term, high credit quality, rate-sensitive segments of the US bond market generally lost ground; high yield bonds, bank loans and short-term bonds were some of the few bond market segments that delivered positive returns in 2013.

Our decision to significantly underweight exposure to US Treasuries and overweight exposure to agency debentures was advantageous for the Fund as non-Treasury sectors of the government bond market outperformed Treasuries during the year. Likewise, our allocations to off-benchmark, high quality, short average life collateralized mortgage obligations (CMO) benefited the Fund's return relative to the style-specific index, and contributed to a higher-than-index average portfolio yield-to-maturity for the reporting period.

Our security selection decisions across the maturity, coupon, vintage and issuer strata of the agency residential MBS market were also advantageous for relative returns. Among agency MBS, an emphasis on 30-year, fixed-rate MBS was advantageous for Fund returns; such securities were helped by the Fed's continued QE asset purchases, with $40 billion of the $85 billion monthly bond-buying program targeted at MBS.[2] In contrast, our security selection among Treasury securities detracted from relative return as the value of some long maturity treasuries held during the period fell in response to rising rates during the second half of the year.

The Fund also benefited from incremental income earned by engaging in dollar (mortgage) roll activity, a type of repurchase transaction in the highly liquid TBA market for agency MBS. A dollar roll involves the Fund selling an MBS to a financial institution, with an agreement to repurchase a substantially similar security at an agreed upon price and date. Excess portfolio cash resulting from the use of this strategy is subsequently invested in short-term instruments to generate additional return for the Fund.

The Fund uses active duration and yield curve positioning for risk management and for generating alpha versus its style-specific benchmark. Duration measures a portfolio's price sensitivity to interest rate changes, with a shorter duration portfolio tending to be less sensitive to these changes. During the reporting period, we maintained the portfolio's duration slightly below that of the Fund's style-specific benchmark, on average, which worked in favor of relative performance for the year, especially during the second half of the year as interest rates rose. Yield curve positioning within the portfolio de-emphasized relatively stable short-term (six months to two years) interest rates, thus offsetting some of the positive relative performance generated by duration positioning. Buying and selling US Treasury futures contracts was an important tool we used to manage interest rate risk and maintain our targeted portfolio duration.

We thank you for your investment in Invesco V.I. Government Securities Fund.

1 Source: Barclays
2 Source: US Federal Reserve

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as 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 Invesco Advisers, Inc. 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.

See important Fund and, if applicable, index disclosures later in this report.

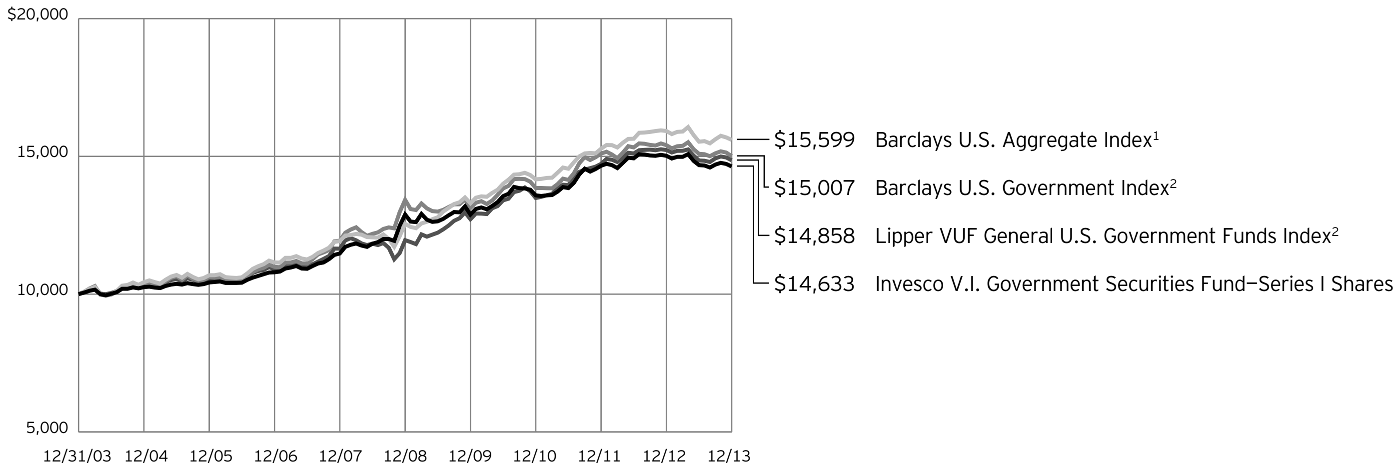
Clint Dudley
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1998. Mr. Dudley earned a BBA and an MBA from Baylor University.

Brian Schneider
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1987. Mr. Schneider earned a BA in economics and an MBA from Bellarmine University (formerly Bellarmine College).

Your Fund's Long-Term Performance

Results of a $10,000 Investment — Oldest Share Class(es)

Fund and index data from 12/31/03



1 Source(s): Invesco, Barclays via FactSet Research Systems Inc.
2 Source: Lipper Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/13*	
Series I Shares	
Inception (5/5/93)	4.68%
10 Years	3.88
5 Years	2.56
1 Year	-2.62
Series II Shares	
Inception (9/19/01)	3.77%
10 Years	3.61
5 Years	2.30
1 Year	-2.85

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 0.76% and 1.01%, 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 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.

Invesco V.I. Government Securities Fund's investment objective is total return, comprised of current income and capital appreciation.

- Unless otherwise stated, information presented in this report is as of December 31, 2013, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Active trading risk. The Fund engages in frequent trading of portfolio securities. Active trading results in added expenses and may result in a lower return.

Collateralized loan obligations risk. In addition to the normal interest rate, default and other risk of fixed income securities, collateralized loan obligations carry additional risks, including the possibility that distributions from collateral securities will not be adequate to make interest or other payments, the quality of the collateral may decline in value or default, the Fund may invest in collateralized loan obligations that are subordinate to other classes, values may be volatile, and disputes with the issuer may produce unexpected investment results.

Derivatives risk. The value of a derivative instrument depends largely on (and is derived from) the value of an underlying security, currency, commodity, interest rate, index or other asset (each referred to as an underlying asset). In addition to risks relating to the underlying assets, the use of derivatives may include other, possibly greater, risks, including counterparty, leverage and liquidity risks. Counterparty risk is the risk that the counterparty to the derivative contract will default on its obligation to pay the Fund the amount owed or otherwise perform under the derivative contract. Derivatives create leverage risk because they do not require payment up front equal to the economic exposure created by owning the derivative. As a result, an adverse change in the value of the underlying asset could result in the Fund sustaining a loss that is substantially greater than the amount invested in the derivative, which may make the Fund's returns more volatile and increase the risk of loss. Derivative instruments may also be less liquid than more traditional investments and the Fund may be unable to sell or close out its derivative positions at a desirable time or price. This risk may be more acute under adverse market conditions, during which the Fund may be most in need of liquidating its derivative positions. Derivatives may also be harder to value, less tax efficient and subject to changing government regulation that could impact the Fund's ability to use certain derivatives or their cost. Also, derivatives used for hedging or to gain or limit exposure to a particular market segment may not provide the expected benefits, particularly during adverse market conditions.

Interest rate risk. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall. Specific bonds differ in their sensitivity to changes in interest rates depending on their individual characteristics, including duration.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and currency and interest rate fluctuations.

Mortgage- and asset-backed securities risk. The Fund may invest in mortgage- and asset-backed securities that are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Faster prepayments often happen when interest rates are falling. As a result, the Fund may reinvest these early payments at lower interest rates, thereby reducing the Fund's income. Conversely, when interest rates rise, prepayments may happen more slowly, causing the security to lengthen in duration. Longer duration securities tend to be more volatile. Securities may be prepaid at a price less than the original purchase value. An unexpectedly high rate of defaults on the mortgages held by a mortgage pool may adversely affect the value of mortgage-backed securities and could result in losses to the Fund. The risk of such defaults is generally higher in the case of mortgage pools that include subprime mortgages. Subprime mortgages refer to loans made to borrowers with weakened credit histories or with lower capacity to make timely payments on their mortgages.

Reinvestment risk. Reinvestment risk is the risk that a bond's cash flows (coupon income and principal repayment) will be reinvested at an interest rate below that on the original bond.

TBA transactions risk. TBA transactions involve the risk that the securities received may be less favorable than what was anticipated by the Fund when entering into the TBA transaction. TBA transactions also involve the risk that a counterparty will fail to deliver the securities, exposing the Fund to further losses. Whether or not the Fund takes delivery of the securities at the termination date of a TBA transaction, the Fund will nonetheless be exposed to changes in the value of the underlying investments during the term of the agreement.

US government obligations risk. The Fund may invest in obligations issued by US government agencies and instrumentalities that may receive varying levels of support from the government, which could affect the Fund's ability to recover should they default.

When-issued and delayed delivery risk. When-issued and delayed delivery transactions are subject to market risk as the value or yield of a security at delivery may be more or less than the purchase price or the yield generally available on securities when delivery occurs. In addition, the Fund is subject to counterparty risk because it relies on the buyer or seller, as the case may be, to consummate the transaction, and failure by the other party to complete the transaction may result in the Fund missing the opportunity of obtaining a price or yield considered to be advantageous.

Zero coupon or pay-in-kind securities risk. The value, interest rates and liquidity of non-cash paying instruments, such as zero coupon and pay-in-kind securities, are subject to greater fluctuation than other types of securities.

About indexes used in this report

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 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) described 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.

Other information

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Schedule of Investments

December 31, 2013

	Principal Amount	Value
U.S. Government Sponsored Agency Mortgage-Backed Securities–60.06%		
Collateralized Mortgage Obligations–29.40%		
Fannie Mae REMICs,		
4.00%, 07/25/18 to 07/25/40	$ 8,927,249	$ 9,343,351
4.50%, 07/25/19 to 07/25/27	1,869,941	1,929,180
5.00%, 08/25/19 to 09/25/37	7,017,478	7,268,295
4.25%, 12/25/19 to 02/25/37	6,112,207	6,445,818
3.00%, 10/25/25 to 09/25/36	7,620,228	7,841,538
2.50%, 03/25/26	2,996,621	3,072,285
7.00%, 09/18/27	652,735	739,887
6.50%, 03/25/32	1,785,563	1,996,485
5.75%, 10/25/35	697,994	780,762
0.46%, 05/25/36[(a)]	7,241,474	7,241,966
0.66%, 03/25/37 to 05/25/41[(a)]	12,665,411	12,706,375
0.56%, 06/25/38[(a)]	10,638,888	10,671,320
6.57%, 06/25/39[(a)]	7,152,424	8,217,921
0.71%, 02/25/41[(a)]	7,498,969	7,534,203
0.68%, 11/25/41[(a)]	2,988,971	2,997,511
Federal Home Loan Bank,		
5.07%, 10/20/15	885,574	940,365
5.46%, 11/27/15	12,592,366	13,390,772
5.77%, 03/23/18	1,842,939	2,002,959
Freddie Mac REMICs,		
4.00%, 12/15/17 to 06/15/39	9,244,016	9,578,330
5.00%, 02/15/18 to 09/15/31	4,174,279	4,397,072
4.50%, 07/15/18 to 10/15/36	1,118,251	1,173,455
3.00%, 10/15/18 to 04/15/26	7,129,890	7,386,821
3.75%, 10/15/18	2,187,811	2,241,311
4.25%, 01/15/19	342,762	348,015
3.50%, 12/15/27	538,388	554,293
0.57%, 04/15/28 to 06/15/37[(a)]	9,738,942	9,768,582
0.67%, 12/15/35 to 03/15/40[(a)]	9,840,764	9,905,273
0.47%, 03/15/36[(a)]	7,403,812	7,414,692
5.75%, 05/15/36	36,807	36,876
0.52%, 11/15/36[(a)]	9,415,979	9,409,313
1.03%, 11/15/39[(a)]	2,357,479	2,376,191
0.62%, 03/15/40 to 02/15/42[(a)]	22,928,366	22,995,647
Ginnie Mae REMICs,		
6.00%, 01/16/25	1,541,388	1,731,212
4.50%, 01/16/31 to 09/16/34	13,907,570	14,319,826
4.75%, 09/20/32	535,603	549,255
4.00%, 04/16/33 to 02/20/38	6,272,534	6,588,256
5.74%, 08/20/34[(a)]	2,391,344	2,651,848
5.00%, 08/16/35	257,136	265,875
5.86%, 01/20/39[(a)]	7,757,376	8,731,315
0.97%, 09/16/39[(a)]	3,097,759	3,168,502
4.51%, 07/20/41[(a)]	2,288,755	2,422,671
		233,135,624

	Principal Amount	Value
Federal Deposit Insurance Co. (FDIC)–0.07%		
Series 2010-S1, Class 1A Gtd. Floating Rate Notes, 0.72%, 02/25/48 (Acquired 03/05/10; Cost $527,670)[(a)(b)]	$ 527,670	$ 528,937
Federal Home Loan Mortgage Corp. (FHLMC)–11.83%		
Pass Through Ctfs.,		
7.00%, 07/01/14 to 12/01/37	7,608,582	8,570,458
6.50%, 04/01/15 to 12/01/35	6,663,282	7,417,687
8.00%, 07/01/15 to 09/01/36	8,154,298	9,677,815
6.00%, 02/01/16 to 07/01/38	2,795,800	3,037,193
5.00%, 07/01/18 to 01/01/40	3,537,765	3,827,898
10.50%, 08/01/19	1,113	1,179
4.50%, 09/01/20 to 08/01/41	19,663,606	20,914,655
8.50%, 09/01/20 to 08/01/31	725,550	834,591
10.00%, 03/01/21	34,112	38,137
9.00%, 06/01/21 to 06/01/22	240,398	265,866
7.50%, 09/01/22 to 08/01/36	2,517,220	2,883,302
5.50%, 12/01/22	1,295,080	1,404,704
3.50%, 08/01/26	1,900,413	1,989,388
3.00%, 05/01/27	2,778,558	2,848,847
7.05%, 05/20/27	209,379	225,359
6.03%, 10/20/30	1,418,565	1,624,378
Pass Through Ctfs., ARM		
2.58%, 09/01/35[(a)]	10,248,747	10,765,503
2.61%, 07/01/36[(a)]	8,220,415	8,766,222
2.21%, 10/01/36[(a)]	4,554,169	4,867,160
2.53%, 10/01/36[(a)]	345,412	367,996
2.64%, 11/01/37[(a)]	3,147,433	3,361,014
2.93%, 01/01/38[(a)]	151,269	160,196
		93,849,548
Federal National Mortgage Association (FNMA)–14.18%		
Pass Through Ctfs.,		
6.00%, 01/01/14 to 10/01/38	5,853,542	6,506,171
7.00%, 01/15/14 to 06/01/36	10,625,181	11,725,458
7.50%, 02/01/14 to 08/01/37	9,135,675	10,577,985
8.00%, 02/01/14 to 11/01/37	7,188,192	8,284,148
6.50%, 12/01/14 to 11/01/37	8,041,045	8,850,789
5.00%, 11/01/17 to 12/01/33	844,048	908,510
8.50%, 11/01/17 to 08/01/37	2,887,456	3,344,809
4.50%, 04/01/19 to 08/01/41	16,920,080	18,070,312
5.50%, 03/01/21 to 05/01/35	3,509,511	3,866,560
6.75%, 07/01/24	707,565	802,505
6.95%, 10/01/25	24,659	25,864
3.50%, 03/01/27 to 08/01/27	17,496,341	18,496,222
3.00%, 05/01/27 to 08/01/27	8,534,845	8,722,972
Pass Through Ctfs., ARM		
2.49%, 10/01/34[(a)]	3,982,300	4,270,353
2.34%, 05/01/35[(a)]	779,567	828,292
2.55%, 03/01/38[(a)]	174,710	184,883

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

	Principal Amount	Value
Federal National Mortgage Association (FNMA)–(continued)		
Pass Through Ctfs., BAL		
3.84%, 04/01/18	$ 6,454,054	$ 6,965,276
		112,431,109
Government National Mortgage Association (GNMA)–4.58%		
Pass Through Ctfs.,		
6.50%, 05/20/14 to 01/15/37	7,141,924	7,942,839
7.50%, 10/15/14 to 10/15/35	4,374,002	5,012,960
11.00%, 10/15/15	820	826
7.00%, 04/15/17 to 01/15/37	2,516,039	2,787,466
8.00%, 05/15/17 to 01/15/37	2,577,276	3,020,371
10.50%, 09/15/17	647	652
8.50%, 12/15/17 to 01/15/37	394,937	432,637
10.00%, 06/15/19	15,455	16,710
6.00%, 09/15/20 to 08/15/33	1,144,509	1,268,818
5.00%, 02/15/25	399,098	435,703
6.95%, 08/20/25 to 08/20/27	453,120	478,439
6.38%, 10/20/27 to 04/20/28	485,021	538,382
6.10%, 12/20/33	6,317,823	7,434,452
3.50%, 10/20/42	6,936,452	6,914,181
		36,284,436
Total U.S. Government Sponsored Agency Mortgage-Backed Securities (Cost $467,668,447)		476,229,654
U.S. Government Sponsored Agency Securities–16.49%		
Federal Agricultural Mortgage Corp.–3.40%		
Sec. Gtd. Notes, 5.13%, 04/19/17[b]	14,000,000	15,785,841
Sr. Unsec. Notes, 2.00%, 07/27/16	4,000,000	4,123,542
Unsec. Medium-Term Notes,		
0.85%, 08/11/14	7,000,000	7,035,346
		26,944,729
Federal Farm Credit Bank (FFCB)–1.77%		
Unsec. Bonds,		
1.05%, 03/28/16	7,000,000	7,074,755
5.43%, 06/07/24	2,885,000	3,298,793
Unsec. Medium-Term Notes,		
5.75%, 12/07/28	3,100,000	3,661,107
		14,034,655
Federal Home Loan Bank (FHLB)–3.62%		
Unsec. Bonds,		
1.50%, 10/12/17	4,800,000	4,826,050
2.00%, 09/14/18	2,500,000	2,520,976
4.50%, 09/13/19	5,000,000	5,583,308
1.88%, 03/13/20	6,000,000	5,786,478
3.38%, 06/12/20	6,220,000	6,504,952
2.88%, 09/11/20	3,455,000	3,500,571
		28,722,335
Federal Home Loan Mortgage Corp. (FHLMC)–3.42%		
Unsec. Global Notes,		
0.75%, 01/12/18	12,500,000	12,167,145
0.88%, 03/07/18	5,800,000	5,646,070

	Principal Amount	Value
Federal Home Loan Mortgage Corp. (FHLMC)–(continued)		
1.25%, 08/01/19	$ 4,800,000	$ 4,587,968
1.25%, 10/02/19	5,000,000	4,744,006
		27,145,189
Federal National Mortgage Association (FNMA)–1.70%		
Unsec. Global Notes,		
1.25%, 01/30/17	5,300,000	5,361,888
0.88%, 10/26/17	3,200,000	3,148,764
1.63%, 11/27/18	5,000,000	4,946,023
		13,456,675
Financing Corp (FICO)–0.45%		
Sec. Bonds,		
9.80%, 04/06/18	700,000	934,373
Series E, Sec. Bonds,		
9.65%, 11/02/18	1,985,000	2,663,483
		3,597,856
Tennessee Valley Authority (TVA)–2.13%		
Sr. Unsec. Global Bonds,		
4.88%, 12/15/16	13,553,000	15,135,277
Sr. Unsec. Global Notes,		
1.88%, 08/15/22	2,000,000	1,774,784
		16,910,061
Total U.S. Government Sponsored Agency Securities (Cost $131,408,013)		130,811,500
U.S. Treasury Securities–14.88%		
U.S. Treasury Bills–0.30%[c][d]		
0.07%, 05/01/14	600,000	599,901
0.08%, 05/01/14	1,750,000	1,749,710
		2,349,611
U.S. Treasury Bonds–2.07%		
8.75%, 05/15/20	3,500,000	4,880,400
7.88%, 02/15/21	1,100,000	1,494,840
7.50%, 11/15/24	120,000	169,197
7.63%, 02/15/25	550,000	784,082
5.38%, 02/15/31	3,800,000	4,641,434
4.25%, 05/15/39	3,685,000	3,911,477
4.38%, 11/15/39	500,000	540,888
		16,422,318
U.S. Treasury Notes–12.51%		
0.88%, 11/30/16	3,500,000	3,511,315
1.00%, 03/31/17	12,000,000	12,027,686
0.63%, 05/31/17	5,000,000	4,934,997
0.75%, 06/30/17	6,250,000	6,184,391
2.38%, 07/31/17	5,000,000	5,224,111
0.63%, 08/31/17	6,000,000	5,888,295
0.63%, 09/30/17	8,750,000	8,567,980
0.75%, 12/31/17	7,000,000	6,843,170
0.88%, 01/31/18	5,000,000	4,903,614
1.38%, 09/30/18	13,800,000	13,626,900
1.38%, 12/31/18	3,000,000	2,948,791

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

	Principal Amount	Value
U.S. Treasury Notes-(continued)		
3.63%, 02/15/20	$ 2,000,000	$ 2,175,300
2.00%, 09/30/20	5,000,000	4,882,014
2.13%, 08/15/21	2,700,000	2,611,862
2.00%, 11/15/21	3,300,000	3,144,848
1.75%, 05/15/22	1,250,000	1,153,933
2.00%, 02/15/23	5,250,000	4,861,351
2.50%, 08/15/23	6,000,000	5,750,903
		99,241,461
Total U.S. Treasury Securities (Cost $118,801,181)		118,013,390
Foreign Bonds-5.15%		
Collateralized Mortgage Obligations-4.61%		
La Hipotecaria Panamanian Mortgage Trust (El Salvador), Series 2010-1GA, Class A, Floating Rate Pass Through Ctfs., 3.00%, 09/08/39 (Acquired 11/05/10; Cost $22,675,914)[(a)(b)]	21,948,858	22,891,979
Series 2013-1A, Class A, Pass Through Ctfs., 3.50%, 10/25/41 (Acquired 04/22/13; Cost $13,281,575)[(b)]	12,832,439	13,678,584
		36,570,563
Sovereign Debt-0.54%		
Israel Government Agency for International Development (AID) Bond, Unsec. Gtd. Global Bonds, 5.13%, 11/01/24	3,800,000	4,259,708
Total Foreign Bonds (Cost $39,724,023)		40,830,271

	Principal Amount	Value
Corporate Notes-2.10%		
Private Export Funding Corp.-2.10%		
Sec. Gtd. Notes, 2.13%, 07/15/16	$ 5,000,000	$ 5,160,686
1.38%, 02/15/17	5,000,000	5,053,004
4.30%, 12/15/21	1,540,000	1,653,924
Sr. Sec. Gtd. Notes, 1.45%, 08/15/19	5,000,000	4,764,410
Total Corporate Notes (Cost $16,537,015)		16,632,024
	Shares	
Money Market Funds-0.91%		
Government & Agency Portfolio-Institutional Class (Cost $7,195,893)[(e)]	7,195,893	7,195,893
TOTAL INVESTMENTS-99.59% (Cost $781,334,572)		789,712,732
OTHER ASSETS LESS LIABILITIES-0.41%		3,214,313
NET ASSETS-100.00%		$792,927,045

Investment Abbreviations:

ARM - Adjustable Rate Mortgage
BAL - Balloon
Ctfs. - Certificates
Gtd. - Guaranteed
REMIC - Real Estate Mortgage Investment Conduits
Sec. - Secured
Sr. - Senior
Unsec. - Unsecured

Notes to Schedule of Investments:

(a) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on December 31, 2013.
(b) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). 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 December 31, 2013 was $52,885,341, which represented 6.67% of the Fund's Net Assets.
(c) Security traded on a discount basis. The interest rate shown represents the discount rate at the time of purchase by the Fund.
(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) 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.

Statement of Assets and Liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $774,138,679)	$782,516,839
Investments in affiliated money market funds, at value and cost	7,195,893
Total investments, at value (Cost $781,334,572)	789,712,732
Receivable for:	
Investments sold	13,336,330
Fund shares sold	142,980
Dividends and interest	2,851,234
Principal paydowns	545,104
Investment for trustee deferred compensation and retirement plans	226,328
Other assets	45,127
Total assets	806,859,835
Liabilities:	
Payable for:	
Investments purchased	12,059,623
Fund shares reacquired	657,784
Variation margin	308,937
Accrued fees to affiliates	638,091
Accrued trustees' and officers' fees and benefits	1,882
Trustee deferred compensation and retirement plans	266,473
Total liabilities	13,932,790
Net assets applicable to shares outstanding	$792,927,045
Net assets consist of:	
Shares of beneficial interest	$790,348,642
Undistributed net investment income	20,577,692
Undistributed net realized gain (loss)	(25,567,071)
Net unrealized appreciation	7,567,782
	$792,927,045
Net Assets:	
Series I	$565,689,825
Series II	$227,237,220
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	48,601,875
Series II	19,696,876
Series I:	
Net asset value per share	$ 11.64
Series II:	
Net asset value per share	$ 11.54

Statement of Operations

For the year ended December 31, 2013

Investment income:	
Interest	$ 17,654,955
Dividends from affiliated money market funds	1,631
Total investment income	17,656,586
Expenses:	
Advisory fees	4,451,669
Administrative services fees	2,567,602
Custodian fees	42,802
Distribution fees — Series II	606,159
Transfer agent fees	27,413
Trustees' and officers' fees and benefits	70,601
Other	126,838
Total expenses	7,893,084
Less: Fees waived	(205,108)
Net expenses	7,687,976
Net investment income	9,968,610
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities	(8,195,956)
Futures contracts	(3,310,234)
	(11,506,190)
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(26,107,718)
Futures contracts	256,408
	(25,851,310)
Net realized and unrealized gain (loss)	(37,357,500)
Net increase (decrease) in net assets resulting from operations	$(27,388,890)

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

Statement of Changes in Net Assets

For the years ended December 31, 2013 and 2012

	2013	2012
Operations:		
Net investment income	$ 9,968,610	$ 17,251,297
Net realized gain (loss)	(11,506,190)	19,561,851
Change in net unrealized appreciation (depreciation)	(25,851,310)	(8,256,599)
Net increase (decrease) in net assets resulting from operations	(27,388,890)	28,556,549
Distributions to shareholders from net investment income:		
Series I	(22,128,544)	(27,559,188)
Series II	(7,761,089)	(7,996,672)
Total distributions from net investment income	(29,889,633)	(35,555,860)
Share transactions–net:		
Series I	(265,152,570)	(91,925,900)
Series II	(18,936,311)	(32,126,913)
Net increase (decrease) in net assets resulting from share transactions	(284,088,881)	(124,052,813)
Net increase (decrease) in net assets	(341,367,404)	(131,052,124)
Net assets:		
Beginning of year	1,134,294,449	1,265,346,573
End of year (includes undistributed net investment income of $20,577,692 and $29,658,894, respectively)	$ 792,927,045	$1,134,294,449

Notes to Financial Statements

December 31, 2013

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-four 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations 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) prices 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 the Adviser determines 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 trades is not the current value as of the close of the NYSE. Foreign securities' prices 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 became 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 of 1986, as amended (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 Fund may not be able to recover its investment in such issuer 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 designated 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(s) discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective May 1, 2013, the Adviser has contractually agreed, through at least June 30, 2014, 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 1.50% and Series II shares to 1.75% of average daily net assets. Prior to May 1, 2013, 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 0.70% and Series II to 0.95% 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 Invesco continues the fee waiver agreement, it will terminate on June 30, 2014. The fee waiver agreement cannot be terminated during its term.

Further, the Adviser has contractually agreed, through at least April 30, 2015, 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 year ended December 31, 2013, the Adviser waived advisory fees of $205,108.

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 year ended December 31, 2013, Invesco was paid $226,141 for accounting and fund administrative services and reimbursed $2,341,461 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 year ended December 31, 2013, 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 year ended December 31, 2013, 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 December 31, 2013. 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	$7,195,893	$ —	$—	$ 7,195,893
U.S. Treasury Securities	—	118,013,390	—	118,013,390
U.S. Government Sponsored Agency Securities	—	607,041,154	—	607,041,154
Corporate Debt Securities	—	16,632,024	—	16,632,024
Foreign Debt Securities	—	36,570,563	—	36,570,563
Foreign Sovereign Debt Securities	—	4,259,708	—	4,259,708
	$7,195,893	$782,516,839	$—	$789,712,732
Futures Contracts*	$ (810,379)	$ —	$—	$ (810,379)
Total Investments	$6,385,514	$782,516,839	$—	$788,902,353

* Unrealized appreciation (depreciation).

NOTE 4—Derivative Investments

Value of Derivative Investments at Period-End

The table below summarizes the value of the Fund's derivative investments, detailed by primary risk exposure, held as of December 31, 2013:

	Value	
Risk Exposure/Derivative Type	**Assets**	**Liabilities**
Interest Rate Risk		
Futures contracts[a]	$1,203,925	$(2,014,304)

[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 Investments for the year ended December 31, 2013

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

	Location of Gain (Loss) on Statement of Operations
	Futures Contracts*
Realized Gain (Loss)	
Interest rate risk	$(3,310,234)
Change in Unrealized Appreciation	
Interest rate risk	256,408
Total	$(3,053,826)

* The average notional value of futures contracts outstanding during the period was $339,795,744.

Open Futures Contracts at Period-End

Futures Contracts	Type of Contract	Number of Contracts	Expiration Month	Notional Value	Unrealized Appreciation (Depreciation)
U.S. Treasury 2 Year Notes	Long	385	March-2014	$ 84,627,813	$ (139,168)
U.S. Treasury 5 Year Notes	Long	402	March-2014	47,963,625	(590,651)
U.S. Treasury 10 Year Notes	Long	10	March-2014	1,230,469	(24,240)
U.S. Ultra Bonds	Long	600	March-2014	81,750,000	(1,260,245)
U.S. Treasury 30 Year Bonds	Short	465	March-2014	(59,665,313)	1,203,925
Total Futures Contracts					$ (810,379)

Offsetting Assets and Liabilities

Effective with the beginning of the Fund's fiscal year, the Fund has adopted Accounting Standards Update ("ASU") No. 2011-11, *Disclosures about Offsetting Assets and Liabilities,* which was subsequently clarified in Financial Accounting Standards Board ASU 2013-01 "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities". This update is intended to enhance disclosures about financial instruments and derivative instruments that are subject to offsetting on the Statement of Assets and Liabilities and to enable investors to better understand the effect of those arrangements on its financial position. In order for an arrangement to be eligible for netting, the Fund must have a basis to conclude that such netting arrangements are legally enforceable. The Fund enters into netting agreements and collateral agreements in an attempt to reduce the Fund's counterparty credit risk by providing for a single net settlement with a counterparty of all financial transactions covered by the agreement in an event of default as defined under such agreement.

There were no derivative instruments subject to a netting agreement for which the Fund is not currently netting. The following tables present derivative instruments that are either subject to an enforceable netting agreement or offset by collateral arrangements as of December 31, 2013.

Assets:

Counterparty	Gross amounts presented in Statement of Assets & Liabilities[(a)]	Gross amounts offset in Statement of Assets & Liabilities	Net amounts of assets presented in Statement of Assets and Liabilities	Collateral Received		Net Amount
				Financial Instruments	Cash	
Bank of America Securities LLC	$1,203,925	$(1,203,925)	$ –	$ –	$–	$–

Liabilities:

Counterparty	Gross amounts presented in Statement of Assets & Liabilities[(a)]	Gross amounts offset in Statement of Assets & Liabilities	Net amounts of liabilities presented in Statement of Assets and Liabilities	Collateral Pledged		Net Amount
				Financial Instruments	Cash	
Bank of America Securities LLC	$2,014,304	$(1,203,925)	$810,379	$(810,379)	$–	$–

[(a)] Includes cumulative appreciation (depreciation) on futures contracts.

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 were eligible to participate in a retirement plan that provided 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 exceeds 5% of the Fund's total assets.

NOTE 7—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2013 and 2012:

	2013	2012
Ordinary income	$29,889,633	$35,555,860

Tax Components of Net Assets at Period-End:

	2013
Undistributed ordinary income	$ 20,829,075
Net unrealized appreciation — investments	8,287,497
Net unrealized appreciation (depreciation) — other investments	(270,818)
Temporary book/tax differences	(251,383)
Capital loss carryforward	(26,015,968)
Shares of beneficial interest	790,348,642
Total net assets	$792,927,045

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

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. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. 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. Capital loss carryforwards with no expiration date 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 has a capital loss carryforward as of December 31, 2013, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2017	$ 3,845,839	$ –	$ 3,845,839
Not subject to expiration	13,796,425	8,373,704	22,170,129
	$17,642,264	$8,373,704	$26,015,968

* 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 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 year ended December 31, 2013 was $1,277,622,714 and $1,681,052,651, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $133,104,369 and $126,357,107, 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	$15,310,323
Aggregate unrealized (depreciation) of investment securities	(7,022,826)
Net unrealized appreciation of investment securities	$ 8,287,497

Cost of investments for tax purposes is $781,425,235.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of paydown gains (losses) and dollar rolls, on December 31, 2013, undistributed net investment income was increased by $10,839,821 and undistributed net realized gain (loss) was decreased by $10,839,821. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Years ended December 31,			
	2013[(a)]		2012	
	Shares	Amount	Shares	Amount
Sold:				
Series I	4,151,119	$ 50,366,115	9,955,734	$ 124,521,467
Series II	2,789,136	33,454,648	4,230,588	52,978,846
Issued as reinvestment of dividends:				
Series I	1,892,946	22,128,544	2,220,724	27,559,188
Series II	669,059	7,761,089	649,608	7,996,671
Reacquired:				
Series I	(27,869,610)	(337,647,229)	(19,390,637)	(244,006,555)
Series II	(5,008,779)	(60,152,048)	(7,462,478)	(93,102,430)
Net increase (decrease) in share activity	(23,376,129)	$(284,088,881)	(9,796,461)	$(124,052,813)

[(a)] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 85% 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 11—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 (000's 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														
Year ended 12/31/13	$12.40	$0.13	$(0.45)	$(0.32)	$(0.44)	$ –	$(0.44)	$11.64	(2.62)%	$ 565,690	0.74%[d]	0.76%[d]	1.10%[d]	139%
Year ended 12/31/12	12.49	0.19	0.12	0.31	(0.40)	–	(0.40)	12.40	2.47	873,212	0.65	0.76	1.49	118
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
Series II														
Year ended 12/31/13	12.29	0.10	(0.45)	(0.35)	(0.40)	–	(0.40)	11.54	(2.85)	227,237	0.99[d]	1.01[d]	0.85[d]	139
Year ended 12/31/12	12.39	0.16	0.12	0.28	(0.38)	–	(0.38)	12.29	2.22	261,083	0.90	1.01	1.24	118
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

[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 based on average daily net assets (000's omitted) of $719,019 and $242,464 for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. Government Securities Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. Government Securities Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 17, 2014
Houston, Texas

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 July 1, 2013 through December 31, 2013.

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 (07/01/13)	Ending Account Value (12/31/13)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/13)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$996.30	$3.82	$1,021.37	$3.87	0.76%
Series II	1,000.00	994.90	5.08	1,020.11	5.14	1.01

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2013 through December 31, 2013, 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 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2013:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	0%
U.S. Treasury Obligations*	8.24%

* The above percentages are based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 1000, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] – 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	123	None
Philip A. Taylor[2] – 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	123	None
Wayne W. Whalen[3] – 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to certain funds in the Fund Complex	136	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.
[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.
[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Invesco Fund Complex because he and his firm currently provide legal services as legal counsel to such Funds.

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	123	ACE Limited (insurance company); Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	136	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley – 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	123	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis Institute of Music
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	123	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: Prior to 2001, Managing Partner at Equity Group Corporate Investments; Prior to 1995, Chief Executive Officer of Itel Corporation (formerly Anixter International); Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.; From 1987 to 2010, Director/ Trustee of investment companies in the Van Kampen Funds complex	123	Director of Quidel Corporation and Stericycle, Inc.; Prior to May 2008, Trustee of The Scripps Research Institute; Prior to February 2008, Director of Ventana Medical Systems, Inc.
Albert R. Dowden – 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); and Reich & Tang Funds (5 portfolios) (registered investment company) Formerly: Director, Homeowners of America Holding Corporation/Homeowners of America Insurance Company (property casualty company); Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director, Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	123	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	123	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	123	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	123	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	136	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee Other Officers	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	123	None
Other Officers				
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr – 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Karen Dunn Kelley – 1960 Vice President	1993	Senior Managing Director, Investments; Director, Co-President, Co-Chief Executive Officer, and Co-Chairman, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Chairman, Invesco Senior Secured Management, Inc.; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc., and Invesco Management Company Limited; Director and President, INVESCO Asset Management (Bermuda) Ltd., Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only) Formerly: Director, INVESCO Global Asset Management Limited and INVESCO Management S.A.; Senior Vice President, Van Kampen Investments Inc. and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Sheri Morris – 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Vice President, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; and Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., Invesco Management Group, Inc., Van Kampen Exchange Corp., The Invesco Funds, Invesco Funds (Chicago), and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc.	N/A	N/A
Todd L. Spillane – 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds; Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) Formerly: Chief Compliance Officer, Invesco Funds (Chicago); Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust; and Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, TX 77002-5678

Counsel to the Fund
Stradley Ronon Stevens & Young, LLP
2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

Counsel to the Independent Trustees
Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, D.C. 20001

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Invesco V.I. International Growth Fund

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 most recent 12-month period ended June 30 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-AR-1

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2013, Invesco V.I. International Growth Fund delivered double-digit gains and outperformed its style-specific benchmark, the Custom International Growth Index.* The Fund's European holdings provided the largest positive contribution to this outperformance, with the Fund's exposure to the UK and Sweden leading the gains.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/12 to 12/31/13, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	19.01%
Series II Shares	18.72
MSCI EAFE Index▼ (Broad Market Index)	22.78
Custom International Growth Index▼ (Style-Specific Index)*	17.08
MSCI EAFE Growth Index▼ (Former Style-Specific Index)*	22.55
Lipper VUF International Growth Funds Index■ (Peer Group Index)	19.93

Source(s): ▼Invesco, MSCI via FactSet Research Systems Inc.; ■Lipper Inc.

*During the reporting period, the Fund's style-specific index was changed from the MSCI EAFE Growth Index to the Custom International Growth Index. The Custom International Growth Index was composed of the MSCI EAFE Growth Index through February 28, 2013, and the MSCI AC World Ex-US Growth Index thereafter. While the MSCI EAFE Growth Index remains a relevant representation of developed markets, it does not include emerging markets or Canada. The MSCI AC World Ex-US Growth Index has exposure to both segments, as does the Fund. Due to this, Invesco believes that the new index is more aligned with the market allocations of the Fund and therefore a more appropriate benchmark by which to measure relative allocations and performance.

How we invest

When selecting stocks for your Fund, we use a disciplined investment strategy that emphasizes fundamental research, supported by both quantitative analysis and portfolio construction techniques. Our EQV (earnings, quality and valuation) strategy focuses primarily on identifying quality companies that have experienced, or exhibit the potential for, accelerated or above-average earnings growth, but whose stock prices do not fully reflect these attributes.

While research responsibilities within the portfolio management team are focused by geographic region, we select investments for the Fund using a bottom-up investment approach, which means we construct the Fund primarily on a stock-by-stock basis. We focus on the strengths of individual companies rather than sectors, countries or market-cap trends.

We believe disciplined sell decisions are key to successful investing. We consider selling a stock for one of the following reasons:

- A company's fundamentals deteriorate, or it posts disappointing earnings.
- A stock appears overvalued.
- A more attractive investment opportunity becomes available.

Market conditions and your Fund

While US and global equity markets enjoyed generally strong returns for the year ended December 31, 2013, the US and global economies improved only slowly. Despite a contentious battle over extending the nation's debt ceiling and a two-week federal government shutdown, the US economy grew throughout 2013; economic data improved notably in the latter part of the year.

Improving macroeconomic data and reduced political uncertainty buoyed European equity markets during the reporting period. UK equities ended the reporting period strongly, spurred by improving housing and employment data. Continental European equity markets posted strong gains for the reporting period as well; indeed, the eurozone officially exited recession in late summer.

Japanese equities rose sharply, based on investors' hopes that the new government led by Prime Minister Shinzo Abe, along with new leadership at the Bank of Japan, would finally arrest deflation. However, the market consolidated in May amid a tug of war between optimism about Abe's leadership and the potential of "Abenomics" and concern about political developments in China and economic prospects in the US and emerging markets.

Emerging economies had a difficult year, with slowing world trade and abrupt corrections to their equity, bond and currency markets after the US Federal Reserve indicated mid-year it might reduce its extraordinary bond-buying program in 2013. The economies most seriously affected – including Brazil, India, Indonesia, Turkey and South Africa – had allowed money and credit growth to expand significantly in the preceding three years.

In this environment, we continued to construct the Fund's portfolio with a bottom-up approach, selecting stocks on an individual basis. The Fund fared better than its style-specific benchmark in five of 10 sectors, significantly outperforming in the information technology (IT) sector.

In the IT sector, strong stock selection led the Fund to meaningfully outperform the style-specific index. Fund holdings in the Internet software and services industry led performance in the sector.

Portfolio Composition

By sector

Consumer Discretionary	23.4%
Financials	15.4
Information Technology	13.3
Industrials	10.2
Consumer Staples	9.3
Health Care	8.7
Energy	7.9
Materials	3.1
Telecommunication Services	1.8
Utilities	0.9
Money Market Funds Plus Other Assets Less Liabilities	6.0

Top 10 Equity Holdings*

1.	Reed Elsevier PLC	2.8%
2.	Compass Group PLC	2.3
3.	SAP AG	2.1
4.	Roche Holding AG	2.0
5.	WPP PLC	2.0
6.	British American Tobacco PLC	2.0
7.	Suncor Energy, Inc.	1.9
8.	Baidu, Inc.-ADR	1.9
9.	Publicis Groupe S.A.	1.9
10.	Amadeus IT Holding S.A.-Class A	1.8

Top Five Industries*

1.	Pharmaceuticals	6.8%
2.	Integrated Oil & Gas	5.8
3.	Diversified Banks	5.1
4.	Semiconductors	4.5
5.	Advertising	3.8

Total Net Assets	$1.7 billion
Total Number of Holdings*	76

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

Chinese web services company **Baidu** was the leading individual contributor to Fund performance during the year. The company was helped by strong earnings reports and a well-received acquisition in the third quarter. **Amadeus**, a Spanish IT company specializing in solutions for tourism and travel, also contributed to Fund performance.

As a group, the Fund's holdings in the consumer discretionary sector delivered high double-digit gains, outperforming the style-specific index's holdings for the year. The Fund's holdings in the media and hotels, restaurants and leisure industries were particularly strong. Top contributors in this sector included UK-based professional information solutions publisher **Reed Elsevier** and Macau-based hotel and casino operator **Galaxy Entertainment**. Galaxy Entertainment, a leading developer and operator of casinos in Macau, reported good second-quarter results, helped by strong growth in the "mass" market (as opposed to the "VIP" market).

In broad geographic terms, Fund holdings in the European region were the primary contributor to relative results due to strong stock selection. Top country-level contributors were the UK and Sweden. The most significant contributor to performance was the UK, the largest country allocation in the portfolio. Within the UK, one of the largest contributors to Fund performance included **Compass Group**, a global leader in food service management and support services.

In contrast, the Fund's high single-digit cash position throughout the year detracted from relative performance as markets rebounded during the reporting period. It is important to note that we do not use cash for top-down tactical asset allocation purposes. Historically when the portfolio's cash position has been higher than average, it has reflected a lack of good EQV investment opportunities in the marketplace rather than an overall negative opinion on markets. However, concerns about further downside risk led us to be cautious investors throughout the reporting period.

Stock selection and underweight exposure in the telecommunication services and health care sectors also detracted from performance. Not owning several strong performing names in each sector hurt relative results. Most notably, Softbank, a Japanese telecommunications and Internet services company, posted very strong performance for the year and was the leading individual detractor from relative results.

The Fund's continued underweight exposure in Japan was the largest country-level detractor from performance. This market delivered strong results over the reporting period and identifying Japanese companies that meet our EQV criteria was challenging because "quality" companies remained hard to find. Increased earnings expectations were largely currency related, and underlying improvements in businesses were not apparent. Due to these factors, at the close of the reporting period, the Fund had a 5% weighting in Japanese equities while the style-specific index had an 16% weighting.

As mentioned above, stock selection in the portfolio is driven by the underlying fundamentals of each individual company, not by any top-down macroeconomic views. This focus on bottom-up stock selection is the key driver of the portfolio's overall profile. The Fund ended the reporting period with overweight exposure (relative to our style-specific benchmark) to the consumer discretionary, IT and energy sectors. The Fund had underweight exposure to the consumer staples, materials, industrials, financials, health care, telecommunication services and utilities sectors.

With market volatility likely to continue for some time, our focus remains on ensuring that our portfolio is comprised of high-quality, reasonably valued companies capable of sustained earnings growth. We believe that this balanced EQV-focused approach may help deliver attractive returns over the long term.

We thank you for your continued investment in Invesco V.I. International Growth Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as 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 Invesco Advisers, Inc. 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.

See important Fund and, if applicable, index disclosures later in this report.

Clas Olsson
Portfolio manager and chief investment officer of Invesco's international growth investments team, is lead manager of Invesco V.I. International Growth Fund. He joined Invesco in 1994. Mr. Olsson became a commissioned officer at the Royal Swedish Naval Academy in 1988. He also earned a BBA from The University of Texas at Austin.

Brent Bates
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 1996. Mr. Bates earned a BBA from Texas A&M University and is a Certified Public Accountant.

Shuxin (Steve) Cao
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 1997. Mr. Cao earned a BA in English from the Tianjin Foreign Language Institute and an MBA from Texas A&M University. He is also a Certified Public Accountant.

Matthew Dennis
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 2000. Mr. Dennis earned a BA in economics from The University of Texas at Austin and an MS in finance from Texas A&M University.

Jason Holzer
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 1996. Mr. Holzer earned a BA in quantitative economics and an MS in engineering economic systems from Stanford University.

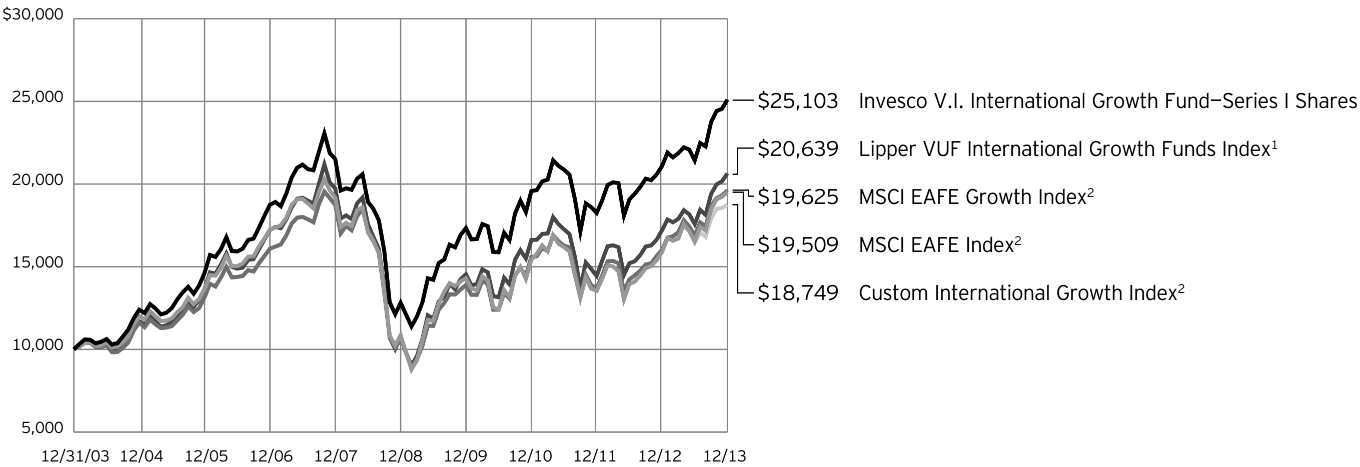
Mark Jason
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 2001. Mr. Jason earned a BS in business administration, with options in finance and real estate from California State University, Northridge.

Richard Nield
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 2000. Mr. Nield earned a Bachelor of Commerce degree in finance and international business from McGill University in Montreal.

Your Fund's Long-Term Performance

Results of a $10,000 Investment — Oldest Share Class(es)

Fund and index data from 12/31/03



1 Source: Lipper Inc.
2 Source(s): Invesco, MSCI via FactSet Research Systems Inc.

Past performance cannot guarantee comparable future results.

During the reporting period, the Fund has elected to use the Custom International Growth Index as its style-specific index rather than the MSCI EAFE Growth Index because the new index is more aligned with the market allocations of the Fund and therefore a more appropriate benchmark by which to measure relative allocations and performance. Because this is the first reporting period since we have adopted the new index, SEC guidelines require that we compare performance to both the old and new indexes.

Average Annual Total Returns
As of 12/31/13

Series I Shares	
Inception (5/5/93)	7.94%
10 Years	9.64
5 Years	14.37
1 Year	19.01
Series II Shares	
Inception (9/19/01)	8.82%
10 Years	9.37
5 Years	14.09
1 Year	18.72

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 1.01% and 1.26%, 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 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.

Invesco V.I. International Growth Fund's investment objective is long-term growth of capital.

- Unless otherwise stated, information presented in this report is as of December 31, 2013, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Depositary receipts risk. Depositary receipts involve many of the same risks as those associated with direct investment in foreign securities. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts or to pass through to them any voting rights with respect to the deposited securities.

Derivatives risk. The value of a derivative instrument depends largely on (and is derived from) the value of an underlying security, currency, commodity, interest rate, index or other asset (each referred to as an underlying asset). In addition to risks relating to the underlying assets, the use of derivatives may include other, possibly greater, risks, including counterparty, leverage and liquidity risks. Counterparty risk is the risk that the counterparty to the derivative contract will default on its obligation to pay the Fund the amount owed or otherwise perform under the derivative contract. Derivatives create leverage risk because they do not require payment up front equal to the economic exposure created by owning the derivative. As a result, an adverse change in the value of the underlying asset could result in the Fund sustaining a loss that is substantially greater than the amount invested in the derivative, which may make the Fund's returns more volatile and increase the risk of loss. Derivative instruments may also be less liquid than more traditional investments and the Fund may be unable to sell or close out its derivative positions at a desirable time or price. This risk may be more acute under adverse market conditions, during which the Fund may be most in need of liquidating its derivative positions. Derivatives may also be harder to value, less tax efficient and subject to changing government regulation that could impact the Fund's ability to use certain derivatives or their cost. Also, derivatives used for hedging or to gain or limit exposure to a particular market segment may not provide the expected benefits, particularly during adverse market conditions.

Developing/emerging markets securities risk. The prices of securities issued by foreign companies and governments located in developing/emerging markets countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates, political and social instability, changes in economic or taxation policies, difficulties when enforcing obligations, decreased liquidity, and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Geographic focus risk. From time to time the Fund may invest a substantial amount of its assets in securities of issuers located in a single country or a limited number of countries. If the Fund focuses its investments in this manner, it assumes the risk that economic, political and social conditions in those countries will have a significant impact on its investment performance. The Fund's investment performance may also be more volatile if it focuses its investments in certain countries, especially emerging markets countries.

Growth investing risk. Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stock. As a result they tend to be more sensitive to changes in their earnings and can be more volatile.

Investing in the European Union risk. Many countries in the European Union are susceptible to high economic risks associated with high levels of debt, notably due to investments in sovereign debts of European countries such as Greece, Italy and Spain. One or more member states might exit the European Union, placing its currency and banking system in jeopardy. The European Union faces major issues involving its membership, structure, procedures and policies, including the adoption, abandonment or adjustment of the new constitutional treaty, the European Union's enlargement to the south and east, and resolution of the European Union's problematic fiscal and democratic accountability. Efforts of the member states to further unify their economic and monetary policies may increase the potential for the downward movement of one member state's market to cause a similar effect on other member states' markets. European countries that are part of the European Economic and Monetary Union may be significantly affected by the tight fiscal and monetary controls that the union seeks to impose on its members.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and currency and interest rate fluctuations.

Small- and mid-capitalization risks. Stocks of small- and mid-sized companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of small- and mid-sized companies may be more volatile due to less market interest and less publicly available information about the issuer. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price.

About indexes used in this report

The **MSCI EAFE® Index** is an unmanaged index considered representative of stocks of Europe, Australasia and the Far East. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

The **Custom International Growth Index** is an index comprised of the MSCI EAFE Growth Index through February 28, 2013, and the MSCI AC World Ex-US Growth Index thereafter.

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

The **MSCI AC World Ex-US Growth Index** is a market capitalization weighted index that includes growth companies in developed and emerging markets throughout the world, excluding the US. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

The **MSCI EAFE® Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East. The index is computed using the net return, which withholds applicable taxes for non-resident investors.

The Fund is not managed to track the performance of any particular index, including the index(es) described 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.

Other information

CPA® and Certified Public Accountant® are trademarks owned by the American Institute of Certified Public Accountants.

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Industry 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.

Schedule of Investments

December 31, 2013

	Shares	Value
Common Stocks & Other Equity Interests-93.98%		
Australia-3.01%		
Amcor Ltd.	2,278,842	$ 21,542,723
Brambles Ltd.	2,313,381	18,894,054
CSL Ltd.	196,315	12,114,003
Orora Ltd.[(a)]	156,393	161,932
		52,712,712
Belgium-1.55%		
Anheuser-Busch InBev N.V.	253,875	27,071,146
Brazil-2.93%		
Banco Bradesco S.A.-ADR	1,752,034	21,952,986
BM&FBovespa S.A.	6,247,200	29,251,104
		51,204,090
Canada-7.18%		
Agrium Inc.	127,385	11,653,173
Canadian National Railway Co.	258,748	14,752,192
Cenovus Energy Inc.	511,419	14,636,733
CGI Group Inc.-Class A[(a)]	693,418	23,200,975
Encana Corp.	679,929	12,277,385
Fairfax Financial Holdings Ltd.	38,416	15,338,552
Suncor Energy, Inc.	961,881	33,722,885
		125,581,895
China-5.64%		
Baidu, Inc.-ADR[(a)]	183,261	32,598,467
Belle International Holdings Ltd.	10,353,000	12,045,423
China Mobile Ltd.	1,088,500	11,330,898
CNOOC Ltd.	13,028,000	24,370,200
Industrial & Commercial Bank of China Ltd.-Class H	26,967,000	18,335,351
		98,680,339
Denmark-2.51%		
Carlsberg AS-Class B	244,785	27,195,350
Novo Nordisk AS-Class B[(a)]	90,907	16,749,001
		43,944,351
France-4.51%		
Publicis Groupe S.A.	353,910	32,490,531
Schneider Electric S.A.	226,033	19,840,673
Total S.A.	434,271	26,605,341
		78,936,545
Germany-9.55%		
Adidas AG	194,835	24,832,522
Allianz S.E.	140,855	25,260,306
Deutsche Boerse AG	244,869	20,335,157
Deutsche Post AG	492,489	17,955,509
Deutsche Telekom AG	1,218,149	20,831,802
SAP AG	428,849	36,763,551

	Shares	Value
Germany-(continued)		
Volkswagen AG-Preference Shares	75,338	$ 21,160,152
		167,138,999
Hong Kong-3.22%		
Galaxy Entertainment Group Ltd.[(a)]	3,297,000	29,571,890
Hutchison Whampoa Ltd.	1,958,000	26,746,730
		56,318,620
Ireland-1.26%		
Shire PLC	468,119	22,059,236
Israel-1.48%		
Teva Pharmaceutical Industries Ltd.-ADR	647,106	25,936,009
Japan-4.92%		
Denso Corp.	272,300	14,400,049
Fanuc Corp.	110,200	20,211,938
Keyence Corp.	39,300	16,833,520
Komatsu Ltd.	484,437	9,862,554
Toyota Motor Corp.	405,500	24,680,363
		85,988,424
Mexico-1.73%		
Fomento Economico Mexicano, S.A.B. de C.V.-ADR	84,092	8,230,084
Grupo Televisa S.A.B.-ADR	730,300	22,098,878
		30,328,962
Netherlands-1.15%		
Unilever N.V.	497,933	20,105,660
Singapore-2.43%		
Keppel Corp. Ltd.	2,659,661	23,644,582
United Overseas Bank Ltd.	1,117,000	18,831,660
		42,476,242
South Korea-3.21%		
Hyundai Mobis[(a)]	95,399	26,671,372
Samsung Electronics Co., Ltd.	22,389	29,417,019
		56,088,391
Spain-1.79%		
Amadeus IT Holding S.A.-Class A	729,597	31,253,910
Sweden-3.83%		
Investment AB Kinnevik-Class B	361,319	16,771,950
Investor AB-Class B	623,757	21,524,592
Swedbank AB-Class A	577,335	16,288,246
Telefonaktiebolaget LM Ericsson-Class B	1,015,341	12,434,599
		67,019,387
Switzerland-8.83%		
ABB Ltd.	982,044	25,943,548
Julius Baer Group Ltd.	400,729	19,321,861

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

	Shares	Value
Switzerland-(continued)		
Nestle S.A.	316,611	$ 23,240,461
Novartis AG	234,210	18,742,883
Roche Holding AG	125,856	35,277,595
Syngenta AG	53,292	21,242,956
UBS AG	560,188	10,671,163
		154,440,467
Taiwan-1.16%		
Taiwan Semiconductor Manufacturing Co. Ltd.-ADR	1,158,854	20,210,414
Turkey-0.76%		
Akbank T.A.S.	4,264,051	13,373,051
United Kingdom-19.64%		
Aberdeen Asset Management PLC	2,558,634	21,308,492
British American Tobacco PLC	636,189	34,113,269
British Sky Broadcasting Group PLC	2,195,535	30,686,202
Centrica PLC	2,856,913	16,449,854
Compass Group PLC	2,556,962	40,988,305
Imperial Tobacco Group PLC	601,561	23,346,750
Informa PLC	1,654,204	15,710,240
Kingfisher PLC	2,571,100	16,437,172

	Shares	Value
United Kingdom-(continued)		
Next PLC	153,390	$ 13,843,754
Reed Elsevier PLC	3,254,673	48,513,638
Royal Dutch Shell PLC-Class B	703,605	26,479,269
Smith & Nephew PLC	1,485,006	21,173,453
WPP PLC	1,502,732	34,485,594
		343,535,992
United States-1.69%		
Avago Technologies Ltd.	557,316	29,476,443
Total Common Stocks & Other Equity Interests (Cost $1,082,657,435)		1,643,881,285
Money Market Funds-5.75%		
Liquid Assets Portfolio-Institutional Class[(b)]	50,329,768	50,329,768
Premier Portfolio-Institutional Class[(b)]	50,329,768	50,329,768
Total Money Market Funds (Cost $100,659,536)		100,659,536
TOTAL INVESTMENTS-99.73% (Cost $1,183,316,971)		1,744,540,821
OTHER ASSETS LESS LIABILITIES-0.27%		4,692,844
NET ASSETS-100.00%		$1,749,233,665

Investment Abbreviations:

ADR – American Depositary Receipt

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.

Statement of Assets and Liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $1,082,657,435)	$1,643,881,285
Investments in affiliated money market funds, at value and cost	100,659,536
Total investments, at value (Cost $1,183,316,971)	1,744,540,821
Foreign currencies, at value (Cost $1,345,221)	1,309,196
Receivable for:	
Investments sold	2,630,679
Fund shares sold	1,676,137
Dividends	2,860,117
Investment for trustee deferred compensation and retirement plans	234,482
Other assets	190
Total assets	1,753,251,622
Liabilities:	
Payable for:	
Investments purchased	944,063
Fund shares reacquired	1,054,763
Accrued fees to affiliates	1,688,960
Accrued trustees' and officers' fees and benefits	1,624
Accrued other operating expenses	51,828
Trustee deferred compensation and retirement plans	276,719
Total liabilities	4,017,957
Net assets applicable to shares outstanding	$1,749,233,665
Net assets consist of:	
Shares of beneficial interest	$1,357,052,259
Undistributed net investment income	15,206,100
Undistributed net realized gain (loss)	(184,314,113)
Net unrealized appreciation	561,289,419
	$1,749,233,665
Net Assets:	
Series I	$ 686,304,978
Series II	$1,062,928,687
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	19,431,059
Series II	30,472,596
Series I: Net asset value per share	$ 35.32
Series II: Net asset value per share	$ 34.88

Statement of Operations

For the year ended December 31, 2013

Investment income:	
Dividends (net of foreign withholding taxes of $2,980,587)	$ 37,036,466
Dividends from affiliated money market funds	85,653
Total investment income	37,122,119
Expenses:	
Advisory fees	11,037,027
Administrative services fees	4,152,259
Custodian fees	453,852
Distribution fees — Series II	2,333,715
Transfer agent fees	74,654
Trustees' and officers' fees and benefits	94,002
Other	140,328
Total expenses	18,285,837
Less: Fees waived	(181,861)
Net expenses	18,103,976
Net investment income	19,018,143
Realized and unrealized gain from:	
Net realized gain from:	
Investment securities	56,317,132
Foreign currencies	22,180
	56,339,312
Change in net unrealized appreciation of:	
Investment securities	199,189,090
Foreign currencies	47,490
	199,236,580
Net realized and unrealized gain	255,575,892
Net increase in net assets resulting from operations	$274,594,035

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

Statement of Changes in Net Assets

For the years ended December 31, 2013 and 2012

	2013	2012
Operations:		
Net investment income	$ 19,018,143	$ 14,401,419
Net realized gain	56,339,312	16,747,435
Change in net unrealized appreciation	199,236,580	153,873,774
Net increase in net assets resulting from operations	274,594,035	185,022,628
Distributions to shareholders from net investment income:		
Series I	(7,786,744)	(8,556,390)
Series II	(10,137,283)	(9,968,702)
Total distributions from net investment income	(17,924,027)	(18,525,092)
Share transactions–net:		
Series I	(8,312,424)	(26,680,260)
Series II	82,024,719	127,622,176
Net increase in net assets resulting from share transactions	73,712,295	100,941,916
Net increase in net assets	330,382,303	267,439,452
Net assets:		
Beginning of year	1,418,851,362	1,151,411,910
End of year (includes undistributed net investment income of $15,206,100 and $13,999,707, respectively)	$1,749,233,665	$1,418,851,362

Notes to Financial Statements

December 31, 2013

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-four 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices 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 the Adviser determines 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 trades is not the current value as of the close of the NYSE. Foreign securities' prices 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 became 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 of 1986, as amended (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. Forward Foreign Currency Contracts – The Fund may enter into forward foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into forward 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 forward 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 forward 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 forward 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	0.75%
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(s) 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 June 30, 2014, 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. 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 Invesco continues the fee waiver agreement, it will terminate on June 30, 2014. The fee waiver agreement cannot be terminated during its term. 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 April 30, 2015, 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 year ended December 31, 2013, the Adviser waived advisory fees of $181,861.

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 year ended December 31, 2013, Invesco was paid $357,652 for accounting and fund administrative services and reimbursed $3,794,607 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 year ended December 31, 2013, 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 year ended December 31, 2013, 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 December 31, 2013. 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 year ended December 31, 2013, there were transfers from Level 1 to Level 2 of $39,677,633 and from Level 2 to Level 1 of $294,095,067, due to foreign fair value adjustments.

	Level 1	Level 2	Level 3	Total
Australia	$ 19,055,986	$ 33,656,726	$–	$ 52,712,712
Belgium	–	27,071,146	–	27,071,146
Brazil	51,204,090	–	–	51,204,090
Canada	125,581,895	–	–	125,581,895
China	32,598,467	66,081,872	–	98,680,339
Denmark	–	43,944,351	–	43,944,351
France	26,605,341	52,331,204	–	78,936,545
Germany	146,803,842	20,335,157	–	167,138,999
Hong Kong	29,571,890	26,746,730	–	56,318,620
Ireland	–	22,059,236	–	22,059,236
Israel	25,936,009	–	–	25,936,009
Japan	–	85,988,424	–	85,988,424
Mexico	30,328,962	–	–	30,328,962
Netherlands	–	20,105,660	–	20,105,660
Singapore	–	42,476,242	–	42,476,242
South Korea	26,671,372	29,417,019	–	56,088,391
Spain	–	31,253,910	–	31,253,910
Sweden	–	67,019,387	–	67,019,387
Switzerland	–	154,440,467	–	154,440,467
Taiwan	20,210,414	–	–	20,210,414
Turkey	–	13,373,051	–	13,373,051
United Kingdom	172,965,077	170,570,915	–	343,535,992
United States	130,135,979	–	–	130,135,979
Total Investments	$837,669,324	$906,871,497	$–	$1,744,540,821

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 were eligible to participate in a retirement plan that provided 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—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2013 and 2012:

	2013	2012
Ordinary income	$17,924,027	$18,525,092

Tax Components of Net Assets at Period-End:

	2013
Undistributed ordinary income	$ 24,283,283
Net unrealized appreciation — investments	537,444,437
Net unrealized appreciation — other investments	65,569
Temporary book/tax differences	(261,472)
Capital loss carryforward	(169,350,411)
Shares of beneficial interest	1,357,052,259
Total net assets	$1,749,233,665

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales and passive foreign investment companies.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

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. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. 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. Capital loss carryforwards with no expiration date 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 utilized $53,178,432 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2013, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$ 8,033,622	$–	$ 8,033,622
December 31, 2017	123,514,234	–	123,514,234
December 31, 2018	37,802,555	–	37,802,555
	$169,350,411	$–	$169,350,411

* 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 02, 2011, the date of 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 year ended December 31, 2013 was $429,955,568 and $338,162,870, 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	$555,419,920
Aggregate unrealized (depreciation) of investment securities	(17,975,483)
Net unrealized appreciation of investment securities	$537,444,437

Cost of investments for tax purposes is $1,207,096,384.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions, Section 382 disallowed amounts and passive foreign investment company reclasses, on December 31, 2013, undistributed net investment income was increased by $112,277, shares of beneficial interest was decreased by $1,003,049 and undistributed net realized gain was increased by $890,772. This reclassification had no effect on the net assets of the Fund.

NOTE 9—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2013[a]		2012	
	Shares	Amount	Shares	Amount
Sold:				
Series I	3,847,472	$ 123,710,056	3,825,772	$ 108,462,127
Series II	5,793,394	183,196,471	7,868,132	219,142,823
Issued as reinvestment of dividends:				
Series I	231,886	7,786,744	293,127	8,556,390
Series II	305,524	10,137,283	345,296	9,968,702
Reacquired:				
Series I	(4,344,114)	(139,809,224)	(5,060,588)	(143,698,777)
Series II	(3,499,681)	(111,309,035)	(3,624,167)	(101,489,349)
Net increase in share activity	2,334,481	$ 73,712,295	3,647,572	$ 100,941,916

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 35% 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 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	Net asset value, end of period	Total return[(b)]	Net assets, end of period (000's 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												
Year ended 12/31/13	$30.03	$0.44	$ 5.25	$ 5.69	$(0.40)	$35.32	19.01%	$ 686,305	1.01%[(d)]	1.02%[(d)]	1.37%[(d)]	24%
Year ended 12/31/12	26.37	0.35	3.73	4.08	(0.42)	30.03	15.53	591,491	1.00	1.01	1.24	24
Year ended 12/31/11	28.69	0.50	(2.38)	(1.88)	(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)	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)	26.01	35.24	556,883	1.02	1.04	1.47	27
Series II												
Year ended 12/31/13	29.68	0.36	5.18	5.54	(0.34)	34.88	18.72	1,062,929	1.26[(d)]	1.27[(d)]	1.12[(d)]	24
Year ended 12/31/12	26.08	0.28	3.69	3.97	(0.37)	29.68	15.26	827,361	1.25	1.26	0.99	24
Year ended 12/31/11	28.35	0.42	(2.36)	(1.94)	(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)	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)	25.63	34.91	1,500,514	1.27	1.29	1.22	27

[(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 based on average daily net assets (000's omitted) of $625,375 and $933,486 for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. International Growth Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. International Growth Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 17, 2014
Houston, Texas

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 July 1, 2013 through December 31, 2013.

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 (07/01/13)	Ending Account Value (12/31/13)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/13)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,171.40	$5.58	$1,020.06	$5.19	1.02%
Series II	1,000.00	1,169.80	6.95	1,018.80	6.46	1.27

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2013 through December 31, 2013, 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 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2013:

Federal and State Income Tax	
Corporate Dividends Received Deduction*	0%
Foreign Taxes	$0.0602 per share
Foreign Source Income	$0.8080 per share

* The above percentage is based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 1000, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] – 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	123	None
Philip A. Taylor[2] – 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	123	None
Wayne W. Whalen[3] – 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to certain funds in the Fund Complex	136	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Invesco Fund Complex because he and his firm currently provide legal services as legal counsel to such Funds.

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	123	ACE Limited (insurance company); Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	136	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley – 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	123	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis Institute of Music
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	123	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: Prior to 2001, Managing Partner at Equity Group Corporate Investments; Prior to 1995, Chief Executive Officer of Itel Corporation (formerly Anixter International); Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.; From 1987 to 2010, Director/ Trustee of investment companies in the Van Kampen Funds complex	123	Director of Quidel Corporation and Stericycle, Inc.; Prior to May 2008, Trustee of The Scripps Research Institute; Prior to February 2008, Director of Ventana Medical Systems, Inc.
Albert R. Dowden – 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); and Reich & Tang Funds (5 portfolios) (registered investment company) Formerly: Director, Homeowners of America Holding Corporation/Homeowners of America Insurance Company (property casualty company); Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director, Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	123	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	123	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	123	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	123	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	136	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences

Trustees and Officers–(continued)

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee Other Officers	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	123	None
Other Officers				
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr – 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Karen Dunn Kelley – 1960 Vice President	1993	Senior Managing Director, Investments; Director, Co-President, Co-Chief Executive Officer, and Co-Chairman, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Chairman, Invesco Senior Secured Management, Inc.; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc., and Invesco Management Company Limited; Director and President, INVESCO Asset Management (Bermuda) Ltd., Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only) Formerly: Director, INVESCO Global Asset Management Limited and INVESCO Management S.A.; Senior Vice President, Van Kampen Investments Inc. and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Sheri Morris – 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Vice President, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; and Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., Invesco Management Group, Inc., Van Kampen Exchange Corp., The Invesco Funds, Invesco Funds (Chicago), and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc.	N/A	N/A
Todd L. Spillane – 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds; Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) Formerly: Chief Compliance Officer, Invesco Funds (Chicago); Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust; and Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, TX 77002-5678

Counsel to the Fund
Stradley Ronon Stevens & Young, LLP
2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

Counsel to the Independent Trustees
Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, D.C. 20001

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Invesco V.I. Technology Fund

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 most recent 12-month period ended June 30 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-AR-1

Management's Discussion of Fund Performance

Performance summary

US equity markets enjoyed strong double-digit returns for the year ended December 31, 2013, despite slow but steady improvements in the economy and gridlock in Washington. Information technology (IT) stocks also participated in the equity rally, even as enterprise spending remained tepid. Invesco V.I. Technology Fund underperformed the Bank of America Merrill Lynch 100 Technology Index (price-only), the Fund's style-specific index, primarily as a result of security selection in the semiconductors, computers and peripherals, and software industries.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/12 to 12/31/13, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	25.14%
Series II Shares	24.79
S&P 500 Index▼ (Broad Market Index)	32.39
Bank of America Merrill Lynch 100 Technology Index (price-only)■ (Style-Specific Index)	40.19
Lipper VUF Science & Technology Funds Classification Average■ (Peer Group)	31.32

Source(s): ▼Invesco, S&P-Dow Jones via FactSet Research Systems Inc.; ■Lipper Inc.

How we invest

We seek to grow capital by investing in companies we believe are capable of generating sustainable, superior earnings and cash flow growth that is not fully reflected in investor expectations or equity valuations. The Fund emphasizes companies we believe have a strategic advantage over their competition and operate in industries we believe to be beneficiaries of secular trends. The Fund invests in industries such as computer hardware, software, communications equipment, semiconductors and service-related companies in the IT sector.

We use a research-oriented, bottom-up investment approach focusing on company fundamentals and growth prospects. We place great emphasis on companies exhibiting high returns on invested capital and generating free cash flow – metrics we believe are good indicators of financial health and growth potential. We seek companies with management teams that maintain high-quality balance sheets and manageable debt levels. Valuation also plays a critical role in stock selection.

Risk management is an integral part of our portfolio construction process as we attempt to limit volatility and downside risk. Only stocks that exhibit a proper balance of risk and reward are chosen for the portfolio. We seek to accomplish this goal by thoroughly understanding the key business drivers of companies in which we invest. The portfolio is constructed with the goal of holding a diversified portfolio of stocks we believe are best suited to capitalize on secular trends in the IT sector.

We may reduce or eliminate a holding when:

- A stock's price reaches its valuation target.
- A company's fundamentals change or deteriorate.
- It no longer meets our investment criteria.
- A more attractive investment opportunity is identified.

Market conditions and your Fund

The year ended December 31, 2013, was characterized by slow but steady improvement in the US economy and strong US equity market returns. As the year began, consumer confidence trended higher based on the recovery of the US housing market, despite uncertainty surrounding the outcome of tax and spending negotiations between the White House and Congress – and implementation of sequestration spending cuts – which consequently left many businesses hesitant to spend.

US equity markets rose for the first half of the year, but from late May through June, capital markets declined following US Federal Reserve (the Fed) Chairman Ben Bernanke's comments suggesting that the time had come for the Fed to begin to reduce the size of its bond buying program, also known as quantitative easing (QE). This sell-off was brief but broad, and few asset classes were immune. Markets stabilized in mid-summer, despite some volatility in August surrounding a potential US military reaction to instability in Syria. The fourth quarter began amid uncertainty created by a two-week federal government shutdown, yet equities shrugged off this news and rallied steadily throughout the last three months of the year. In December, as expected, the Fed officially announced that it would begin reducing the scope of QE in early 2014. Despite the Fed's actions, equities continued to rise, as the announcement was widely anticipated and largely priced into stock valuations.

For the reporting period, major US equity market indexes delivered strong double-digit gains, and all 10 sectors of the S&P 500 Index had positive returns. The consumer discretionary sector had the highest return of any sector, while the telecommunication services and utilities sectors were laggards.

Portfolio Composition

By sector

Information Technology	92.5%
Consumer Discretionary	5.9
Financials	0.2
Money Market Funds Plus Other Assets Less Liabilities	1.4

Top 10 Equity Holdings*

1. Google Inc.-Class A	6.7%
2. Apple Inc.	5.6
3. QUALCOMM, Inc.	4.6
4. MasterCard, Inc.-Class A	4.4
5. Facebook Inc.-Class A	3.9
6. Salesforce.com, Inc.	3.8
7. Alliance Data Systems Corp.	3.0
8. Microsoft Corp.	2.6
9. Informatica Corp.	2.3
10. ARRIS Group Inc.	2.2

Total Net Assets	$106.4 million
Total Number of Holdings*	68

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

On an absolute basis, the Fund experienced the greatest benefit from holdings in the following IT industries: Internet software and services, IT services, software and semiconductors. Holdings in the professional services industry in the industrials sector, however, detracted from the Fund's absolute performance during the year.

Relative to the Fund's style-specific index, underperformance was primarily attributable to security selection and underweight exposure to the semiconductors industry, security selection in the computers and peripherals industry, and security selection and overweight exposure to the software industry. Contributors to performance included security selection in the Internet software and services industry, as well as overweight exposure to the Internet and catalog retail industry. Additionally, a lack of holdings in the office electronics industry benefited the Fund's performance relative to its style-specific index.

The top individual contributor to the Fund's absolute and relative performance for the year was **Google**. During the year, Google's stock performance was driven by strength in its core search business, as well as operating margin expansion.

Facebook was also among the top individual contributors to Fund performance for the year and the top benchmark-relative contributor. Shares of Facebook jumped higher in July, following the release of the company's second quarter results that showed revenues and profits re-accelerated as the company moved advertising into the news feed section of its application. Facebook also attributed the results to increased mobile users, and subsequently increased mobile advertising revenues. Shares continued to rise through year end, when the company was added as a constituent to the S&P 500 Index.

Following approximately three years of fairly steady price appreciation, the share price of **Apple** fell meaningfully during the first half of the year. We reduced our overweight exposure in Apple because we believed the current product cycle would not be as strong as previous cycles, as the iPhone 5 lacked new innovative features in our opinion. Apple, which continued to represent a large overweight holding for the Fund relative to the style-specific index, was among the top absolute and relative detractors from Fund performance despite the fact that shares of Apple recovered in the second half of the year. This relative underperformance was exaggerated by the fact that all holdings in the style-specific index are held at equal weights. We continue to believe Apple holds a sustainable competitive advantage over peers; therefore, it remains a top Fund holding.

Fortinet, a worldwide provider of network security solutions, was also among the top detractors from Fund performance. Throughout the year, the company lowered earnings guidance for its quarterly results to levels below what analysts were expecting. Additionally, Fortinet recently underwent executive changes, including changes to the president and chief financial officer positions. We exited the position as a result of its weakened outlook and management changes.

In general, the Fund was positioned for an improving macroeconomic backdrop, subsequent increases in enterprise and telecommunications spending, and an expected decrease in US government spending. As such, the portfolio held overweight exposures, relative to the style-specific benchmark, in economically sensitive industries at year end, including: Internet and catalog retail, communications equipment, Internet software and services, and software. Conversely, we were underweight in the IT services, semiconductors, electronic equipment and instruments, and computer and peripherals industries. Additionally, the Fund did not have exposure to office electronics or diversified telecommunication services — industries in which the style-specific index had minor exposure.

We remain confident about the medium-term outlook for the IT sector, primarily because of the potential for increased enterprise spending. We believe that many businesses remained reluctant to hire additional employees due to ancillary costs, opting instead to use IT to boost productivity. Additionally, we believe the technology needs of emerging market economies are likely to continue to increase. At the close of the year, we also saw possible improvements in credit markets and stabilization of demand patterns, both conducive to continued secular growth. We believe that in the long term, the IT sector may continue to benefit from three key secular themes, which are independent of any short-term catalysts:

- **Globalization**. The desire for productivity gains supports increased technology use in international markets.
- **Consumerization**. Technology demand is consumer-driven.
- **Proliferation**. Technology continues to penetrate products ranging from automobiles and industrial controls to sporting gear and alternative energy.

As always, we thank you for your continued investment in Invesco V.I. Technology Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as 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 Invesco Advisers, Inc. 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.

See important Fund and, if applicable, index disclosures later in this report.

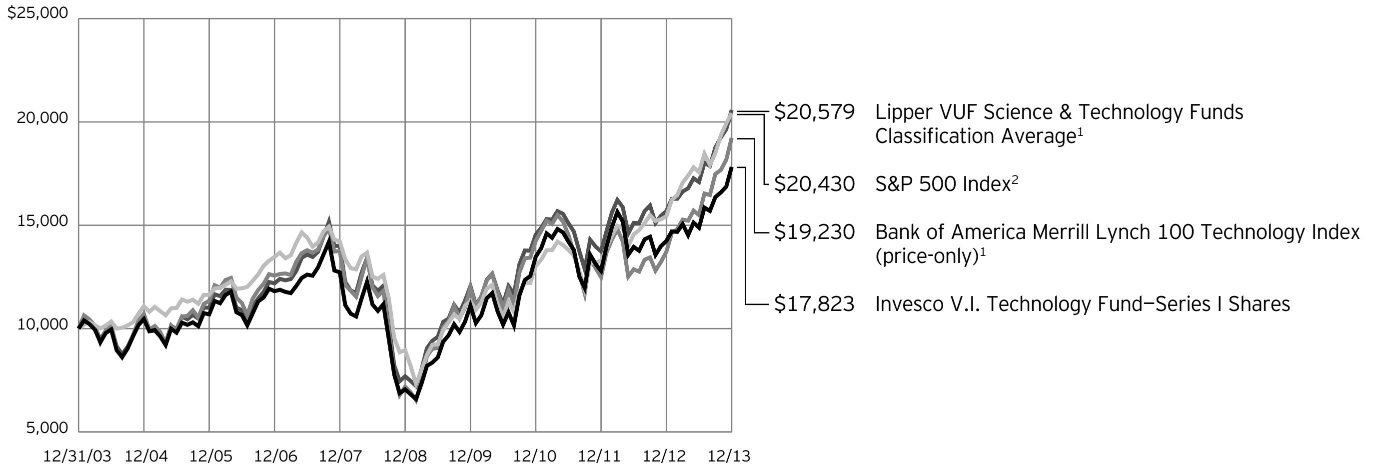
Warren Tennant
Chartered Financial Analyst, portfolio manager, is lead manager of Invesco V.I. Technology Fund. He joined Invesco in 2000. Mr. Tennant earned a BBA in finance and an MBA from The University of Texas at Austin.

Brian Nelson
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Technology Fund. He joined Invesco in 2004. Mr. Nelson earned a BA from the University of California, Santa Barbara.

Your Fund's Long-Term Performance

Results of a $10,000 Investment — Oldest Share Class(es)

Fund and index data 12/31/03



1 Source: Lipper Inc.

2 Source(s): Invesco, S&P-Dow Jones via FactSet Research Systems Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/13*	
Series I Shares	
Inception (5/20/97)	4.67%
10 Years	5.95
5 Years	20.35
1 Year	25.14
Series II Shares	
10 Years	5.66%
5 Years	20.07
1 Year	24.79

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 1.16% and 1.41%, 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 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.

Invesco V.I. Technology Fund's investment objective is long-term growth of capital.

- Unless otherwise stated, information presented in this report is as of December 31, 2013, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Depositary receipts risk. Depositary receipts involve many of the same risks as those associated with direct investment in foreign securities. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts or to pass through to them any voting rights with respect to the deposited securities.

Derivatives risk. The value of a derivative instrument depends largely on (and is derived from) the value of an underlying security, currency, commodity, interest rate, index or other asset (each referred to as an underlying asset). In addition to risks relating to the underlying assets, the use of derivatives may include other, possibly greater, risks, including counterparty, leverage and liquidity risks. Counterparty risk is the risk that the counterparty to the derivative contract will default on its obligation to pay the Fund the amount owed or otherwise perform under the derivative contract. Derivatives create leverage risk because they do not require payment up front equal to the economic exposure created by owning the derivative. As a result, an adverse change in the value of the underlying asset could result in the Fund sustaining a loss that is substantially greater than the amount invested in the derivative, which may make the Fund's returns more volatile and increase the risk of loss. Derivative instruments may also be less liquid than more traditional investments and the Fund may be unable to sell or close out its derivative positions at a desirable time or price. This risk may be more acute under adverse market conditions, during which the Fund may be most in need of liquidating its derivative positions. Derivatives may also be harder to value, less tax efficient and subject to changing government regulation that could impact the Fund's ability to use certain derivatives or their cost. Also, derivatives used for hedging or to gain or limit exposure to a particular market segment may not provide the expected benefits, particularly during adverse market conditions.

Developing/emerging markets securities risk. The prices of securities issued by foreign companies and governments located in developing/emerging markets countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates, political and social instability, changes in economic or taxation policies, difficulties when enforcing obligations, decreased liquidity, and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Growth investing risk. Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stock. As a result they tend to be more sensitive to changes in their earnings and can be more volatile.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and currency and interest rate fluctuations.

Sector fund risk. The Fund's investments are concentrated in a comparatively narrow segment of the economy, which may make the Fund more volatile than non-concentrated funds.

Small- and mid-capitalization risks. Stocks of small- and mid-sized companies tend to be more vulnerable to adverse developments and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of small- and mid-sized companies may be more volatile due to less market interest and less publicly available information about the issuer. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price.

Technology sector risk. 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.

About indexes used in this report

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 an unmanaged, 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 Classification Average** represents an average of all variable insurance underlying funds in the Lipper Science & Technology Funds classification.

The Fund is not managed to track the performance of any particular index, including the index(es) described 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.

Other information

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Industry 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.

Schedule of Investments[a]

December 31, 2013

	Shares	Value
Common Stocks & Other Equity Interests–98.56%		
Application Software–13.84%		
Aspen Technology, Inc.[b]	37,732	$ 1,577,198
Cadence Design Systems, Inc.[b]	112,977	1,583,937
Citrix Systems, Inc.[b]	14,086	890,939
Informatica Corp.[b]	57,702	2,394,633
MicroStrategy Inc.–Class A[b]	8,882	1,103,500
Qlik Technologies Inc.[b]	28,727	765,000
Salesforce.com, Inc.[b]	72,361	3,993,604
SolarWinds, Inc.[b]	13,993	529,355
SS&C Technologies Holdings, Inc.[b]	42,374	1,875,473
		14,713,639
Communications Equipment–13.98%		
ARRIS Group Inc.[b]	96,991	2,363,186
Ciena Corp.[b]	24,211	579,369
Cisco Systems, Inc.	80,371	1,804,329
F5 Networks, Inc.[b]	24,775	2,251,056
Finisar Corp.[b]	39,985	956,441
JDS Uniphase Corp.[b]	98,660	1,280,607
Juniper Networks, Inc.[b]	24,672	556,847
QUALCOMM, Inc.	65,872	4,890,996
Telefonaktiebolaget LM Ericsson–ADR (Sweden)	15,490	189,598
		14,872,429
Computer Hardware–7.65%		
Apple Inc.	10,558	5,924,199
Cray, Inc.[b]	45,139	1,239,517
Hewlett-Packard Co.	34,723	971,550
		8,135,266
Computer Storage & Peripherals–0.84%		
EMC Corp.	35,519	893,303
Data Processing & Outsourced Services–9.17%		
Alliance Data Systems Corp.[b][c]	12,065	3,172,250
MasterCard, Inc.–Class A	5,623	4,697,792
Visa Inc.–Class A	8,476	1,887,436
		9,757,478
Electronic Manufacturing Services–1.81%		
Sanmina Corp.[b]	114,990	1,920,333
Internet Retail–4.58%		
Amazon.com, Inc.[b]	5,040	2,009,902
Priceline.com Inc.[b]	1,816	2,110,918
RetailMeNot, Inc.[b][c]	26,133	752,369
		4,873,189
Internet Software & Services–17.39%		
Dealertrack Technologies Inc.[b]	12,189	586,047
eBay Inc.[b]	16,399	900,141

	Shares	Value
Internet Software & Services–(continued)		
Facebook Inc.–Class A[b]	76,124	$ 4,160,938
Google Inc.–Class A[b]	6,310	7,071,680
HomeAway Inc.[b]	33,036	1,350,512
Millennial Media Inc.[b][c]	57,051	414,761
Twitter, Inc.[b][c]	3,449	219,529
ValueClick, Inc.[b]	41,401	967,541
VeriSign, Inc.[b][c]	32,965	1,970,648
Web.com Group Inc.[b]	26,798	851,908
		18,493,705
IT Consulting & Other Services–3.94%		
Accenture PLC–Class A[b]	11,599	953,670
Cognizant Technology Solutions Corp.–Class A[b]	14,560	1,470,269
International Business Machines Corp.	9,429	1,768,597
		4,192,536
Other Diversified Financial Services–0.25%		
BlueStream Ventures L.P. (Acquired 08/03/00-06/13/08; Acquisition Cost $3,149,655)[d][e]	–	263,779
Semiconductor Equipment–2.57%		
Applied Materials, Inc.	86,947	1,538,092
Teradyne, Inc.[b][c]	42,377	746,683
Veeco Instruments Inc.[b]	13,692	450,604
		2,735,379
Semiconductors–14.43%		
Altera Corp.	54,313	1,766,802
ARM Holdings PLC-ADR (United Kingdom)	10,551	577,562
Avago Technologies Ltd.	35,560	1,880,768
Cypress Semiconductor Corp.	70,130	736,365
Diodes Inc.[b]	17,652	415,881
Fairchild Semiconductor International, Inc.[b]	72,046	961,814
Intermolecular Inc.[b]	64,316	316,435
Lattice Semiconductor Corp.[b]	99,086	545,964
Microsemi Corp.[b]	58,694	1,464,415
NXP Semiconductors N.V. (Netherlands)[b]	49,763	2,285,615
ON Semiconductor Corp.[b]	178,834	1,473,592
Semtech Corp.[b]	19,667	497,182
Skyworks Solutions, Inc.[b]	48,107	1,373,936
Texas Instruments Inc.	24,031	1,055,201
		15,351,532
Systems Software–8.11%		
CommVault Systems, Inc.[b]	15,081	1,129,265
Infoblox, Inc.[b]	17,055	563,156
MICROS Systems, Inc.[b]	12,919	741,163
Microsoft Corp.	74,082	2,772,889
Oracle Corp.	24,276	928,800
Red Hat, Inc.[b]	11,677	654,379

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

	Shares	Value
Systems Software-(continued)		
Symantec Corp.	50,499	$ 1,190,767
VMware, Inc.-Class A[(b)]	7,127	639,363
		8,619,782
Total Common Stocks & Other Equity Interests (Cost $75,105,201)		104,822,350
Money Market Funds-1.47%		
Liquid Assets Portfolio-Institutional Class[(f)]	779,173	779,173
Premier Portfolio-Institutional Class[(f)]	779,174	779,174
Total Money Market Funds (Cost $1,558,347)		1,558,347
TOTAL INVESTMENTS (excluding investments purchased with cash collateral from securities on loan)-100.03% (Cost $76,663,548)		106,380,697

	Shares	Value
Investments Purchased with Cash Collateral from Securities on Loan		
Money Market Funds-5.14%		
Liquid Assets Portfolio-Institutional Class (Cost $5,469,387)[(f)(g)]	5,469,387	$ 5,469,387
TOTAL INVESTMENTS-105.17% (Cost $82,132,935)		111,850,084
OTHER ASSETS LESS LIABILITIES-(5.17)%		(5,499,283)
NET ASSETS-100.00%		$106,350,801

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) All or a portion of this security was out on loan at December 31, 2013.
(d) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The value of this security at December 31, 2013 represented less than 1% of the Fund's Net Assets.
(e) 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.
(f) The money market fund and the Fund are affiliated by having the same investment adviser.
(g) The security has been segregated to satisfy the commitment to return the cash collateral received in securities lending transactions upon the borrower's return of the securities loaned. See Note 1I. The following table presents the Fund's gross and net amount of assets available for offset received by the Fund as of December 31. 2013.

Counterparty	Gross Amount of Securities on Loan at Value	Cash Collateral Received for Securities Loaned*	Net Amount
State Street Bank and Trust Co.	$5,425,170	$(5,425,170)	$–

*Amount does not include excess collateral received.

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

Statement of Assets and Liabilities

December 31, 2013

Assets:	
Investments, at value (Cost $75,105,201)*	$104,822,350
Investments in affiliated money market funds, at value and cost	7,027,734
Total investments, at value (Cost $82,132,935)	111,850,084
Receivable for:	
Fund shares sold	148,915
Dividends	12,861
Investment for trustee deferred compensation and retirement plans	62,796
Other assets	5,755
Total assets	112,080,411
Liabilities:	
Payable for:	
Fund shares reacquired	101,132
Collateral upon return of securities loaned	5,469,387
Accrued fees to affiliates	66,263
Accrued trustees' and officers' fees and benefits	938
Accrued other operating expenses	23,265
Trustee deferred compensation and retirement plans	68,625
Total liabilities	5,729,610
Net assets applicable to shares outstanding	$106,350,801
Net assets consist of:	
Shares of beneficial interest	$ 65,658,304
Undistributed net investment income	2,102,537
Undistributed net realized gain	8,872,811
Net unrealized appreciation	29,717,149
	$106,350,801
Net Assets:	
Series I	$103,151,215
Series II	$ 3,199,586
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	5,312,747
Series II	169,289
Series I:	
Net asset value per share	$ 19.42
Series II:	
Net asset value per share	$ 18.90

* At December 31, 2013, securities with an aggregate value of $5,425,170 were on loan to brokers.

Statement of Operations

For the year ended December 31, 2013

Investment income:	
Dividends (net of foreign withholding taxes of $3,713)	$ 744,613
Dividends from affiliated money market funds (includes securities lending income of $2,410)	4,150
Total investment income	748,763
Expenses:	
Advisory fees	732,743
Administrative services fees	287,103
Custodian fees	6,797
Distribution fees — Series II	6,423
Transfer agent fees	26,181
Trustees' and officers' fees and benefits	27,901
Other	67,025
Total expenses	1,154,173
Less: Fees waived	(3,689)
Net expenses	1,150,484
Net investment income (loss)	(401,721)
Realized and unrealized gain from:	
Net realized gain from investment securities (includes net gains from securities sold to affiliates of $55,722)	9,373,941
Change in net unrealized appreciation of investment securities	13,198,790
Net realized and unrealized gain	22,572,731
Net increase in net assets resulting from operations	$22,171,010

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

Statement of Changes in Net Assets

For the years ended December 31, 2013 and 2012

	2013	2012
Operations:		
Net investment income (loss)	$ (401,721)	$ (450,495)
Net realized gain	9,373,941	9,554,276
Change in net unrealized appreciation	13,198,790	2,176,313
Net increase in net assets resulting from operations	22,171,010	11,280,094
Distributions to shareholders from net realized gains:		
Series I	(7,820,860)	–
Series II	(230,772)	–
Total distributions from net realized gains	(8,051,632)	–
Share transactions–net:		
Series I	(5,971,175)	(16,315,465)
Series II	713,763	331,851
Net increase (decrease) in net assets resulting from share transactions	(5,257,412)	(15,983,614)
Net increase (decrease) in net assets	8,861,966	(4,703,520)
Net assets:		
Beginning of year	97,488,835	102,192,355
End of year (includes undistributed net investment income of $2,102,537 and $2,076,625, respectively)	$106,350,801	$ 97,488,835

Notes to Financial Statements

December 31, 2013

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-four 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices 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 the Adviser determines 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 trades is not the current value as of the close of the NYSE. Foreign securities' prices 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 became 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 of 1986, as amended (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 failed 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. 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(s) 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 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 2.00% and Series II shares to 2.25% 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 Invesco continues the fee waiver agreement, it will terminate on June 30, 2014. The fee waiver agreement cannot be terminated during its term. 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 April 30, 2015, 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 year ended December 31, 2013, the Adviser waived advisory fees of $3,689.

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 year ended December 31, 2013, Invesco was paid $50,000 for accounting and fund administrative services and reimbursed $237,103 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 year ended December 31, 2013, 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 year ended December 31, 2013, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2013, the Fund incurred $11 in brokerage commissions with Invesco Capital Markets, Inc., an affiliate of the Adviser and IDI, for portfolio transactions executed on behalf of the Fund.

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 December 31, 2013. 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	$111,586,305	$–	$263,779	$111,850,084

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 year ended December 31, 2013, the Fund engaged in securities sales of $536,617, which resulted in net realized gains of $55,722.

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 were eligible to participate in a retirement plan that provided 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 *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 7—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2013 and 2012:

	2013	2012
Long-term capital gain	$8,051,632	$–

Tax Components of Net Assets at Period-End:

	2013
Undistributed ordinary income	$ 452,462
Undistributed long-term gain	8,517,678
Net unrealized appreciation — investments	31,783,418
Temporary book/tax differences	(61,061)
Shares of beneficial interest	65,658,304
Total net assets	$106,350,801

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales and partnership interests.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

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. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. 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. Capital loss carryforwards with no expiration date 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 does not have a capital loss carryforward as of December 31, 2013.

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 year ended December 31, 2013 was $42,715,756 and $55,675,331, 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	$35,829,224
Aggregate unrealized (depreciation) of investment securities	(4,045,806)
Net unrealized appreciation of investment securities	$31,783,418

Cost of investments for tax purposes is $80,066,666.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of partnership and net operating losses, on December 31, 2013, undistributed net investment income was increased by $427,633, undistributed net realized gain was decreased by $423,026 and shares of beneficial interest was decreased by $4,607. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

	Summary of Share Activity			
	Years ended December 31,			
	2013[a]		2012	
	Shares	Amount	Shares	Amount
Sold:				
Series I	448,059	$ 8,062,294	678,900	$ 11,607,559
Series II	51,711	908,329	65,426	1,097,512
Issued as reinvestment of dividends:				
Series I	434,492	7,820,860	–	–
Series II	13,157	230,772	–	–
Reacquired:				
Series I	(1,221,518)	(21,854,329)	(1,662,300)	(27,923,024)
Series II	(23,922)	(425,338)	(45,637)	(765,661)
Net increase (decrease) in share activity	(298,021)	$ (5,257,412)	(963,611)	$(15,983,614)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 65% 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 11—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	Distributions from net realized gains	Total distributions	Net asset value, end of period	Total return[b]	Net assets, end of period (000's 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[c]
Series I														
Year ended 12/31/13	$16.87	$(0.07)	$ 4.19	$ 4.12	$ –	$(1.57)	$(1.57)	$19.42	25.14%	$103,151	1.17%[d]	1.17%[d]	(0.40)%[d]	45%
Year ended 12/31/12	15.16	(0.07)	1.78	1.71	–	–	–	16.87	11.28	95,371	1.16	1.16	(0.42)	42
Year ended 12/31/11	16.00	(0.10)	(0.71)	(0.81)	(0.03)	–	(0.03)	15.16	(5.05)	100,579	1.12	1.12	(0.62)	41
Year ended 12/31/10	13.19	0.02	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)	4.84	4.81	–	–	–	13.19	57.40	119,369	1.18	1.19	(0.27)	42
Series II														
Year ended 12/31/13	16.50	(0.12)	4.09	3.97	–	(1.57)	(1.57)	18.90	24.79	3,200	1.42[d]	1.42[d]	(0.65)[d]	45
Year ended 12/31/12	14.86	(0.11)	1.75	1.64	–	–	–	16.50	11.04	2,118	1.41	1.41	(0.67)	42
Year ended 12/31/11	15.71	(0.14)	(0.70)	(0.84)	(0.01)	–	(0.01)	14.86	(5.32)	1,613	1.37	1.37	(0.87)	41
Year ended 12/31/10	12.98	(0.01)	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)	4.78	4.72	–	–	–	12.98	57.14	417	1.43	1.44	(0.52)	42

[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.
[d] Ratios are based on average daily net assets (000's omitted) of $95,130 and $2,569 for Series I and Series II, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. Technology Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. Technology Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 17, 2014
Houston, Texas

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 July 1, 2013 through December 31, 2013.

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 (07/01/13)	Ending Account Value (12/31/13)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/13)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,197.50	$6.59	$1,019.21	$6.06	1.19%
Series II	1,000.00	1,195.70	7.97	1,017.95	7.32	1.44

1 The actual ending account value is based on the actual total return of the Fund for the period July 1, 2013 through December 31, 2013, 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 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2013:

Federal and State Income Tax	
Long-Term Capital Gain Distributions	$8,051,632
Corporate Dividends Received Deduction*	0%

* The above percentage is based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 1000, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Interested Persons				
Martin L. Flanagan[1] – 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	123	None
Philip A. Taylor[2] – 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltèe) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltèe; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	123	None
Wayne W. Whalen[3] – 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to certain funds in the Fund Complex	136	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.
[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.
[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Invesco Fund Complex because he and his firm currently provide legal services as legal counsel to such Funds.

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	123	ACE Limited (insurance company); Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	136	Board member of the Illinois Manufacturers' Association; Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley – 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	123	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis Institute of Music
James T. Bunch – 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	123	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: Prior to 2001, Managing Partner at Equity Group Corporate Investments; Prior to 1995, Chief Executive Officer of Itel Corporation (formerly Anixter International); Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex	123	Director of Quidel Corporation and Stericycle, Inc.; Prior to May 2008, Trustee of The Scripps Research Institute; Prior to February 2008, Director of Ventana Medical Systems, Inc.
Albert R. Dowden – 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); and Reich & Tang Funds (5 portfolios) (registered investment company) Formerly: Director, Homeowners of America Holding Corporation/Homeowners of America Insurance Company (property casualty company); Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director, Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	123	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	123	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	123	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	123	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	136	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences

Trustees and Officers—(continued)

Name , Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Independent Trustees—(continued)				
Raymond Stickel, Jr. – 1944 Trustee Other Officers	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	123	None
Other Officers				
Russell C. Burk – 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr – 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Karen Dunn Kelley – 1960 Vice President	1993	Senior Managing Director, Investments; Director, Co-President, Co-Chief Executive Officer, and Co-Chairman, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Chairman, Invesco Senior Secured Management, Inc.; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc., and Invesco Management Company Limited; Director and President, INVESCO Asset Management (Bermuda) Ltd., Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only) Formerly: Director, INVESCO Global Asset Management Limited and INVESCO Management S.A.; Senior Vice President, Van Kampen Investments Inc. and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A

Trustees and Officers–(continued)

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Other Officers—(continued)				
Sheri Morris – 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Vice President, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; and Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust	N/A	N/A
Crissie M. Wisdom – 1969 Anti-Money Laundering Compliance Officer	2013	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., Invesco Management Group, Inc., Van Kampen Exchange Corp., The Invesco Funds, Invesco Funds (Chicago), and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc.	N/A	N/A
Todd L. Spillane – 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds; Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) Formerly: Chief Compliance Officer, Invesco Funds (Chicago); Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust; and Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

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Atlanta, GA 30309

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Counsel to the Independent Trustees
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901 New York Avenue, N.W.
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Transfer Agent
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11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Annual Report

December 31, 2013

ColumbiaManagement®

Columbia Variable Portfolio — Asset Allocation Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. Please contact your financial advisor or insurance representative for more information.

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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 — Asset Allocation Fund (the Fund) Class 2 shares returned 17.88% for the 12-month period that ended December 31, 2013.

> The Fund outperformed its Blended Benchmark, which returned 17.56% over the same period.

> The broad equity market, as measured by the S&P 500 Index, returned 32.39%, while the broad U.S. fixed-income market, as measured by the Barclays U.S. Aggregate Bond Index, returned -2.02% for the same 12-month period.

> Strong equity manager performance accounted for most of the return advantage over the Blended Benchmark. Favorable asset allocation also aided results.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	10 Years
Class 1	01/01/89	18.17	13.25	6.68
Class 2	06/01/00	17.88	13.01	6.49
Blended Benchmark		17.56	12.71	6.54
S&P 500 Index		32.39	17.94	7.41
Barclays U.S. Aggregate Bond Index		-2.02	4.44	4.55

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 financial advisor or insurance representative.

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 Blended Benchmark, a weighted custom composite established by the Investment Manager, consists of a 60% weighting in the S&P 500 Index and a 40% weighting in the Barclays U.S. Aggregate Bond Index.

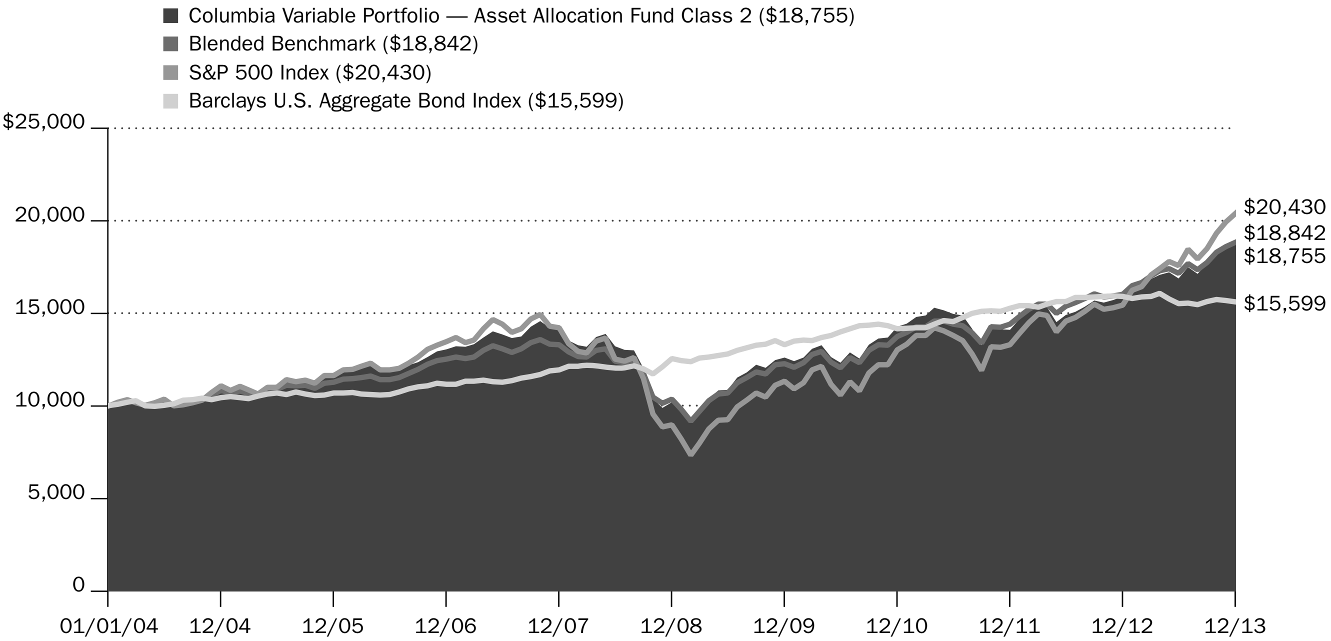
The S&P 500 Index, an unmanaged index, measures the performance of 500 widely held, large-capitalization U.S. stocks and is frequently used as a general measure of market performance.

The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage passthroughs), asset-backed securities, and commercial mortgage-backed securities.

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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2004 – December 31, 2013)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 2 shares of Columbia Variable Portfolio — Asset Allocation Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period that ended December 31, 2013, the Fund's Class 2 shares returned 17.88%. The Fund outperformed its Blended Benchmark, which returned 17.56% for the same 12-month period. The broad equity market, as measured by the S&P 500 Index, returned 32.39%, while the broad U.S. fixed-income market, as measured by the Barclays U.S. Aggregate Bond Index, returned -2.02% for the same 12-month period.

Strong equity manager performance, combined with favorable asset allocation, bolstered results. The Fund was overweight in equities in a year of strong equity performance and underweight in fixed income in a year of weak fixed-income performance. A decision to allocate assets to small- and mid-cap equities also aided results.

Growth Picked Up, Equity Markets Responded

After five years of modest progress, the pace of economic growth picked up in the second half of 2013. New jobs were added to the labor market at close to 200,000 per month throughout the year, although December's gains were unexpectedly lackluster. A rebound in the housing market showed staying power, despite rising mortgage rates, and manufacturing activity accelerated. Factories were busier than at any point since the 2008/2009 recession, with capacity utilization at 79%. Orders for durable goods were strong, bolstered by rising auto sales. Holiday spending was solid, especially online sales, which rose 10% year over year, despite a shorter season. Expected growth, as measured by gross domestic product, was revised upward to 4.1% in the third quarter. Current expectations are for a solid fourth quarter and underlying economic growth has been forecasted to expand by 2% to 3% in 2014, with contributions from a narrowing trade deficit, continued recovery in housing, modest increases in capital spending and stronger global demand.

Global equity markets posted solid returns for 2013, despite a modest pullback in the first half after Federal Reserve (the Fed) Board Chairman Ben Bernanke indicated that the Fed might be ready to taper its monthly bond-buying program, removing stimulus from the economy. However, the Fed took no action in 2013, postponing a modest tapering to begin in January 2014. Against this backdrop, the MSCI World Index, a broad measure of global equity market performance, gained 26% for the year. Performance varied significantly among regions. Developed markets such as Japan and the United States each returned more than 25%, while the MSCI Emerging Market Index (measured in U.S. dollars) posted a loss of just over 2%. In the U.S. market, small-cap stocks outperformed large- and mid-cap stocks, led by significant gains from the industrials, technology and consumer discretionary sectors. From a valuation perspective, global equities do not currently appear overpriced, although the monetary backdrop certainly needs to be considered when weighing short-term earnings quality against longer-term measures supporting valuations. The MSCI World Index ended the year with a trailing price-to-earnings ratio of 17.5, which is roughly in line with its 44-year average.

In the U.S. bond market, most sectors generated negative returns. At one end of the spectrum, long-term Treasuries and Treasury Inflation Protected Securities lost significant ground, while U.S. high yield corporate bonds posted total returns in excess of 7% for the year.

Portfolio Management

Jeffrey Knight, CFA

Anwiti Bahuguna, Ph.D.

Melda Mergen, CFA, CAIA

Marie Schofield, CFA

Beth Vanney, CFA

Portfolio Breakdown (%) (at December 31, 2013)	
Alternative Investment Funds	**4.9**
Equity Funds	**61.7**
International	8.0
U.S. Large Cap	38.5
U.S. Mid Cap	9.1
U.S. Small Cap	6.1
Fixed-Income Funds	**31.5**
Convertible	3.0
Emerging Markets	2.0
International	2.0
Investment Grade	24.5
Money Market Funds	**1.9**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Manager Discussion of Fund Performance *(continued)*

Strong Performance from Underlying Equity Funds

Most of the Fund's outperformance relative to its benchmark was the result of strong manager performance, especially among equities. Eleven of the Fund's 15 equity holdings outperformed their respective benchmarks: Columbia Contrarian Core Fund, Columbia Select Large Cap Growth Fund, Columbia Mid Cap Value, Columbia Emerging Markets Fund, Columbia Large Core Quantitative Fund, Columbia Overseas Value Fund, Columbia Large Value Quantitative Fund, Columbia Greater China Fund, Columbia Small Cap Value Fund II, Columbia Select Large-Cap Value Fund and Columbia Large Growth Quantitative Fund. Columbia Large-Cap Growth Fund, Columbia Mid Cap Growth Fund, Columbia Small Cap Value Fund I and Columbia Small Cap Growth Fund I underperformed their respective benchmarks by fairly small margins and each of the four generated returns of more than 30%.

Asset Allocation Aided Fund Results

In an environment of improving economic growth, we raised the Fund's equity allocation slightly above its neutral target of 60%. As equity markets soared in the United States, Japan and much of Europe, the Fund benefited from its outsized exposure to equities. We reduced exposure to emerging market equities, which lagged as growth slowed in key emerging economies in 2013. We lowered the Fund's overall fixed income allocation, reducing exposure to U.S. Treasuries, securitized bonds and Treasury Inflation Protected Securities, the latter of which was the fixed-income markets weakest performer for the period. Outside traditional asset classes, we slightly lowered exposure to absolute return funds and had no exposure to commodities or REITs, which were weak performers for the year. At the end of 2013, equities accounted for close to 62% of the Fund's assets, fixed income accounted for approximately 28% and the remaining 10% was invested in alternative asset classes, convertibles and cash.

Looking Ahead

The strong equity returns of the past two years present an investment strategy challenge. At present, we believe that equities continue to look attractive. However, we currently believe stock markets outside the United States may show more potential in the year ahead. In fact, using a combination of fundamental, macroeconomic and technical indicators, the United States ranks in the bottom half of the countries covered by the analysis of Columbia's asset allocation team, while Japan and Germany, for example, rank near the top. That said, we remain cautious at this time on emerging markets and will look for signs of acceleration in global trade before we selectively add to emerging market equities

Another aspect of our equity investment strategy for 2014 is an increase in active risk. We believe that current conditions are favorable for active equity strategies to outperform passive strategies. Most important, the degree to which stock prices are being moved by macro influences is falling at this time. With major macro uncertainties, such as recession risk or policy uncertainty having receded during 2013, we currently expect that individual stock prices will be increasingly influenced by company specific fundamentals. Indeed, the correlation of price movements across individual stocks has fallen dramatically from the high seen in the fall of 2011, and begins 2014 at its lowest level in years. We believe this decline in stock correlations provides a much improved environment for stock selection. Furthermore, if the trajectory of overall market returns flattens a bit,

Manager Discussion of Fund Performance *(continued)*

active strategies may have the potential to make up a larger share of overall equity portfolio returns in 2014.

At present, our outlook for the bond market targets sectors that trade on their yield spread relative to U.S. Treasuries, such as high-yield U.S. corporate bonds, which currently continue to be attractively priced. We do not foresee a significant rise in default risk as long as economic growth does not disappoint. We also see some value in emerging market sovereign bonds at this time, although we continue to monitor liquidity pressures for these bonds because investors currently seem skeptical on the prospects for emerging market assets, in general.

Our team will be on the lookout for credit market weakness, negative economic surprise or weakening stock price momentum. For now, these measures are consistent with ongoing equity market strength but any change in one or more of three key indicators could signal oncoming equity market volatility.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include distribution and/or service 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.

In addition to the ongoing expenses which the Fund bears directly, the Fund's shareholders indirectly bear the Fund's allocable share of the costs and expenses of each underlying fund in which the Fund invests. You can also estimate the effective expenses paid during the period, which includes the indirect fees associated with investing in the underlying funds, by using the amounts listed in the effective expenses paid during the period column.

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.

July 1, 2013 – December 31, 2013

	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	1,113.40	1,024.72	0.81	0.77	0.15	4.68	4.49	0.87
Class 2	1,000.00	1,000.00	1,111.80	1,023.44	2.15	2.06	0.40	6.03	5.77	1.12

Expenses paid during the period are equal to the Fund's 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 365.

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 certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

December 31, 2013

(Percentages represent value of investments compared to net assets)

Equity Funds 61.7%

	Shares	Value ($)
International 8.0%		
Columbia Emerging Markets Fund, Class I Shares[(a)]	465,889	4,761,383
Columbia Greater China Fund, Class I Shares[(a)]	20,939	967,575
Columbia Overseas Value Fund, Class I Shares[(a)]	222,422	2,012,923
Total		7,741,881
U.S. Large Cap 38.5%		
Columbia Contrarian Core Fund, Class I Shares[(a)]	473,017	9,739,422
Columbia Large Cap Growth Fund, Class I Shares[(a)]	142,628	4,863,609
Columbia Large Core Quantitative Fund, Class I Shares[(a)]	1,142,602	9,734,974
Columbia Large Growth Quantitative Fund, Class I Shares[(a)]	453,245	3,897,907
Columbia Large Value Quantitative Fund, Class I Shares[(a)]	218,925	1,946,244
Columbia Select Large Cap Growth Fund, Class I Shares[(a)(b)]	176,792	3,426,223
Columbia Select Large-Cap Value Fund, Class I Shares[(a)]	157,257	3,418,765
Total		37,027,144
U.S. Mid Cap 9.1%		
Columbia Mid Cap Growth Fund, Class I Shares[(a)(b)]	137,740	4,385,641
Columbia Mid Cap Value Fund, Class I Shares[(a)]	246,133	4,398,392
Total		8,784,033
U.S. Small Cap 6.1%		
Columbia Small Cap Growth Fund I, Class I Shares[(a)(b)]	88,240	2,919,861
Columbia Small Cap Value Fund I, Class I Shares[(a)]	19,171	974,630
Columbia Small Cap Value Fund II, Class I Shares[(a)]	105,292	1,948,960
Total		5,843,451
Total Equity Funds (Cost: $48,064,224)		**59,396,509**

Fixed-Income Funds 31.5%

	Shares	Value ($)
Convertible 3.0%		
Columbia Convertible Securities Fund, Class I Shares[(a)]	159,122	2,899,208
Emerging Markets 2.0%		
Columbia Emerging Markets Bond Fund, Class I Shares[(a)]	170,804	1,883,967
International 1.9%		
Columbia International Bond Fund, Class I Shares[(a)]	172,668	1,878,632
Investment Grade 24.6%		
Columbia Corporate Income Fund, Class I Shares[(a)]	860,968	8,532,194
Columbia Income Opportunities Fund, Class I Shares[(a)]	426,990	4,282,712
Columbia Limited Duration Credit Fund, Class I Shares[(a)]	287,077	2,844,934
Columbia U.S. Government Mortgage Fund, Class I Shares[(a)]	1,233,348	6,623,076
Columbia U.S. Treasury Index Fund, Class I Shares[(a)]	125,391	1,365,505
Total		23,648,421
Total Fixed-Income Funds (Cost: $29,791,399)		**30,310,228**

Alternative Investment Funds 4.9%

	Shares	Value ($)
Columbia Absolute Return Currency and Income Fund, Class I Shares[(a)(b)]	191,761	1,819,811
Columbia Absolute Return Multi-Strategy Fund, Class I Shares[(a)]	284,284	2,857,053
Total Alternative Investment Funds (Cost: $4,763,949)		**4,676,864**

Money Market Funds 1.9%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.096%[(a)(c)]	1,857,479	1,857,479
Total Money Market Funds (Cost: $1,857,479)		**1,857,479**
Total Investments (Cost: $84,477,051)		**96,241,080**
Other Assets and Liabilities		(19,690)
Net Assets		**96,221,390**

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

Portfolio of Investments *(continued)*

December 31, 2013

Investments in Derivatives

Futures Contracts Outstanding at December 31, 2013

At December 31, 2013, cash totaling $45,100 was pledged as collateral to cover initial margin requirements on open futures contracts.

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
E-Mini S&P 500 Index	11	USD	1,012,605	March 2014	39,958	—

Notes to Portfolio of Investments

(a) 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 year ended December 31, 2013, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain (Loss) ($)	Ending Cost ($)	Capital Gain Distributions ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Absolute Return Currency and Income Fund, Class I Shares	1,899,575	90,502	(55,445)	(1,134)	1,933,498	—	—	1,819,811
Columbia Absolute Return Multi-Strategy Fund, Class I Shares	2,889,986	109,855	(171,236)	1,846	2,830,451	—	28,203	2,857,053
Columbia Contrarian Core Fund, Class I Shares	8,612,574	810,891	(2,588,039)	315,337	7,150,763	507,503	84,804	9,739,422
Columbia Convertible Securities Fund, Class I Shares	2,899,260	85,390	(671,171)	45,217	2,358,696	—	77,375	2,899,208
Columbia Corporate Income Fund, Class I Shares	8,097,063	738,262	(397,612)	(9,735)	8,427,978	276,752	279,251	8,532,194
Columbia Dividend Income Fund, Class I Shares	2,587,858	47,668	(3,449,853)	814,327	—	—	46,291	—
Columbia Dividend Opportunity Fund, Class I Shares	2,775,750	51,492	(3,448,717)	621,475	—	—	50,183	—
Columbia Emerging Markets Bond Fund, Class I Shares	1,729,503	241,711	(36,013)	(769)	1,934,432	24,487	108,846	1,883,967
Columbia Emerging Markets Fund, Class I Shares	4,766,950	227,557	(293,735)	(12,168)	4,688,604	—	28,387	4,761,383
Columbia Greater China Fund, Class I Shares	1,125,410	239,108	(189,348)	(30,787)	1,144,383	185,995	16,688	967,575
Columbia Income Opportunities Fund, Class I Shares	4,200,577	256,040	(311,816)	(204)	4,144,597	—	233,079	4,282,712
Columbia International Bond Fund, Class I Shares	1,839,558	90,848	(8,286)	(234)	1,921,886	—	18,018	1,878,632
Columbia Large Cap Growth Fund, Class I Shares	4,247,644	264,355	(1,308,437)	160,011	3,363,573	223,963	29,496	4,863,609
Columbia Large Core Quantitative Fund, Class I Shares	8,687,656	379,375	(2,437,722)	262,325	6,891,634	—	201,567	9,734,974
Columbia Large Growth Quantitative Fund, Class I Shares	4,171,390	713,944	(1,173,736)	62,759	3,774,357	652,809	47,982	3,897,907
Columbia Large Value Quantitative Fund, Class I Shares	1,902,479	132,543	(566,617)	62,125	1,530,530	100,975	27,709	1,946,244
Columbia Limited Duration Credit Fund, Class I Shares	2,873,155	161,337	(163,841)	(1,284)	2,869,367	29,263	73,048	2,844,934
Columbia Mid Cap Growth Fund, Class I Shares	4,044,250	405,288	(1,207,920)	130,841	3,372,459	400,365	—	4,385,641

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

Portfolio of Investments *(continued)*

December 31, 2013

Notes to Portfolio of Investments *(continued)*

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain (Loss) ($)	Ending Cost ($)	Capital Gain Distributions ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Mid Cap Value Fund, Class I Shares	3,743,670	490,627	(1,340,046)	279,828	3,174,079	445,800	36,119	4,398,392
Columbia Overseas Value Fund, Class I Shares	2,041,708	44,672	(431,675)	26,952	1,681,657	—	36,410	2,012,923
Columbia Select Large Cap Growth Fund, Class I Shares	—	3,481,913	(172,374)	2,224	3,311,763	125,156	—	3,426,223
Columbia Select Large-Cap Value Fund, Class I Shares	958,097	2,491,226	(439,641)	40,987	3,050,669	63,522	50,558	3,418,765
Columbia Short-Term Cash Fund, 0.096%	688,066	2,450,220	(1,280,807)	—	1,857,479	—	873	1,857,479
Columbia Small Cap Growth Fund I, Class I Shares	3,130,264	421,762	(1,035,076)	79,131	2,596,081	417,720	—	2,919,861
Columbia Small Cap Value Fund I, Class I Shares	948,603	132,370	(300,566)	46,006	826,413	121,884	8,904	974,630
Columbia Small Cap Value Fund II, Class I Shares	1,886,193	224,257	(695,129)	91,938	1,507,259	206,208	12,945	1,948,960
Columbia U.S. Government Mortgage Fund, Class I Shares	6,622,100	403,193	(280,804)	(13,938)	6,730,551	19,728	204,633	6,623,076
Columbia U.S. Treasury Index Fund, Class I Shares	—	1,416,391	(12,385)	(114)	1,403,892	14,990	5,359	1,365,505
Total	89,369,339	16,602,797	(24,468,047)	2,972,962	84,477,051	3,817,120	1,706,728	96,241,080

(b) Non-income producing.

(c) The rate shown is the seven-day current annualized yield at December 31, 2013.

Currency Legend

USD US Dollar

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).

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

Portfolio of Investments *(continued)*

December 31, 2013

Fair Value Measurements *(continued)*

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 may 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 overseeing 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 or are not readily available, including recommendations 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 following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

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				
Equity Funds	59,396,509	—	—	59,396,509
Fixed-Income Funds	30,310,228	—	—	30,310,228
Alternative Investment Funds	4,676,864	—	—	4,676,864
Money Market Funds	1,857,479	—	—	1,857,479
Total Mutual Funds	96,241,080	—	—	96,241,080
Investments in Securities	96,241,080	—	—	96,241,080
Derivatives				
Assets				
Futures Contracts	39,958	—	—	39,958
Total	96,281,038	—	—	96,281,038

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

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

Derivative instruments are valued at unrealized appreciation (depreciation).

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

Statement of Assets and Liabilities
December 31, 2013

Assets	
Investments, at value	
Affiliated issuers (identified cost $84,477,051)	$96,241,080
Margin deposits	45,100
Receivable for:	
Investments sold	209,045
Capital shares sold	1,450
Dividends	81,844
Reclaims	1,112
Variation margin	3,520
Prepaid expenses	658
Trustees' deferred compensation plan	39,677
Total assets	96,623,486
Liabilities	
Payable for:	
Investments purchased	82,089
Capital shares purchased	227,986
Investment management fees	29
Distribution and/or service fees	122
Transfer agent fees	158
Administration fees	53
Compensation of board members	22,386
Chief compliance officer expenses	14
Expense reimbursement due to Investment Manager	186
Other expenses	29,396
Trustees' deferred compensation plan	39,677
Total liabilities	402,096
Net assets applicable to outstanding capital stock	**$96,221,390**
Represented by	
Paid-in capital	$80,463,445
Undistributed net investment income	2,197,486
Accumulated net realized gain	1,756,417
Unrealized appreciation (depreciation) on:	
Investments — affiliated issuers	11,764,029
Foreign currency translations	55
Futures contracts	39,958
Total — representing net assets applicable to outstanding capital stock	**$96,221,390**

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

Statement of Assets and Liabilities *(continued)*
December 31, 2013

Class 1	
Net assets	$78,389,813
Shares outstanding	5,208,835
Net asset value per share	$15.05
Class 2	
Net assets	$17,831,577
Shares outstanding	1,193,756
Net asset value per share	$14.94

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

Statement of Operations

Year Ended December 31, 2013

Net investment income	
Income:	
Dividends — affiliated issuers	$1,706,728
Interest	36,845
Total income	1,743,573
Expenses:	
Investment management fees	15,566
Distribution and/or service fees	
Class 2	44,721
Transfer agent fees	
Class 1	46,784
Class 2	10,733
Administration fees	19,172
Compensation of board members	23,324
Custodian fees	32,167
Printing and postage fees	12,248
Professional fees	18,260
Chief compliance officer expenses	54
Other	5,010
Total expenses	228,039
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(43,155)
Total net expenses	184,884
Net investment income	1,558,689
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments — unaffiliated issuers	154,210
Investments — affiliated issuers	2,972,962
Capital gain distributions from underlying affiliated funds	3,817,120
Futures contracts	61,547
Net realized gain	7,005,839
Net change in unrealized appreciation (depreciation) on:	
Investments — unaffiliated issuers	(321,551)
Investments — affiliated issuers	7,722,390
Foreign currency translations	35
Futures contracts	39,958
Net change in unrealized appreciation (depreciation)	7,440,832
Net realized and unrealized gain	14,446,671
Net increase in net assets resulting from operations	**$16,005,360**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$1,558,689	$1,951,626
Net realized gain	7,005,839	2,285,092
Net change in unrealized appreciation (depreciation)	7,440,832	7,977,311
Net increase in net assets resulting from operations	16,005,360	12,214,029
Distributions to shareholders		
Net investment income		
Class 1	(1,860,222)	(1,786,909)
Class 2	(390,306)	(384,448)
Total distributions to shareholders	(2,250,528)	(2,171,357)
Increase (decrease) in net assets from capital stock activity	(13,485,359)	(15,128,888)
Total increase (decrease) in net assets	269,473	(5,086,216)
Net assets at beginning of year	95,951,917	101,038,133
Net assets at end of year	**$96,221,390**	**$95,951,917**
Undistributed net investment income	$2,197,486	$2,177,826

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	62,903	892,661	117,978	1,499,786
Distributions reinvested	132,778	1,860,222	144,222	1,786,909
Redemptions	(963,128)	(13,534,601)	(1,142,678)	(14,398,989)
Net decrease	(767,447)	(10,781,718)	(880,478)	(11,112,294)
Class 2 shares				
Subscriptions	24,470	340,167	58,726	744,771
Distributions reinvested	28,039	390,306	31,231	384,448
Redemptions	(246,225)	(3,434,114)	(410,087)	(5,145,813)
Net decrease	(193,716)	(2,703,641)	(320,130)	(4,016,594)
Total net decrease	**(961,163)**	**(13,485,359)**	**(1,200,608)**	**(15,128,888)**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year Ended December 31,				
Class 1	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$13.05	$11.81	$12.22	$11.08	$9.32
Income from investment operations:					
Net investment income	0.24	0.25	0.24	0.26	0.25
Net realized and unrealized gain (loss)	2.11	1.27	(0.33)	1.19	1.93
Total from investment operations	2.35	1.52	(0.09)	1.45	2.18
Less distributions to shareholders:					
Net investment income	(0.35)	(0.28)	(0.32)	(0.31)	(0.42)
Total distributions to shareholders	(0.35)	(0.28)	(0.32)	(0.31)	(0.42)
Net asset value, end of period	$15.05	$13.05	$11.81	$12.22	$11.08
Total return	18.17%	13.03%	(0.85%)	13.43%	24.00%[a]
Ratios to average net assets[b]					
Total gross expenses	0.19%	0.24%	0.40%	0.97%	1.00%
Total net expenses[c]	0.15%	0.16%	0.13%	0.68%[d]	0.80%[d]
Net investment income	1.67%	1.99%	1.93%	2.27%	2.48%
Supplemental data					
Net assets, end of period (in thousands)	$78,390	$77,976	$81,002	$95,031	$97,435
Portfolio turnover	15%	51%	89%	234%[e]	103%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

(e) 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)*

	Year Ended December 31,				
Class 2	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$12.96	$11.73	$12.15	$11.02	$9.27
Income from investment operations:					
Net investment income	0.20	0.22	0.20	0.24	0.23
Net realized and unrealized gain (loss)	2.09	1.26	(0.32)	1.18	1.92
Total from investment operations	2.29	1.48	(0.12)	1.42	2.15
Less distributions to shareholders:					
Net investment income	(0.31)	(0.25)	(0.30)	(0.29)	(0.40)
Total distributions to shareholders	(0.31)	(0.25)	(0.30)	(0.29)	(0.40)
Net asset value, end of period	$14.94	$12.96	$11.73	$12.15	$11.02
Total return	17.88%	12.76%	(1.09%)	13.26%	23.79%[a]
Ratios to average net assets[b]					
Total gross expenses	0.44%	0.49%	0.68%	1.22%	1.25%
Total net expenses[c]	0.40%	0.41%	0.38%	0.85%[d]	0.95%[d]
Net investment income	1.42%	1.72%	1.66%	2.10%	2.34%
Supplemental data					
Net assets, end of period (in thousands)	$17,832	$17,976	$20,036	$25,624	$27,677
Portfolio turnover	15%	51%	89%	234%[e]	103%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

(e) 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

December 31, 2013

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.

The Fund may invest significantly in Class I shares of mutual funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), or its affiliates (affiliated underlying funds). The Fund may also invest in 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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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.

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.

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 Translations

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

Notes to Financial Statements *(continued)*

December 31, 2013

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 (making it difficult for the Fund to sell, including at favorable prices) 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 notional amounts of derivative instruments, if applicable, are not recorded in the financial statements.

A derivative instrument may suffer a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract. A Fund's risk of loss from counterparty credit risk on over-the-counter derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund and the amount of any initial margin held by the counterparty. With exchange traded or centrally cleared derivatives, there is minimal counterparty credit risk to the Fund since the exchange's clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the counterparty credit risk is limited to failure of the clearinghouse. However, credit risk still exists in exchange traded or centrally cleared derivatives with respect to initial and variation margin that is held in a broker's customer accounts. While brokers are required to segregate customer margin from their own assets, in the event that a broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the broker for all its clients, U.S. bankruptcy laws will typically allocate that shortfall on a pro-rata basis across all the broker's customers, potentially resulting in losses to the Fund.

In order to better define its contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is an agreement between a Fund and a counterparty that governs over-the-counter derivatives and forward foreign currency exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative instrument's payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default (close-out netting) including the bankruptcy or insolvency of the counterparty. Note, however, that bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral (margin) requirements differ by type of derivative. Margin requirements are established by the exchange or clearinghouse for exchange traded and centrally cleared derivatives. Brokers can ask for margin in excess of the minimum in certain circumstances. Collateral terms are contract specific for over-the-counter derivatives. For over-the-counter derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any variation margin currently pledged by the Fund and/or the counterparty. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold (e.g. $500,000) before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance. The Fund attempts to mitigate counterparty risk by only entering into agreements with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Certain ISDA Master Agreements allow counterparties to over-the-counter derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage over a specified time period or the Fund fails to meet the terms of the ISDA Master Agreement, which would cause the Fund to accelerate payment of any net liability owed to the counterparty. The Fund also has termination rights if the counterparty fails to meet the terms of

Notes to Financial Statements *(continued)*

December 31, 2013

the ISDA Master Agreement. In addition to considering counterparty credit risk, the Fund would consider terminating the derivative contracts based on whether termination would result in a net liability owed from the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities.

Futures Contracts

Futures contracts are exchange traded and 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 exposure to movements in interest rates. These instruments may be used for other purposes in future periods. Upon entering into futures contracts, the Fund bears risks that it 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. The initial margin deposit must be maintained at an established level over the life of the contract. Cash deposited as initial margin is recorded in the Statement of Assets and Liabilities as margin deposits. Securities deposited as initial margin are designated in the Portfolio of Investments. 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.

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 over the period in the Statement of Operations 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 December 31, 2013:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Equity risk	Net assets — unrealized appreciation on futures contracts	39,958*

*Includes cumulative appreciation (depreciation) as reported in the tables 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 following table indicates the effect of derivative instruments in the Statement of Operations for the year ended December 31, 2013:

Amount of Realized Gain (Loss) on Derivatives	
Risk Exposure Category	**Futures Contracts ($)**
Equity risk	61,547

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Equity risk	39,958

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2013:

Derivative Instrument	Contracts Opened
Futures contracts	33

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.

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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 to the subaccounts of Contracts, Qualified Plans and Qualified Investors are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared and distributed annually. Capital gains distributions, when available will be made annually. However, an additional capital gain distribution may be made during the fiscal year in order to comply with the Internal Revenue Code, as applicable to registered investment companies. 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 the next calculated net asset value after the distribution is paid.

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 and Underlying Fund Fees

Under an Investment Management Services Agreement, the Investment Manager determines which securities will be purchased, held or sold. The investment management fee is an annual fee that is a blend of (i) 0.55% on all assets invested in securities (other than third-party advised mutual funds and Columbia Funds that pay an investment management fee), including other Columbia Funds that do not pay an investment management fee, ETFs, derivatives and individual securities and (ii) 0.10% on assets invested in non-exchange traded, third party advised mutual funds. The effective investment management fee rate for the year ended December 31, 2013 was 0.016% of the Fund's average daily net assets.

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 Underlying Funds (also referred to as "acquired funds") in which the Fund invests. Because the Underlying Funds have varied expense and fee levels and the Fund may own different proportions of Underlying Funds at different times, the amount of fees and expenses incurred indirectly by the Fund will vary.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 attributable to each share class. 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. 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), for the period disclosed below, 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:

	Fee Rates Contractual through April 30, 2014
Class 1	0.13%
Class 2	0.38

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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. The Fund's investment management fee is also excluded from the waiver/reimbursement commitment and is therefore paid by the Fund. 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 December 31, 2013, these differences are primarily due to differing treatment for deferral/reversal of wash sales losses, Trustees' deferred compensation, re-characterization of distributions for investments and derivative investments. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$711,499
Accumulated net realized gain	(711,499)
Paid-in capital	0

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

Year Ended December 31,	2013	2012
Ordinary income	$2,250,528	$2,171,357

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

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

Undistributed ordinary income	$2,256,206
Undistributed accumulated long-term gain	2,038,821
Unrealized appreciation	11,521,583

At December 31, 2013, the cost of investments for federal income tax purposes was $84,719,497 and the aggregate gross

Notes to Financial Statements *(continued)*

December 31, 2013

unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$12,076,092
Unrealized depreciation	(554,509)
Net unrealized appreciation	11,521,583

For the year ended December 31, 2013, $4,314,039 of capital loss carryforward was utilized.

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 $14,208,024 and $25,647,619, respectively, for the year ended December 31, 2013, of which $55,446 and $2,453,867, respectively, were U.S. government securities.

Note 6. Shareholder Concentration

At December 31, 2013, two unaffiliated shareholder accounts owned an aggregate of 82.3% 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.

Note 7. 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. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. For the period July 1, 2013 through December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. Prior to July 1, 2013, the Fund was not charged a commitment fee. The commitment fee is included in other expenses in the Statements of Operations.

No Fund had borrowings during the year ended December 31, 2013.

Note 8. 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 9. 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

Notes to Financial Statements *(continued)*

December 31, 2013

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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and the Shareholders of Columbia Variable Portfolio — Asset Allocation Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Asset Allocation Fund (the "Fund", a series of Columbia Funds Variable Insurance Trust) at December 31, 2013, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, brokers and transfer agent, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2013.

Tax Designations

Dividends Received Deduction	31.98%
Capital Gain Dividend	$2,140,762

Dividends Received Deduction. The percentage of ordinary income dividends paid during the fiscal year that qualifies for the corporate dividends received deduction.

Capital Gain Dividend. The Fund designates as a capital gain dividend the amount reflected above, or if subsequently determined to be different, the net capital gain of such fiscal period. The Fund also designates as capital gain dividends, to the extent necessary to fully distribute such capital gains, earnings and profits distributed to shareholders on the redemption of shares.

Trustees and Officers

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Independent Trustees

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; Chairman (from 2003 to 2010) and CEO (from 2008 to 2010) of Crystal River Capital, Inc. (real estate investment trust); Oversees 52; Jackson Hewitt Tax Service Inc. (tax preparation services) from 2004 to 2011; Student Loan Corporation (student loan provider) from 2005 to 2010; Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Chimerix, Inc. (biopharmaceutical company) since August 1, 2013; Crystal River Capital, Inc. from 2005 to 2010; Parsons Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President — Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 52; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd. (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel — Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director of Marketing, Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 52; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (financial service provider); E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services); Genworth Financial, Inc. (financial and insurance products and services); and University of Oklahoma Foundation
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired. Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington from 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington from 1993 to 2011; Adjunct Professor of Statistics, University of Washington from 1980 to 2011; Associate Editor, Journal of Money, Credit and Banking from September 1993 to 2008; consultant on econometric and statistical matters. Oversees 52; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. General Manager — Global Education Industry from 1994 to 1997, President — Application Systems Division from 1991 to 1994, Chief Financial Officer — US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology). Oversees 52; Enesco Group, Inc. (producer of giftware and home and garden décor products) from 2001 to 2006

Interested Trustee

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012 (previously President and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously, Chief Executive Officer, U.S. Asset Management & President, Annuities, from May 2010 to September 2012 and President — U.S. Asset Management and Chief Investment Officer from 2005 to April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer from 2006 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006 to August 2012; Oversees 183; Director, Ameriprise Certificate Company, 2006-January 2013

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 800.345.6611.

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel — Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006.
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President — Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010.
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010.
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President — Asset Management and Trust Company Services, from 2006 to 2009.
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President — Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President — Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010.
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007.
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010.

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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 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 Management®

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. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product 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.

C-1471 D (2/14)

Annual Report
December 31, 2013

ColumbiaManagement®

Columbia Variable Portfolio – Cash Management Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. 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 — Cash Management Fund (the Fund) Class 3 shares returned 0.01% for the 12-month period that ended December 31, 2013.

> The Fund's annualized simple yield and annualized compound yield were both 0.01% for the seven-day period ended December 31, 2013. Generally, seven-day current yields more closely reflect the current earnings of the Fund than the total return. However, in this extremely low rate environment, that has not been the case. Current short-term yields may be higher or lower than the figures shown.

> The Fund is intended to serve as a conservative, shorter-term investment choice for individuals seeking current income.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	0.01	0.02	1.48
Class 2*	05/03/10	0.01	0.02	1.49
Class 3	10/13/81	0.01	0.02	1.49

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 financial advisor or insurance representative.

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 for the Life of the Fund, 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.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to maintain the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.

Manager Discussion of Fund Performance

At December 31, 2013, approximately 36% of the Fund's shares were owned in the aggregate by affiliated funds-of-funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager). As a result of asset allocation decisions by the Investment Manager, it is possible that the Fund may experience relatively large purchases or redemptions from affiliated funds-of-funds. The Investment Manager seeks to minimize the impact of these transactions by structuring them over a reasonable period of time. The Fund may experience increased expenses as it buys and sells securities as a result of purchases or redemptions by affiliated funds-of-funds.

For the 12-month period that ended December 31, 2013, the Fund's Class 3 shares returned 0.01%. The Fund's annualized simple yield and annualized compound yield were both 0.01% for the seven-day period ended December 31, 2013. Generally, seven-day current yields more closely reflect the current earnings of the Fund than the total return. However, in this extremely low rate environment, that has not been the case. Current short-term yields may be higher or lower than the figures shown. The Fund is intended to serve as a conservative, shorter-term investment choice for individuals seeking current income.

Government Gridlock and Pending Reform Kept Investors Cautious

Several factors impacted the money markets during the annual period. First, while yields at the very short-term end of the U.S. Treasury yield curve were stable at extremely low levels, lack of leadership in Washington D.C. over the federal budget and debt limit kept investors cautious. Second, the Federal Reserve (the Fed) continued to apply unprecedented amounts of unconventional monetary policy in an effort to prime economic activity. However, just as the U.S. economy began to perform better, the discord in Congress over the budget became so great that the U.S. government had to partially shut down for several weeks, and fear the U.S. government might default on debt payments caused dislocations in the yield and credit curves. A last minute temporary bargain assured that debt payments would be made by the U.S. for the near future, but a lasting agreement would have to wait. Third, the Securities & Exchange Commission (SEC) made overtures toward a second round of money market reform. Several measures were proposed to increase transparency, including a proposal for money market fund net asset values to float. Most expect a final rule to be adopted some time in 2014.

As regulators honed in on final rules to increase liquidity and reduce risk in money markets, money market yields moved marginally lower. As a result, most banks, long reliant on wholesale funding in the commercial paper markets, and active players in collateral repurchase agreements began to reduce activity in these areas, causing a reduction in issuance of high quality paper to the money markets. Indeed, according to the Fed, issuance of high quality commercial paper saw a reduction of $55 billion in 2013. Meanwhile, money market fund demand for short-term high quality paper remained high during the annual period as concerns over solvency in Cypriot bank deposits sent shockwaves through Europe, and concerns domestically over the U.S. government shutdown and talk of a U.S. default kept investors' risk tolerance low.

Overall, the money market yield curve was unchanged, remaining relatively flat on a historic basis, meaning the differential between longer-term and shorter-term money market securities was quite narrow. The money market yield curve did invert for a brief period, meaning longer-term money market security yields

Portfolio Management

Leonard Aplet, CFA

John McColley

Portfolio Breakdown (%) (at December 31, 2013)	
Asset-Backed Commercial Paper	18.6
Asset-Backed Securities — Non Agency	3.9
Certificates of Deposit	16.0
Commercial Paper	35.3
Repurchase Agreements	6.0
Treasury Bills	8.8
U.S. Government & Agency Obligations	11.4
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Manager Discussion of Fund Performance *(continued)*

became lower than yields on shorter-term money market securities. This occurred during the U.S. debt ceiling crisis in late September/early October, as shorter-term maturities saw their yields rise dramatically with investor fears that those issues might suffer a technical default while politicians in Washington D.C. debated increasing the debt limit.

Fund Strategy Navigated Political Risk

Given the low yields and flatness of the money market yield curve, there was little advantage to be gained from interest rate positioning. However, the Fund was positioned well for the political risks experienced during 2013. Most significantly, perhaps, we correctly assumed inaction in Washington D.C. would lead to a brush with technical default, and we began to position the Fund accordingly in July and August for the late September/early October event. While some other money market funds in the industry made headlines for having to quickly sell U.S. Treasuries deemed at risk, we deftly avoided owning those issues altogether.

Given the conditions in the money markets, our weighted average maturity strategy for the Fund was heavily influenced by an effort to stay relatively short and to increase the Fund’s liquidity through both overnight and seven-day maturity securities. (Weighted average maturity is the average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio.) Therefore, the Fund’s weighted average maturity was usually within a range of 35 to 40 days. The Fund’s weighted average maturity did extend to near 50 days on a couple of occasions, specifically when asset-backed security issuance was heavier in February 2013 and again in late October 2013 following the Congressional agreement to extend the U.S. debt ceiling. The Fund’s weighted average maturity stood at 38 days on December 31, 2013, due primarily to year-end supply/demand factors, and to the rolling down the curve of longer maturities, such as the asset-backed securities added to the Fund in late October and early November. (Rolling down the curve means holding a security over a period of time during which its maturity naturally shortens.)

Similarly, our emphasis on increasing liquidity in the Fund, especially during the second half of the annual period, led us to focus holdings in one-month to three-month securities, including commercial paper, certificates of deposit and agency discount notes — in addition to allocations in overnight repurchase agreements, time deposits and commercial paper. Additionally, we sought to maintain exposure to money market tranches (or groups of related securities) of asset-backed securities, as these collateralized securities offered attractive yield, in our view. However, because of their longer weighted average maturity, the Fund’s exposure to asset-backed securities was limited to approximately 5% of the Fund’s net asset value. Overall, our investment strategy enabled the Fund to weather the potential technical default by the U.S. and maintain ample liquidity.

Emphasis on Liquidity Drove Portfolio Changes

As mentioned above, given the poor risk/reward balance offered in the money markets during the annual period, we tended to maintain the Fund’s weighted average maturity in the middle of the allowable money market range, making strategic adjustments as market conditions and seasonal phenomena shifted, and chose to emphasize investment in high quality shorter maturities in an effort to maintain high levels of liquidity.

Manager Discussion of Fund Performance *(continued)*

Looking Ahead

As we look toward 2014, we currently believe the same challenges that faced us during the annual period may well persist. Once again, Congress will need to raise the U.S. debt limit early in the new year to avoid another potential brush with technical default. Also, during the first half of 2014, we believe we are likely to see new SEC rules for money market funds. Although the adoption of such rules is likely to stretch out over a period of nearly two years, compliance with any new regulation is likely to increase competition for investors. Thus, we enter the new year with a cautious tone. Within the Fund, we currently intend to maintain weighted average maturity in the middle of the allowable money market range and continue to favor higher levels of liquidity until a meaningful debt extension agreement can be put in place. As for the Fed, with the beginning of the tapering of its asset purchases in January 2014, we intend to monitor the central bank's actions and statements closely for indications when other policy changes might occur. We also currently expect to look more closely at floating rate issuance in 2014 should the market begin to anticipate an increase in the targeted federal funds rate and as the U.S. Treasury introduces its new floating rate Treasury notes. Capital preservation continues to remain our number one focus.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service 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.

July 1, 2013 – December 31, 2013

	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	1,000.10	1,025.02	0.46	0.46	0.09
Class 2	1,000.00	1,000.00	1,000.10	1,025.02	0.46	0.46	0.09
Class 3	1,000.00	1,000.00	1,000.10	1,025.02	0.46	0.46	0.09

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 365.

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.

From time to time, the Investment Manager and its affiliates may limit the expenses of the Fund for the purpose of increasing the yield. This expense limitation policy may be revised or terminated at any time without notice. Had the Investment Manager and its affiliates not limited the expenses of the Fund during the six months ended December 31, 2013, the annualized expense ratios would have been 0.45% for Class 1, 0.70% for Class 2 and 0.58% for Class 3. The actual expenses paid would have been $2.29 for Class 1, $3.57 for Class 2 and $2.96 for Class 3; the hypothetical expenses paid would have been $2.32 for Class 1, $3.61 for Class 2 and $2.99 for Class 3.

Portfolio of Investments

December 31, 2013

(Percentages represent value of investments compared to net assets)

Asset-Backed Commercial Paper 18.6%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Chariot Funding LLC[(a)]			
02/27/14	0.180%	11,000,000	10,996,865
FCAR Owner Trust Series I			
02/03/14	0.190%	9,000,000	8,998,432
Fairway Finance Co. LLC[(a)]			
01/16/14	0.180%	12,000,000	11,999,050
Liberty Street Funding LLC[(a)]			
01/02/14	0.010%	21,000,000	20,999,994
MetLife Short Term Funding LLC[(a)]			
01/22/14	0.110%	20,000,000	19,998,717
Old Line Funding LLC[(a)]			
01/14/14	0.160%	6,000,000	5,999,632
01/17/14	0.130%	6,000,000	5,999,627
02/25/14	0.180%	5,000,000	4,998,625
Regency Markets No. 1 LLC[(a)]			
01/15/14	0.130%	9,000,000	8,999,510
01/17/14	0.130%	10,500,000	10,499,347
Thunder Bay Funding LLC[(a)]			
01/15/14	0.160%	6,000,000	5,999,603
03/17/14	0.170%	5,286,000	5,284,128
03/25/14	0.170%	10,000,000	9,996,080
Total Asset-Backed Commercial Paper (Cost: $130,769,610)			**130,769,610**

Commercial Paper 35.3%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Banking 10.0%			
HSBC USA, Inc.			
04/04/14	0.180%	20,000,000	19,990,700
Royal Bank of Canada			
01/13/14	0.060%	20,000,000	19,999,600
State Street Corp.			
01/08/14	0.130%	10,000,000	9,999,709
03/05/14	0.160%	10,000,000	9,997,200
Wells Fargo & Co.			
02/13/14	0.130%	10,000,000	9,998,447
Total			69,985,656
Consumer Products 3.0%			
Procter & Gamble Co. (The)[(a)]			
02/11/14	0.100%	7,000,000	6,999,203
03/03/14	0.080%	14,000,000	13,998,102
Total			20,997,305
Integrated Energy 5.4%			
Chevron Corp.[(a)]			
01/03/14	0.050%	6,000,000	5,999,977
02/20/14	0.070%	15,000,000	14,998,542
Exxon Mobil Corp.			
01/07/14	0.050%	12,000,000	11,999,880
01/31/14	0.070%	5,000,000	4,999,708
Total			37,998,107

Commercial Paper *(continued)*

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Life Insurance 3.1%			
New York Life Capital Corp.[(a)]			
02/11/14	0.100%	12,000,000	11,998,633
02/19/14	0.100%	10,000,000	9,998,639
Total			21,997,272
Non-Captive Diversified 2.9%			
General Electric Capital Corp.			
01/02/14	0.030%	20,000,000	19,999,972
Pharmaceuticals 5.4%			
Merck & Co., Inc.[(a)]			
02/24/14	0.070%	12,000,000	11,998,740
Pfizer, Inc.[(a)]			
03/06/14	0.080%	9,000,000	8,998,720
Roche Holdings, Inc.[(a)]			
01/27/14	0.040%	4,000,000	3,999,885
02/12/14	0.050%	6,000,000	5,999,650
02/21/14	0.050%	7,000,000	6,999,504
Total			37,996,499
Property & Casualty 0.8%			
Travelers Co., Inc.[(a)]			
01/08/14	0.030%	5,500,000	5,499,968
Technology 2.0%			
International Business Machines Co.[(a)]			
01/16/14	0.050%	1,000,000	999,979
01/17/14	0.050%	13,000,000	12,999,711
Total			13,999,690
Transportation Services 2.8%			
NetJets, Inc.[(a)]			
01/13/14	0.040%	20,000,000	19,999,733
Total Commercial Paper (Cost: $248,474,202)			**248,474,202**

Certificates of Deposit 16.1%

Australia & New Zealand Banking Group			
01/07/14	0.050%	21,000,000	21,000,000
Bank of Montreal			
01/06/14	0.020%	21,000,000	21,000,000
Branch Banking and Trust Co.			
01/29/14	0.100%	20,000,000	20,000,000
Canadian Imperial Bank of Commerce			
01/03/14	0.030%	21,000,000	21,000,000
Toronto Dominion Bank			
01/23/14	0.110%	20,000,000	20,000,000
Wells Fargo Bank			
02/10/14	0.140%	10,000,000	10,000,000
Total Certificates of Deposit (Cost: $113,000,000)			**113,000,000**

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

Portfolio of Investments *(continued)*

December 31, 2013

U.S. Government & Agency Obligations 11.4%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Federal Home Loan Banks Discount Notes			
01/02/14	0.010%	23,390,000	23,389,989
01/03/14	0.020%	11,000,000	10,999,979
01/10/14	0.030%	10,000,000	9,999,912
02/28/14	0.060%	4,000,000	3,999,581
03/12/14	0.090%	3,000,000	2,999,475
Federal Home Loan Banks			
01/30/14	0.090%	4,000,000	3,999,929
03/28/14	0.120%	8,000,000	7,998,920
07/29/14	0.200%	4,000,000	4,000,000
09/19/14	0.210%	4,000,000	4,000,000
10/07/14	0.235%	4,000,000	4,000,000
Federal National Mortgage Association			
01/02/14	0.010%	4,815,000	4,814,997
Total U.S. Government & Agency Obligations (Cost: $80,202,782)			**80,202,782**

Repurchase Agreements 6.0%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Barclays Bank PLC dated 12/31/13, matures 01/02/14, repurchase price $11,900,000 (collateralized by U.S. Treasury Note Total Market Value $11,900,026)	0.000%	11,900,000	11,900,000
RBC Capital Markets LLC dated 12/31/13, matures 01/02/14, repurchase price $15,000,000 (collateralized by U.S. Treasury Bond Total Market Value $15,300,023)	0.000%	15,000,000	15,000,000
TD Securities dated 12/31/13, matures 01/02/14, repurchase price $15,000,000 (collateralized by U.S. Treasury Bond Total Market Value $15,300,046)	0.000%	15,000,000	15,000,000
Total Repurchase Agreements (Cost: $41,900,000)			**41,900,000**

Treasury Bills 8.8%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
U.S. Treasury Bills			
01/02/14	0.010%	29,600,000	29,599,988
01/09/14	0.020%	25,000,000	24,999,903
01/16/14	0.010%	7,300,000	7,299,970
Total Treasury Bills (Cost: $61,899,861)			**61,899,861**

Asset-Backed Securities – Non-Agency 3.9%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
ABS Other 1.3%			
CIT Equipment Collateral Series 2013-VT1 Class A1(b) 11/20/14	0.300%	880,554	880,554
CNH Equipment Trust Series 2013-C Class A1 09/15/14	0.250%	2,836,654	2,836,654
GE Equipment Small Ticket LLC Series 2013-1A Class A1(b) 08/25/14	0.230%	2,257,633	2,257,633
GE Equipment Transportation LLC Series 2013-2 Class A1 10/24/14	0.260%	2,029,697	2,029,697
MMAF Equipment Finance LLC Series 2013-AA Class A1(b) 09/05/14	0.280%	1,540,934	1,540,934
Total			9,545,472
Car Loan 2.6%			
ARI Fleet Lease Trust Series 2013-A Class A1(b) 04/15/14	0.260%	472,373	472,373
AmeriCredit Automobile Receivables Trust Series 2013-5 Class A1 12/05/14	0.250%	880,884	880,884
CarMax Auto Owner Trust Series 2013-4 Class A1 11/17/14	0.240%	2,876,984	2,876,984
Enterprise Fleet Financing LLC(b) Series 2013-1 Class A1 03/20/14	0.260%	200,011	200,011
Series 2013-2 Class A1 08/20/14	0.290%	2,147,147	2,147,147
Honda Auto Receivables Owner Trust Series 2013-4 Class A1 11/18/14	0.240%	3,239,518	3,239,518
Hyundai Auto Lease Securitization Trust Series 2013-B Class A1(b) 08/15/14	0.250%	901,821	901,821
M&T Bank Auto Receivables Trust Series 2013-1A Class A1(b) 09/15/14	0.250%	3,312,043	3,312,043
Mercedes-Benz Auto Lease Trust Series 2013-A Class A1 05/15/14	0.270%	650,426	650,426
Nissan Auto Lease Trust Series 2013-B Class A1 11/17/14	0.240%	1,881,564	1,881,564
SMART Trust Series 2013-2US Class A1 05/14/14	0.260%	528,767	528,767

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

Portfolio of Investments *(continued)*

December 31, 2013

Asset-Backed Securities – Non-Agency *(continued)*

Issuer	Effective Yield	Principal Amount ($)	Value ($)
World Omni Automobile Lease Securitization Trust Series 2013-A Class A1 10/10/14	0.250%	1,120,574	1,120,574
Total			18,212,112
Total Asset-Backed Securities – Non-Agency (Cost: $27,757,584)			**27,757,584**
Total Investments (Cost: $704,004,039)			**704,004,039**
Other Assets & Liabilities, Net			**(999,552)**
Net Assets			**703,004,487**

Notes to Portfolio of Investments

(a) Represents a security sold within terms of a private placement memorandum, exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, and may be sold only to dealers in that program or other "accredited investors." This security may be determined to be liquid under guidelines established by the Fund's Board of Trustees. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2013, the value of these securities amounted to $263,260,164 or 37.45% of net assets.

(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 December 31, 2013, the value of these securities amounted to $11,712,516 or 1.67% of net assets.

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.

Short-term securities are valued using amortized cost, as permitted under Rule 2a-7 of the Investment Company Act of 1940, as amended. Generally, amortized cost approximates the current fair value of these securities, but because the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

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 may 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.

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

Portfolio of Investments *(continued)*

December 31, 2013

Fair Value Measurements *(continued)*

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for overseeing 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 or are not readily available, including recommendations 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 following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Short-Term Securities				
Asset-Backed Commercial Paper	—	130,769,610	—	130,769,610
Commercial Paper	—	248,474,202	—	248,474,202
Certificates of Deposit	—	113,000,000	—	113,000,000
U.S. Government & Agency Obligations	—	80,202,782	—	80,202,782
Repurchase Agreements	—	41,900,000	—	41,900,000
Treasury Bills	—	61,899,861	—	61,899,861
Total Short-Term Securities	—	676,246,455	—	676,246,455
Bonds				
Asset-Backed Securities — Non-Agency	—	27,757,584	—	27,757,584
Total Bonds	—	27,757,584	—	27,757,584
Total	—	704,004,039	—	704,004,039

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

December 31, 2013

Assets	
Investments, at value	
(identified cost $662,104,039)	$662,104,039
Repurchase agreements (identified cost $41,900,000)	41,900,000
Total investments (identified cost $704,004,039)	704,004,039
Cash	542,636
Receivable for:	
Investments sold	24,999,319
Capital shares sold	153,441
Interest	21,108
Expense reimbursement due from Investment Manager	297,244
Prepaid expenses	3,593
Trustees' deferred compensation plan	41,661
Total assets	730,063,041
Liabilities	
Payable for:	
Investments purchased	24,999,903
Capital shares purchased	1,561,755
Dividend distributions to shareholders	193
Investment management fees	207,058
Distribution and/or service fees	46,400
Transfer agent fees	37,646
Administration fees	36,701
Compensation of board members	49,100
Other expenses	78,137
Trustees' deferred compensation plan	41,661
Total liabilities	27,058,554
Net assets applicable to outstanding capital stock	**$703,004,487**
Represented by	
Paid-in capital	$705,617,192
Excess of distributions over net investment income	(78,491)
Accumulated net realized loss	(2,534,214)
Total — representing net assets applicable to outstanding capital stock	**$703,004,487**
Class 1	
Net assets	$303,071,407
Shares outstanding	303,047,048
Net asset value per share	$1.00
Class 2	
Net assets	$20,956,839
Shares outstanding	20,957,482
Net asset value per share	$1.00
Class 3	
Net assets	$378,976,241
Shares outstanding	378,944,859
Net asset value per share	$1.00

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

Statement of Operations

Year Ended December 31, 2013

Net investment income	
Income:	
Interest	$849,922
Total income	849,922
Expenses:	
Investment management fees	2,456,629
Distribution and/or service fees	
Class 2	39,236
Class 3	514,174
Transfer agent fees	
Class 1	190,438
Class 2	9,417
Class 3	246,795
Administration fees	434,427
Compensation of board members	31,402
Custodian fees	22,941
Printing and postage fees	156,129
Professional fees	37,185
Other	14,995
Total expenses	4,153,768
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(3,365,897)
Total net expenses	787,871
Net investment income	62,051
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	373
Net realized gain	373
Net realized and unrealized gain	373
Net increase in net assets resulting from operations	**$62,424**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$62,051	$78,825
Net realized gain	373	73,251
Net increase in net assets resulting from operations	62,424	152,076
Distributions to shareholders		
Net investment income		
Class 1	(31,631)	(30,465)
Class 2	(1,569)	(820)
Class 3	(41,000)	(49,767)
Total distributions to shareholders	(74,200)	(81,052)
Increase (decrease) in net assets from capital stock activity	(79,282,779)	(90,627,209)
Total decrease in net assets	(79,294,555)	(90,556,185)
Net assets at beginning of year	782,299,042	872,855,227
Net assets at end of year	**$703,004,487**	**$782,299,042**
Excess of distributions over net investment income	$(78,491)	$(29,068)

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	6,624,850	6,624,850	50,905,616	50,905,616
Fund merger	62,585,727	62,585,732	—	—
Distributions reinvested	31,814	31,814	30,355	30,355
Redemptions	(90,364,516)	(90,364,517)	(9,943,526)	(9,943,526)
Net increase (decrease)	(21,122,125)	(21,122,121)	40,992,445	40,992,445
Class 2 shares				
Subscriptions	36,797,961	36,797,960	9,407,991	9,407,991
Distributions reinvested	1,570	1,570	819	819
Redemptions	(24,066,343)	(24,066,343)	(10,959,055)	(10,959,055)
Net increase (decrease)	12,733,188	12,733,187	(1,550,245)	(1,550,245)
Class 3 shares				
Subscriptions	51,969,701	51,969,701	34,068,883	34,068,883
Distributions reinvested	41,264	41,264	49,717	49,717
Redemptions	(122,904,810)	(122,904,810)	(164,188,009)	(164,188,009)
Net decrease	(70,893,845)	(70,893,845)	(130,069,409)	(130,069,409)
Total net decrease	**(79,282,782)**	**(79,282,779)**	**(90,627,209)**	**(90,627,209)**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year ended December 31,			
Class 1	**2013**	**2012**	**2011**	**2010[(a)]**
Per share data				
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00
Income from investment operations:				
Net investment income	0.00[(b)]	0.00[(b)]	0.00[(b)]	0.00[(b)]
Net realized and unrealized gain	0.00[(b)]	0.00[(b)]	0.00[(b)]	0.00[(b)]
Increase from payments by affiliate	—	—	—	0.00[(b)]
Total from investment operations	0.00[(b)]	0.00[(b)]	0.00[(b)]	0.00[(b)]
Less distributions to shareholders:				
Net investment income	(0.00)[(b)]	(0.00)[(b)]	(0.00)[(b)]	(0.00)[(b)]
Total distributions to shareholders	(0.00)[(b)]	(0.00)[(b)]	(0.00)[(b)]	(0.00)[(b)]
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00
Total return	0.01%	0.01%	0.01%	0.01%[(c)]
Ratios to average net assets				
Total gross expenses	0.48%	0.47%	0.47%	0.51%[(d)]
Total net expenses[(e)]	0.10%	0.14%	0.15%	0.23%[(d)]
Net investment income	0.01%	0.01%	0.01%	0.01%[(d)]
Supplemental data				
Net assets, end of period (in thousands)	$303,071	$324,195	$283,185	$212,830

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(b) Rounds to zero.

(c) The Fund received a payment by an affiliate. Had the Fund not received this payment, the total return would have been lower by 0.04%.

(d) Annualized.

(e) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 2	Year ended December 31, 2013	2012	2011	2010[a]
Per share data				
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00
Income from investment operations:				
Net investment income	0.00[b]	0.00[b]	0.00[b]	0.00[b]
Net realized and unrealized gain	0.00[b]	0.00[b]	0.00[b]	0.00[b]
Increase from payments by affiliate	—	—	—	0.00[b]
Total from investment operations	0.00[b]	0.00[b]	0.00[b]	0.00[b]
Less distributions to shareholders:				
Net investment income	(0.00)[b]	(0.00)[b]	(0.00)[b]	(0.00)[b]
Total distributions to shareholders	(0.00)[b]	(0.00)[b]	(0.00)[b]	(0.00)[b]
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00
Total return	0.01%	0.01%	0.01%	0.02%
Ratios to average net assets				
Total gross expenses	0.73%	0.72%	0.71%	0.76%[c]
Total net expenses[d]	0.10%	0.14%	0.15%	0.23%[c]
Net investment income	0.01%	0.01%	0.01%	0.00%[b][c]
Supplemental data				
Net assets, end of period (in thousands)	$20,957	$8,224	$9,774	$3,829

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(b) Rounds to zero.

(c) Annualized.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 3	Year ended December 31, 2013	2012	2011	2010	2009
Per share data					
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:					
Net investment income	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]
Net realized and unrealized gain	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]
Increase from payments by affiliate	—	—	—	0.00[(a)]	0.00[(a)]
Total from investment operations	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]	0.00[(a)]
Less distributions to shareholders:					
Net investment income	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]
Total distributions to shareholders	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]	(0.00)[(a)]
Proceeds from regulatory settlements	—	—	—	—	(0.00)[(a)]
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00
Total return	0.01%	0.01%	0.01%	0.01%[(b)]	0.16%[(c)]
Ratios to average net assets					
Total gross expenses	0.61%	0.60%	0.59%	0.62%	0.64%
Total net expenses[(d)]	0.11%	0.14%	0.16%	0.22%	0.47%[(e)]
Net investment income	0.01%	0.01%	0.01%	0.01%	0.07%
Supplemental data					
Net assets, end of period (in thousands)	$378,976	$449,880	$579,896	$621,642	$959,022

Notes to Financial Highlights

(a) Rounds to zero.

(b) The Fund received a payment by an affiliate. Had the Fund not received this payment, the total return would have been lower by 0.28%.

(c) The Fund received a payment by an affiliate. Had the Fund not received this payment, the total return would have been lower by 0.09%.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

(e) The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable, excluding expenses related to the Fund's participation in the U.S. Department of Treasury's Temporary Guarantee Program for Money Market Funds.

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

Notes to Financial Statements

December 31, 2013

Note 1. Organization

Columbia Variable Portfolio – Cash Management 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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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 the 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.

Notes to Financial Statements *(continued)*
December 31, 2013

Offsetting of Financial Assets

The following table presents the Fund's gross and net amount of assets available for offset under a netting arrangement for repurchase agreements as well as the related collateral received by the Fund as of December 31, 2013:

	Gross Amounts of Recognized Assets ($)	Gross Amounts Offset in the Statement of Assets and Liabilities ($)	Net Amounts of Assets Presented in the Statement of Assets and Liabilities ($)	Gross Amounts Not Offset in the Statement of Assets and Liabilities			
				Financial Instruments[a] ($)	Cash Collateral Received ($)	Securities Collateral Received ($)	Net Amount[b] ($)
Repurchase Agreements	41,900,000	—	41,900,000	—	—	41,900,000	—

(a) Represents the amount of assets that could be offset by liabilities with the same counterparty under master netting or similar agreements that management elects not to offset on the Statement of Assets and Liabilities.

(b) Represents the net amount due from counterparties in the event of default.

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 premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

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 (including net short-term capital gains), if any, for its tax year, and as such will not be subject to federal income taxes. In addition, the Fund intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Subaccounts

Distributions to the subaccounts (of Contracts, Qualified Plans and Qualified Investors) are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared daily and distributed quarterly. Capital gains distributions, when available will be made annually. However, an additional capital gain distribution may be made during the fiscal year 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. All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at the next calculated net asset value after the distribution is paid.

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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 investment management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.33% to 0.15% as the Fund's net assets increase. The effective investment management fee rate for the year ended December 31, 2013 was 0.33% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 effective administration fee rate for the year ended December 31, 2013 was 0.06% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, miscellaneous expenses of the Fund or the Board, including payments to a company providing limited administrative services to the Fund and the Board. That company's expenses include boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. For the year ended December 31, 2013, other expenses paid to this company were $3,071.

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 attributable to each share class. 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, 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.

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 as well as any reorganization costs allocated to the Fund) for the periods disclosed below, 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:

	April 27, 2013 through April 30, 2014	Prior to April 27, 2013
Class 1	0.450%	0.460%
Class 2	0.700	0.710
Class 3	0.575	0.585

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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,

Notes to Financial Statements *(continued)*

December 31, 2013

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. Reorganization (see Note 7) costs were allocated to the Fund only to the extent they are expected to be offset by the anticipated reduction in expenses borne by the Fund's shareholders during the first year following the reorganization.

In addition, from time to time, the Investment Manager and its affiliates may waive or absorb expenses of the Fund for the purposes of allowing the Fund to avoid a negative net yield or to increase the Fund's positive net yield. The Fund's yield would be negative if Fund expenses exceed Fund income. Any such expense limitation is voluntary and may be revised or terminated at any time without notice.

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 December 31, 2013, these differences are primarily due to differing treatment for capital loss carryforwards and Trustees' deferred compensation. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Excess of distributions over net investment income	$(37,274)
Accumulated net realized loss	(2,777)
Paid-in capital	40,051

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

	Year Ended December 31, 2013 ($)	Year Ended December 31, 2012 ($)
Ordinary income	74,200	81,052

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

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

Undistributed ordinary income	$8,922

At December 31, 2013, the cost of investments for federal income tax purposes was $704,004,039.

The following capital loss carryforward, determined at December 31, 2013, 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	2,520
2016	210,492
2017	2,314,650
2018	6,554
Total	2,534,216

For the year ended December 31, 2013, $371 of capital loss carryforward was utilized and $1,459 expired unused.

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 December 31, 2013, affiliated shareholder accounts owned 92.8% 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 6. 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

Notes to Financial Statements *(continued)*

December 31, 2013

matures no later than 60 days after the date of borrowing. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. Prior to December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the year ended December 31, 2013.

Note 7. Fund Merger

At the close of business on April 26, 2013, the Fund acquired the assets and assumed the identified liabilities of Columbia Variable Portfolio—Money Market Fund, a series of Columbia Funds Variable Insurance Trust (the acquired fund). The reorganization was completed after shareholders of the acquired fund approved the plan on February 27, 2013. 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 $703,069,052 and the combined net assets immediately after the acquisition were $765,654,784.

The merger was accomplished by a tax-free exchange of 62,585,727 shares of the acquired fund valued at $62,585,732.

In exchange for the acquired fund's shares, the Fund issued the following number of shares:

	Shares
Class 1	62,585,727

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, 2013, the Fund's pro-forma net investment loss and net decrease in net assets from operations for the year ended December 31, 2013 would have been approximately $0.0.

Note 8. 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 9. 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

Notes to Financial Statements *(continued)*

December 31, 2013

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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Series Trust II and the Shareholders of Columbia Variable Portfolio — Cash Management Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Cash Management Fund (the “Fund”, a series of Columbia Funds Variable Series Trust II) at December 31, 2013, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, brokers and transfer agent, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for the opinion expressed above. The financial highlights for the Fund for the periods ended on or prior to December 31, 2011 were audited by another independent registered public accounting firm whose report dated February 22, 2012 expressed an unqualified opinion on those financial highlights.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Trustees and Officers

Shareholders elect the Board that oversees the Funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the Funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve through the end of the calendar year in which he or she reaches either the mandatory retirement age established by the Board or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

Independent Trustees

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	131	Director, BlueCross BlueShield of Minnesota since 2009
Edward J. Boudreau, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	129	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard- Partners in Cross Cultural Leadership (consulting company) since 2003	131	None
William P. Carmichael 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Chair of the Board since 1/14, Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	Retired	131	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; Director, International Textile Corp. since 2012; former Director, McMoRan Exploration Company (oil and gas exploration and development) 2010-2013; former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 1950	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University since 1976	131	None
William A. Hawkins 901 S. Marquette Ave. Minneapolis, MN 55402 1942	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	129	Trustee, BofA Funds Series Trust (11 funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
R. Glenn Hilliard 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (insurance), September 2003- May 2011	129	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1939	Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds, Board Chair 1/07-12/13	President Emeritus and Professor of Economics Emeritus, Carleton College since 2002	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Legacy Seligman Funds, since 11/08 for RiverSource Funds and since J for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	131	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Director, Infinity, Inc. (oil and gas exploration and production) since 1994; Director, OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 901 S. Marquette Ave. Minneapolis, MN 55402 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments) since 2011; President, Micco Corp. since 1998	129	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003- 2010	131	Director, Healthways, Inc. (health and wellbeing improvement) since 2005; Director, ICI Mutual Insurance Company, RRG since 2011; Director, Abt Associates (government contractor) since 2001; Director, Boston Children's Hospital since 2002

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
Anthony M. Santomero 901 S. Marquette Ave. Minneapolis, MN 55402 1946	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008	129	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company since March 2008; Director, Citigroup Inc. since 2009; Director, Citibank, N.A. since 2009; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the Investment Manager or Ameriprise Financial. However, he is currently deemed by the Funds to be an “interested person” (as defined in the 1940 Act) of the Funds because he serves as a Director of Citigroup Inc. and Citibank, N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the Funds or accounts advised/managed by the Investment Manager.

Interested Trustee Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002 for RiverSource Funds and since 5/10 for Nations Funds	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012, respectively (previously President and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010- September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012.	183	Former Director, Ameriprise Certificate Company, 2006-January 2013

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the Investment Manager or Ameriprise Financial.

The SAI has additional information about the Fund’s Board members and is available, without charge, upon request by calling 800.345.6611 or contacting your financial intermediary.

Trustees and Officers *(continued)*

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel — Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President — Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President — Asset Management and Trust Company Services, from 2006 to 2009
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President — Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President — Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010

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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 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 – Cash Management Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the Investment objectives, risks, charges and expenses of the Fund and the Investment product through which the Fund is made available. For fund and other investment product 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.

S-6637 D (2/14)

Annual Report
December 31, 2013

ColumbiaManagement®

Columbia Variable Portfolio – Dividend Opportunity Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. Please contact your financial advisor or insurance representative for more information.

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

Performance Summary

> Columbia Variable Portfolio — Dividend Opportunity Fund (the Fund) Class 3 shares returned 26.72% for the 12-month period that ended December 31, 2013.

> The Fund underperformed its benchmark, the Russell 1000 Value Index, which returned 32.53% for the same 12-month period.

> The Fund's results were impacted primarily by shifting investor preferences in anticipation of tighter monetary policy conditions following Federal Reserve comments about tapering its quantitative easing program.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	26.81	15.49	7.81
Class 2*	05/03/10	26.53	15.22	7.62
Class 3	09/15/99	26.72	15.37	7.76
Russell 1000 Value Index		32.53	16.67	7.58

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 financial advisor or insurance representative.

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.

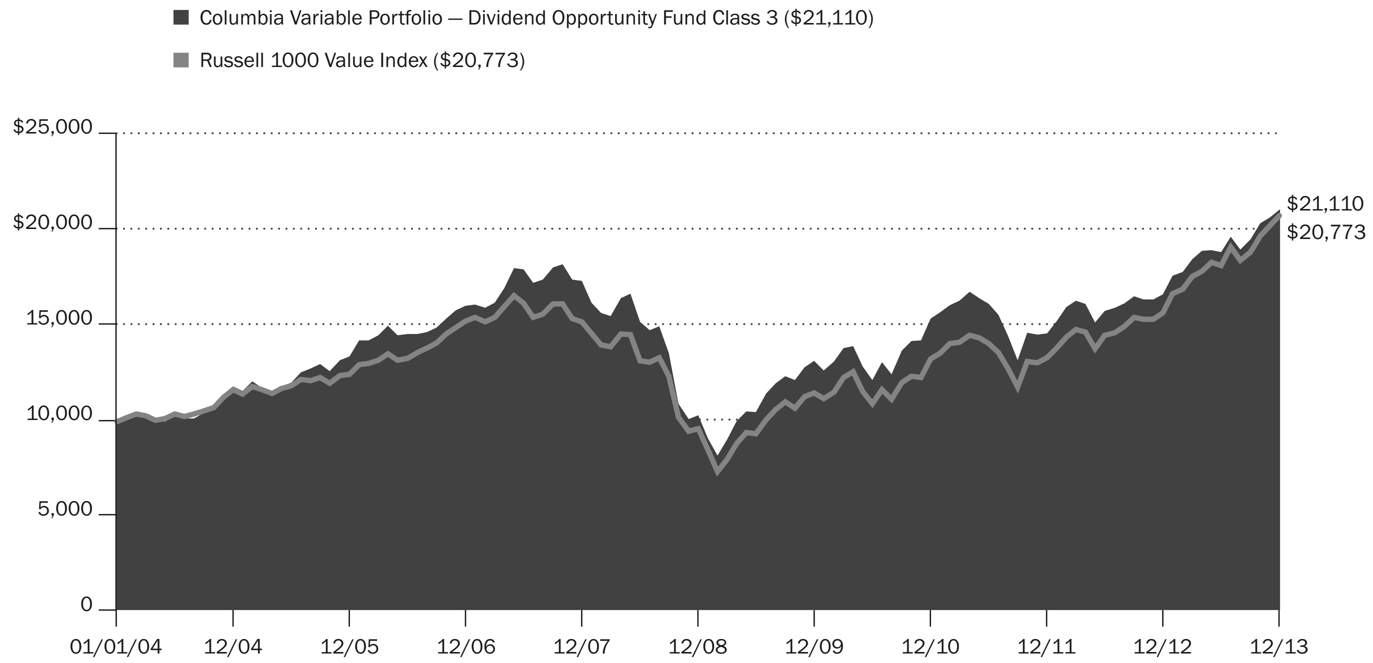
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the 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.

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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2004 — December 31, 2013)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 3 shares of Columbia Variable Portfolio — Dividend Opportunity Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

Portfolio Management
Steve Schroll
Paul Stocking
Dean Ramos, CFA

Top Ten Holdings (%) (at December 31, 2013)	
General Electric Co.	4.2
Johnson & Johnson	4.0
Chevron Corp.	3.7
JPMorgan Chase & Co.	3.3
Pfizer, Inc.	2.8
Merck & Co., Inc.	2.6
Cisco Systems, Inc.	2.2
AT&T, Inc.	2.1
Lorillard, Inc.	2.0
Procter & Gamble Co. (The)	2.0

Percentages indicated are based upon total investments (excluding Money Market Funds).

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 December 31, 2013)	
Common Stocks	**94.5**
Consumer Discretionary	6.1
Consumer Staples	9.5
Energy	9.5
Financials	12.5
Health Care	15.7
Industrials	10.4
Information Technology	10.2
Materials	5.1
Telecommunication Services	9.2
Utilities	6.3
Convertible Bonds	**0.2**
Convertible Preferred Stocks	**0.2**
Materials	0.2
Equity-Linked Notes	**2.8**
Money Market Funds	**2.3**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

At December 31, 2013, approximately 61% of the Fund's shares were owned in the aggregate by affiliated funds-of-funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager). As a result of asset allocation decisions by the Investment Manager, it is possible that the Fund may experience relatively large purchases or redemptions from affiliated funds-of-funds. The Investment Manager seeks to minimize the impact of these transactions by structuring them over a reasonable period of time. The Fund may experience increased expenses as it buys and sells securities as a result of purchases or redemptions by affiliated funds-of-funds.

For the 12-month period that ended December 31, 2013, the Fund's Class 3 shares returned 26.72%. The Fund underperformed its benchmark, the Russell 1000 Value Index, which increased 32.53% for the same 12-month period. The Fund's results were impacted primarily by the fact that dividend-paying companies, which had led the market over the prior year or so when there was a premium for safety over growth, proved to be vulnerable to shifting preferences given anticipation of tighter policy conditions following Federal Reserve (Fed) comments about tapering its quantitative easing program.

U.S. Equity Market Soared Despite Volatility

The U.S. equity market set new highs as 2013 began and the 2013 gain for the S&P 500 Index broke records. Pronounced volatility, however, persisted during the year. Although U.S. economic growth remained sluggish, most expectations were for improved conditions, as data pointed to a resilient consumer, positive manufacturing activity, continued recovery in the housing sector and solid employment gains. While consumers weathered the domestic drag well, businesses remained cautious, keeping inventories, capital expenditures and staffs lean. Still, robust economic growth continued to elude the U.S. economy, which merely plodded along. The Fed unsettled investors with a hint that it was ready to taper its purchase of U.S. Treasury and mortgage securities. However, the Fed's decision to not take any action at its September meeting rallied stocks to new highs. In the final months of 2013, the U.S. economy embraced a robust recovery. After five years of only modest progress, the pace of economic growth picked up, job gains continued, manufacturing activity accelerated and a rebound in housing showed staying power. Also, holiday spending was solid, especially online sales, which rose 10% year over year, despite a shorter shopping season.

Against this backdrop, the Fed's announcement in mid-December that it would slowly retreat from its monthly bond purchases and a bipartisan budget deal in Washington D.C. were welcome news for investors, and U.S. equities climbed to new highs. Interestingly, the S&P 500 Index posted 45 new all-time closing highs in 2013, including a new closing high on the final day of trading. The last time the S&P 500 Index closed the year with a new high was in 1999.

All ten sectors of the Fund's benchmark posted positive double-digit returns for the year. For the annual period overall, the information technology, consumer discretionary and industrials sectors performed best on a relative basis. The telecommunication services, utilities and materials sectors were the weakest performers in the Russell Index during the annual period, though still produced positive returns.

Selection and Allocation Hampered Fund Performance

The Fund underperformed its benchmark due both to individual stock selection and overall sector allocation. Stock selection in the energy and information technology

Manager Discussion of Fund Performance *(continued)*

sectors impacted the Fund's annual results most. Having an approximately 2.0% average position in cash also detracted during an annual period when the U.S. equity market rallied so strongly.

Within energy, stock selection was challenging, more than offsetting the Fund's prudent underweighting to the weakly performing sector, as higher dividend yield stocks overall lagged the benchmark. In particular, having sizable positions in pipeline and energy transportation company Enbridge and integrated oil company Royal Dutch Shell hampered results. Enbridge struggled amidst lower than anticipated pipeline volumes and as capital expenditures to build North American capacity put pressure on its earnings. Shares of Royal Dutch Shell declined as spending on a number of its projects proved higher than guided and as its production profile was delayed. We sold the Fund's positions in each of these stocks by the end of the annual period.

Our emphasis on higher yielding stocks impacted results in information technology, too. For example, positions in Cisco Systems, Apple, Maxim Integrated Products and Taiwan Semiconductor, each higher yielding stocks, detracted.

Industrials and Materials Selection Aided Results

On the positive side, stock selection in the industrials and materials sectors proved effective. In industrials, positions in commercial printer R.R. Donnelley & Sons and aerospace and defense company Lockheed Martin benefited the Fund during the annual period. R.R. Donnelley & Sons performed well on signs of an effective transition from traditional to digital printing processes, better profit margins and dissipation of low expectations. Lockheed Martin benefited from resolution to concerns regarding the potential impact of sequestration on its business and regarding design flaws and cost overruns with its F35 jet fighter. The company also benefited from growing exports of its products and services, improved margins and better top-line growth than anticipated.

In materials, a position in Packaging Corp. of America, a containerboard and packaging products manufacturer, performed well. Its shares rose on its acquisition of Boise Cascade toward the end of the annual period, a deal widely anticipated to improve utilization rates, better market share and enable cost-cutting synergies.

Both stock selection and having an underweighted allocation to the weaker performing utilities sector also buoyed the Fund's results during the annual period.

Bottom-up Stock Selection Drove Portfolio Changes

During the annual period, we increased the Fund's allocations to the health care, information technology and telecommunication services sectors based on bottom-up stock selection. We decreased the Fund's positions in the consumer discretionary, energy and financials sectors.

Derivative Positions

During the annual period, we used equity-linked notes to provide individual stock exposures as we sought to increase the income generated by specific holdings. For example, the Fund owned an equity-linked note on Bank of America, whose stock has a small dividend yield. In the equity-linked note, we achieved a 5% annualized yield on our Bank of America position — well above the stock's sub-1% dividend yield — while benefitting from strong stock appreciation that we would not have been exposed to if we could only rely on the low dividend yield of its stock. During 2013, we held 10 notes in the Fund, eight of which generated positive relative returns.

Manager Discussion of Fund Performance *(continued)*

Looking Ahead

From a broad perspective, we presently believe the U.S. economy may remain on a sustainable path of growth going forward, supporting momentum in the equity market. While equity valuations have gotten more expensive with the robust rally of the last year or so and while we believe we may see short-lived corrections and periods of heightened volatility in the months ahead, we maintain a favorable view around the fundamental drivers of equity performance — namely, the economy and corporate earnings. Further, we think the politically partisan gridlock that so significantly impacted the financial markets in recent months will likely fade. In short, we do not expect a 2014 rally in the U.S. equity market to be as robust as in 2013, but we believe the backdrop for gains remains positive.

We believe that a focus on higher dividend paying stocks is still an attractive investment strategy. First, we would note that the underperformance of dividend paying stocks in 2013 was driven in part by the volatility around interest rates and concerns about Fed policy. While interest rates may well continue to rise going forward, we do not currently believe they will do so at the pace that we saw in the middle of 2013, nor with the same volatility. Second, we believe it will be ever more key in a rising rate environment to maintain our emphasis on the ability of companies to both sustain and grow their dividends. Importantly, from a historical perspective, we do not believe it is valid that high yielding dividend paying equities necessarily underperform in a rising interest rate environment. Indeed, rising interest rates and advancing equity markets are not always mutually exclusive, especially when there is improving economic growth and when interest rates are still historically low. While some investors make the assumption that high yielding dividend paying stocks have to underperform and thus sell them, creating an emotion-driven correction, we believe improved broad investor sentiment and increased flows into equities could be catalysts for the equity markets in the months ahead. We believe a disciplined focus on business fundamentals and company management philosophies as prudent stewards of capital may have the potential to reward investors maintaining a long-term perspective.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service 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.

July 1, 2013 – December 31, 2013

	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	1,119.60	1,021.96	3.73	3.55	0.69
Class 2	1,000.00	1,000.00	1,118.20	1,020.69	5.07	4.84	0.94
Class 3	1,000.00	1,000.00	1,119.60	1,021.30	4.43	4.22	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 365.

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).

Portfolio of Investments

December 31, 2013

(Percentages represent value of investments compared to net assets)

Common Stocks 94.4%

Issuer	Shares	Value ($)
Consumer Discretionary 6.1%		
Automobiles 0.9%		
Daimler AG, Registered Shares	342,796	29,749,370
Hotels, Restaurants & Leisure 1.4%		
McDonald's Corp.	508,686	49,357,803
Household Durables 0.8%		
Leggett & Platt, Inc.	900,438	27,859,552
Media 3.0%		
Gannett Co., Inc.	1,068,365	31,602,237
National CineMedia, Inc.	898,259	17,929,249
Reed Elsevier NV	828,437	17,607,402
Regal Entertainment Group, Class A	1,072,298	20,856,196
Time Warner, Inc.	264,851	18,465,412
Total		106,460,496
Total Consumer Discretionary		**213,427,221**
Consumer Staples 9.6%		
Beverages 1.0%		
Coca-Cola Co. (The)	850,102	35,117,714
Food & Staples Retailing 0.4%		
SYSCO Corp.	398,889	14,399,893
Food Products 2.0%		
ConAgra Foods, Inc.	657,951	22,172,948
Kraft Foods Group, Inc.	607,414	32,751,763
Mondelez International, Inc., Class A	427,426	15,088,138
Total		70,012,849
Household Products 2.5%		
Procter & Gamble Co. (The)	839,831	68,370,642
Reckitt Benckiser Group PLC	227,145	18,043,463
Total		86,414,105
Tobacco 3.7%		
Altria Group, Inc.	741,467	28,464,918
Lorillard, Inc.	1,351,024	68,469,896
Philip Morris International, Inc.	358,326	31,220,945
Total		128,155,759
Total Consumer Staples		**334,100,320**
Energy 9.5%		
Oil, Gas & Consumable Fuels 9.5%		
Chevron Corp.	998,514	124,724,384
ConocoPhillips	758,792	53,608,655
Exxon Mobil Corp.	478,236	48,397,483
Occidental Petroleum Corp.	589,218	56,034,632
Phillips 66	305,897	23,593,835

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Spectra Energy Corp.	700,324	24,945,541
Total		331,304,530
Total Energy		**331,304,530**
Financials 12.6%		
Capital Markets 1.7%		
BlackRock, Inc.	143,817	45,513,766
New Mountain Finance Corp.	911,886	13,714,766
Total		59,228,532
Commercial Banks 7.0%		
Bank of Montreal	535,960	35,727,094
Fifth Third Bancorp	903,590	19,002,498
M&T Bank Corp.	366,217	42,634,983
National Australia Bank Ltd.	301,711	9,417,018
Toronto-Dominion Bank (The)	204,168	19,240,792
U.S. Bancorp	1,316,028	53,167,531
Wells Fargo & Co.	1,425,641	64,724,101
Total		243,914,017
Diversified Financial Services 3.3%		
JPMorgan Chase & Co.	1,952,917	114,206,586
Insurance 0.3%		
PartnerRe Ltd.	121,275	12,786,023
Real Estate Investment Trusts (REITs) 0.3%		
Omega Healthcare Investors, Inc.	322,633	9,614,463
Total Financials		**439,749,621**
Health Care 15.6%		
Health Care Providers & Services 0.3%		
Cardinal Health, Inc.	165,076	11,028,727
Pharmaceuticals 15.3%		
AbbVie, Inc.	1,091,382	57,635,884
Bristol-Myers Squibb Co.	411,155	21,852,888
Eli Lilly & Co.	720,061	36,723,111
GlaxoSmithKline PLC, ADR	850,377	45,401,628
Johnson & Johnson	1,497,504	137,156,392
Merck & Co., Inc.	1,749,237	87,549,312
Novartis AG, ADR	246,256	19,794,057
Pfizer, Inc.	3,144,983	96,330,829
Sanofi, ADR	623,683	33,448,119
Total		535,892,220
Total Health Care		**546,920,947**
Industrials 10.3%		
Aerospace & Defense 2.3%		
Honeywell International, Inc.	392,685	35,879,628

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

Portfolio of Investments *(continued)*

December 31, 2013

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Lockheed Martin Corp.	292,118	43,426,262
Total		79,305,890
Commercial Services & Supplies 1.7%		
RR Donnelley & Sons Co.	1,382,752	28,042,210
Waste Management, Inc.	423,602	19,007,022
West Corp.	444,910	11,438,636
Total		58,487,868
Electrical Equipment 1.0%		
Eaton Corp. PLC	487,010	37,071,201
Industrial Conglomerates 4.6%		
General Electric Co.	5,169,500	144,901,085
Siemens AG, ADR	127,178	17,615,425
Total		162,516,510
Machinery 0.7%		
Illinois Tool Works, Inc.	285,743	24,025,272
Total Industrials		**361,406,741**
Information Technology 10.1%		
Communications Equipment 2.2%		
Cisco Systems, Inc.	3,356,164	75,345,882
Computers & Peripherals 1.7%		
Apple, Inc.	107,842	60,511,225
IT Services 0.4%		
Paychex, Inc.	333,505	15,184,483
Semiconductors & Semiconductor Equipment 4.0%		
Analog Devices, Inc.	469,046	23,888,513
Intel Corp.	2,553,809	66,296,882
Maxim Integrated Products, Inc.	155,464	4,339,000
Microchip Technology, Inc.	1,027,206	45,967,468
Total		140,491,863
Software 1.8%		
CA, Inc.	426,661	14,357,142
Microsoft Corp.	1,294,846	48,466,086
Total		62,823,228
Total Information Technology		**354,356,681**
Materials 5.1%		
Chemicals 1.6%		
Dow Chemical Co. (The)	677,363	30,074,917
LyondellBasell Industries NV, Class A	337,146	27,066,081
Total		57,140,998
Containers & Packaging 2.2%		
MeadWestvaco Corp.	334,766	12,362,908

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Packaging Corp. of America	984,838	62,320,549
Total		74,683,457
Paper & Forest Products 1.3%		
International Paper Co.	916,418	44,931,975
Total Materials		**176,756,430**
Telecommunication Services 9.2%		
Diversified Telecommunication Services 8.1%		
AT&T, Inc.	2,084,167	73,279,312
BCE, Inc.	627,475	27,163,393
BT Group PLC	3,950,659	24,912,619
CenturyLink, Inc.	1,324,932	42,199,084
Deutsche Telekom AG, ADR	3,302,264	56,980,565
Telstra Corp., Ltd.	4,825,290	22,648,017
Verizon Communications, Inc.	346,862	17,044,799
Vivendi SA	661,022	17,436,041
Total		281,663,830
Wireless Telecommunication Services 1.1%		
Vodafone Group PLC, ADR	970,899	38,166,040
Total Telecommunication Services		**319,829,870**
Utilities 6.3%		
Electric Utilities 2.4%		
American Electric Power Co., Inc.	304,899	$14,250,979
Duke Energy Corp.	441,027	30,435,273
PPL Corp.	682,608	20,539,675
Terna Rete Elettrica Nazionale SpA	3,746,306	18,709,353
Total		83,935,280
Multi-Utilities 3.9%		
Ameren Corp.	468,294	16,933,511
Dominion Resources, Inc.	328,898	21,276,412
National Grid PLC	1,965,133	25,702,389
PG&E Corp.	420,390	16,933,309
Public Service Enterprise Group, Inc.	348,578	11,168,439
SCANA Corp.	128,536	6,032,194
Sempra Energy	260,607	23,392,084
TECO Energy, Inc.	874,027	15,068,226
Total		136,506,564
Total Utilities		**220,441,844**
Total Common Stocks (Cost: $2,684,692,747)		**3,298,294,205**

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

Portfolio of Investments *(continued)*

December 31, 2013

Convertible Preferred Stocks 0.2%

Issuer	Shares	Value ($)
Materials 0.2%		
Metals & Mining 0.2%		
ArcelorMittal 6.00%	306,689	7,973,914
Total Materials		7,973,914
Total Convertible Preferred Stocks (Cost: $7,667,225)		**7,973,914**

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	6,969,769
Total Convertible Bonds (Cost: $5,139,000)			**6,969,769**

Equity-Linked Notes 2.8%

Issuer	Coupon Rate	Shares	Value ($)
Goldman Sachs Group, Inc. (The)[a] Mandatory Exchangeable Notes			
(linked to common stock of Bank of America Corp.) Senior Unsecured 05/20/14	5.000%	2,826,900	42,674,882
(linked to common stock of Boston Scientific Corp.) Senior Unsecured 03/11/14	6.250%	2,828,100	33,606,312
(linked to common stock of Walgreen Co.) Senior Unsecured 03/03/14	4.000%	378,050	21,636,180
Total Equity-Linked Notes (Cost: $95,615,548)			**97,917,374**

Money Market Funds 2.3%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.096%[b][c]	79,377,224	79,377,224
Total Money Market Funds (Cost: $79,377,224)		**79,377,224**
Total Investments (Cost: $2,872,491,744)		**3,490,532,486**
Other Assets & Liabilities, Net		**4,367,081**
Net Assets		**3,494,899,567**

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 December 31, 2013, the value of these securities amounted to $97,917,374 or 2.80% of net assets.

(b) The rate shown is the seven-day current annualized yield at December 31, 2013.

(c) 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 year ended December 31, 2013, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds from Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	35,930,083	1,195,076,539	(1,151,629,398)	79,377,224	74,695	79,377,224

Abbreviation Legend

ADR American Depositary Receipt

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

Portfolio of Investments *(continued)*

December 31, 2013

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 may 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 overseeing 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 or are not readily available, including recommendations 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)*

December 31, 2013

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

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	166,070,449	47,356,772	—	213,427,221
Consumer Staples	316,056,857	18,043,463	—	334,100,320
Energy	331,304,530	—	—	331,304,530
Financials	430,332,603	9,417,018	—	439,749,621
Health Care	546,920,947	—	—	546,920,947
Industrials	361,406,741	—	—	361,406,741
Information Technology	354,356,681	—	—	354,356,681
Materials	176,756,430	—	—	176,756,430
Telecommunication Services	254,833,193	64,996,677	—	319,829,870
Utilities	176,030,102	44,411,742	—	220,441,844
Convertible Preferred Stocks				
Materials	7,973,914	—	—	7,973,914
Total Equity Securities	3,122,042,447	184,225,672	—	3,306,268,119
Bonds				
Convertible Bonds	—	6,969,769	—	6,969,769
Total Bonds	—	6,969,769	—	6,969,769
Other				
Equity-Linked Notes	—	97,917,374	—	97,917,374
Total Other	—	97,917,374	—	97,917,374
Mutual Funds				
Money Market Funds	79,377,224	—	—	79,377,224
Total Mutual Funds	79,377,224	—	—	79,377,224
Investments in Securities	3,201,419,671	289,112,815	—	3,490,532,486
Total	3,201,419,671	289,112,815	—	3,490,532,486

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

December 31, 2013

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $2,793,114,520)	$3,411,155,262
Affiliated issuers (identified cost $79,377,224)	79,377,224
Total investments (identified cost $2,872,491,744)	3,490,532,486
Receivable for:	
Investments sold	61,282,631
Capital shares sold	928,350
Dividends	7,843,546
Interest	56,743
Reclaims	124,830
Prepaid expenses	9,159
Trustees' deferred compensation plan	33,074
Total assets	3,560,810,819
Liabilities	
Payable for:	
Investments purchased	59,847,968
Capital shares purchased	3,535,965
Investment management fees	1,682,290
Distribution and/or service fees	143,377
Transfer agent fees	180,120
Administration fees	152,961
Compensation of board members	186,997
Other expenses	148,500
Trustees' deferred compensation plan	33,074
Total liabilities	65,911,252
Net assets applicable to outstanding capital stock	**$3,494,899,567**
Represented by	
Trust capital	$3,494,899,567
Total — representing net assets applicable to outstanding capital stock	**$3,494,899,567**
Class 1	
Net assets	$2,198,786,781
Shares outstanding	121,072,155
Net asset value per share	$18.16
Class 2	
Net assets	$33,740,531
Shares outstanding	1,876,467
Net asset value per share	$17.98
Class 3	
Net assets	$1,262,372,255
Shares outstanding	69,869,612
Net asset value per share	$18.07

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

Statement of Operations

Year Ended December 31, 2013

Net investment income	
Income:	
Dividends — unaffiliated issuers	$113,407,628
Dividends — affiliated issuers	74,695
Interest	192,940
Foreign taxes withheld	(3,032,622)
Total income	110,642,641
Expenses:	
Investment management fees	18,303,119
Distribution and/or service fees	
Class 2	66,885
Class 3	1,522,471
Transfer agent fees	
Class 1	1,203,514
Class 2	16,052
Class 3	730,761
Administration fees	1,675,236
Compensation of board members	98,603
Custodian fees	37,713
Printing and postage fees	360,152
Professional fees	56,170
Other	207,930
Total expenses	24,278,606
Net investment income	86,364,035
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	338,376,882
Foreign currency translations	(154,696)
Net realized gain	338,222,186
Net change in unrealized appreciation (depreciation) on:	
Investments	340,378,259
Foreign currency translations	6,078
Net change in unrealized appreciation (depreciation)	340,384,337
Net realized and unrealized gain	678,606,523
Net increase in net assets resulting from operations	**$764,970,558**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$86,364,035	$85,946,670
Net realized gain	338,222,186	378,410,241
Net change in unrealized appreciation (depreciation)	340,384,337	(66,683,834)
Net increase in net assets resulting from operations	764,970,558	397,673,077
Increase (decrease) in net assets from capital stock activity	(227,186,026)	(415,817,977)
Total increase (decrease) in net assets	537,784,532	(18,144,900)
Net assets at beginning of year	2,957,115,035	2,975,259,935
Net assets at end of year	**$3,494,899,567**	**$2,957,115,035**

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	12,347,641	205,828,073	3,786,956	52,203,219
Redemptions	(17,272,816)	(283,943,884)	(16,273,548)	(221,363,348)
Net decrease	(4,925,175)	(78,115,811)	(12,486,592)	(169,160,129)
Class 2 shares				
Subscriptions	747,495	12,101,791	291,652	4,009,538
Redemptions	(199,168)	(3,245,751)	(217,297)	(2,958,122)
Net increase	548,327	8,856,040	74,355	1,051,416
Class 3 shares				
Subscriptions	80,740	1,354,141	18,303	254,141
Redemptions	(9,759,144)	(159,280,396)	(18,134,719)	(247,963,405)
Net decrease	(9,678,404)	(157,926,255)	(18,116,416)	(247,709,264)
Total net decrease	**(14,055,252)**	**(227,186,026)**	**(30,528,653)**	**(415,817,977)**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year Ended December 31,			
Class 1	**2013**	**2012**	**2011**	**2010**[(a)]
Per share data				
Net asset value, beginning of period	$14.32	$12.55	$13.19	$12.05
Income from investment operations:				
Net investment income	0.45	0.40	0.23	0.13
Net realized and unrealized gain (loss)	3.39	1.37	(0.87)	1.01
Total from investment operations	3.84	1.77	(0.64)	1.14
Net asset value, end of period	$18.16	$14.32	$12.55	$13.19
Total return	26.81%	14.10%	(4.85%)	9.46%
Ratios to average net assets[(b)]				
Total gross expenses	0.70%	0.69%	0.74%	0.78%[(c)]
Total net expenses[(d)]	0.70%	0.69%	0.74%	0.78%[(c)]
Net investment income	2.71%	2.89%	1.74%	1.68%[(c)]
Supplemental data				
Net assets, end of period (in thousands)	$2,198,787	$1,803,841	$1,737,503	$1,554,975
Portfolio turnover	71%	64%	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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 2	Year Ended December 31, 2013	2012	2011	2010[a]
Per share data				
Net asset value, beginning of period	$14.21	$12.48	$13.15	$12.05
Income from investment operations:				
Net investment income	0.40	0.37	0.22	0.11
Net realized and unrealized gain (loss)	3.37	1.36	(0.89)	0.99
Total from investment operations	3.77	1.73	(0.67)	1.10
Net asset value, end of period	$17.98	$14.21	$12.48	$13.15
Total return	26.53%	13.86%	(5.09%)	9.13%
Ratios to average net assets[b]				
Total gross expenses	0.95%	0.94%	0.97%	1.03%[c]
Total net expenses[d]	0.95%	0.94%	0.97%	1.03%[c]
Net investment income	2.46%	2.69%	1.71%	1.37%[c]
Supplemental data				
Net assets, end of period (in thousands)	$33,741	$18,873	$15,653	$1,191
Portfolio turnover	71%	64%	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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 3	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$14.26	$12.51	$13.17	$11.27	$8.84
Income from investment operations:					
Net investment income	0.42	0.38	0.20	0.17	0.20
Net realized and unrealized gain (loss)	3.39	1.37	(0.86)	1.73	2.23
Total from investment operations	3.81	1.75	(0.66)	1.90	2.43
Net asset value, end of period	$18.07	$14.26	$12.51	$13.17	$11.27
Total return	26.72%	13.99%	(5.01%)	16.83%	27.46%
Ratios to average net assets[(a)]					
Total gross expenses	0.82%	0.82%	0.86%	0.90%	0.76%
Total net expenses[(b)]	0.82%	0.82%	0.86%	0.90%	0.76%
Net investment income	2.58%	2.74%	1.57%	1.42%	2.14%
Supplemental data					
Net assets, end of period (in thousands)	$1,262,372	$1,134,402	$1,222,104	$1,572,800	$3,857,317
Portfolio turnover	71%	64%	41%	26%	49%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Notes to Financial Statements

December 31, 2013

Note 1. Organization

Columbia Variable Portfolio – Dividend Opportunity 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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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 equity 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 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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 Translations

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.

Equity-Linked Notes

The Fund may invest in equity-linked notes (ELNs). An ELN is a debt instrument whose value is based on the value of a single equity security, basket of equity securities or an index of equity securities (each, an Underlying Equity). An ELN typically provides interest income, thereby offering a yield advantage over investing directly in an Underlying Equity. However, the holder of an ELN may have limited or no benefit from any appreciation in the Underlying Equity, but is exposed to various risks, including, without limitation, volatility, issuer and market risk. The Fund may purchase ELNs that trade on a securities exchange or those that trade on the over-the-counter markets, including securities offered and sold under Rule 144A of the Securities Act of 1933, as amended. The Fund may also purchase an ELN in a privately negotiated transaction with the issuer of the ELN (or its broker-dealer affiliate).

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 generally 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. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

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. If the Fund no longer owns the applicable securities, return of capital is recorded as a realized gain. 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.

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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

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 investment 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 effective investment management fee rate for the year ended December 31, 2013 was 0.56% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 effective administration fee rate for the year ended December 31, 2013 was 0.05% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, miscellaneous expenses of the Fund or the Board, including payments to a company providing limited administrative services to the Fund and the Board. That company's expenses include boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. For the year ended December 31, 2013, other expenses paid to this company were $8,765.

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 attributable to each share class. 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, 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

Notes to Financial Statements *(continued)*

December 31, 2013

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.

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) for the periods disclosed below, 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:

	May 1, 2013 through April 30, 2014	Prior to May 1, 2013
Class 1	0.77%	0.76%
Class 2	1.02	1.01
Class 3	0.895	0.885

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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 \$2,241,744,962 and \$2,426,339,180, respectively, for the year ended December 31, 2013.

Note 5. Affiliated Money Market Fund

The Fund invests 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 — affiliated issuers" 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 6. Shareholder Concentration

At December 31, 2013, affiliated shareholder accounts owned 97.8% 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 7. 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. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. Prior to December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the year ended December 31, 2013.

Note 8. 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 9. 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

Notes to Financial Statements *(continued)*
December 31, 2013

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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Series Trust II and the Shareholders of Columbia Variable Portfolio — Dividend Opportunity Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Dividend Opportunity Fund (the "Fund", a series of Columbia Funds Variable Series Trust II) at December 31, 2013, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, brokers and transfer agent, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for the opinion expressed above. The financial highlights for the Fund for the periods ended on or prior to December 31, 2011 were audited by another independent registered public accounting firm whose report dated February 17, 2012 expressed an unqualified opinion on those financial highlights.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Trustees and Officers

Shareholders elect the Board that oversees the Funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the Funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve through the end of the calendar year in which he or she reaches either the mandatory retirement age established by the Board or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

Independent Trustees

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	131	Director, BlueCross BlueShield of Minnesota since 2009
Edward J. Boudreau, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	129	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard — Partners in Cross Cultural Leadership (consulting company) since 2003	131	None
William P. Carmichael 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Chair of the Board since 1/14, Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	Retired	131	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; Director, International Textile Corp. since 2012; former Director, McMoRan Exploration Company (oil and gas exploration and development) 2010-2013; former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 1950	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University since 1976	131	None
William A. Hawkins 901 S. Marquette Ave. Minneapolis, MN 55402 1942	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	129	Trustee, BofA Funds Series Trust (11 funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
R. Glenn Hilliard 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (insurance), September 2003- May 2011	129	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1939	Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds, Board Chair 1/07-12/13	President Emeritus and Professor of Economics Emeritus, Carleton College since 2002	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Legacy Seligman Funds, since 11/08 for RiverSource Funds and since J for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	131	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Director, Infinity, Inc. (oil and gas exploration and production) since 1994; Director, OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 901 S. Marquette Ave. Minneapolis, MN 55402 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments) since 2011; President, Micco Corp. since 1998	129	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010	131	Director, Healthways, Inc. (health and wellbeing improvement) since 2005; Director, ICI Mutual Insurance Company, RRG since 2011; Director, Abt Associates (government contractor) since 2001; Director, Boston Children’s Hospital since 2002

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
Anthony M. Santomero 901 S. Marquette Ave. Minneapolis, MN 55402 1946	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008	129	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company since March 2008; Director, Citigroup Inc. since 2009; Director, Citibank, N.A. since 2009; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the Investment Manager or Ameriprise Financial. However, he is currently deemed by the Funds to be an “interested person” (as defined in the 1940 Act) of the Funds because he serves as a Director of Citigroup Inc. and Citibank, N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the Funds or accounts advised/managed by the Investment Manager.

Interested Trustee Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (Within Past 5 Years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002 for RiverSource Funds and since 5/10 for Nations Funds	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012, respectively (previously President and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010- September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012.	183	Former Director, Ameriprise Certificate Company, 2006-January 2013

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the Investment Manager or Ameriprise Financial.

The SAI has additional information about the Fund’s Board members and is available, without charge, upon request by calling 800.345.6611 or contacting your financial intermediary.

Trustees and Officers *(continued)*

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel — Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President — Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President — Asset Management and Trust Company Services, from 2006 to 2009
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President — Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President — Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010

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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 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 – Dividend Opportunity Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product 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.

S-6468 D (2/14)

Annual Report

December 31, 2013

ColumbiaManagement®

Columbia Variable Portfolio – Income Opportunities Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. Please contact your financial advisor or insurance representative for more information.

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

Performance Summary

> Columbia Variable Portfolio — Income Opportunities Fund (the Fund) Class 3 shares returned 5.02% for the twelve-month period that ended December 31, 2013.

> The Fund underperformed its benchmark, the Bank of America Merrill Lynch (BofAML) U.S. High Yield Cash Pay BB-B Rated Constrained Index, which returned 6.29% over the same period.

> The Fund's yield curve positioning hurt its performance relative to the benchmark.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	Life
Class 1*	05/03/10	5.09	15.66	8.17
Class 2*	05/03/10	5.01	15.44	7.98
Class 3	06/01/04	5.02	15.57	8.12
BofAML U.S. High Yield Cash Pay BB-B Rated Constrained Index		6.29	16.45	8.11

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 financial advisor or insurance representative.

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.

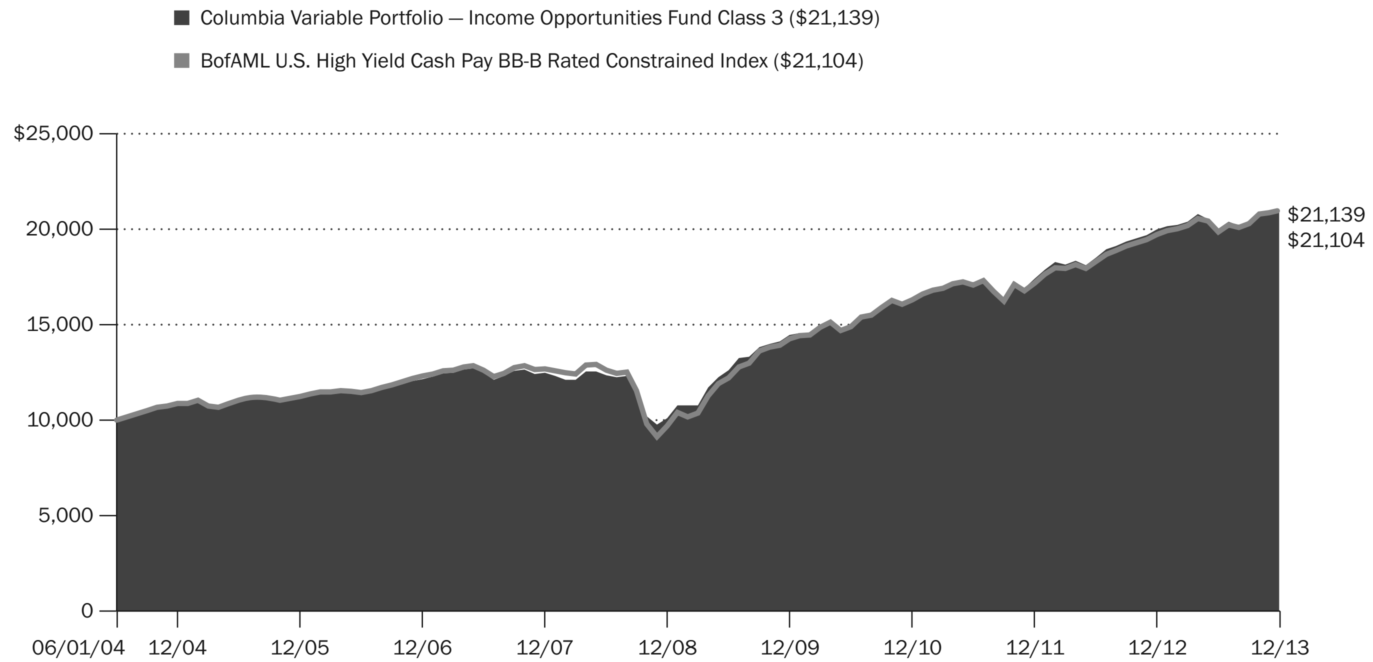
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

The BofAML U.S. High Yield Cash Pay BB-B Rated Constrained Index is an unmanaged index of high yield bonds. The index is subject to a 2% cap on allocation to any one issuer. The 2% cap is intended to provide broad diversification and better reflect the overall character of the high yield market.

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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (June 1, 2004 — December 31, 2013)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 3 shares of Columbia Variable Portfolio — Income Opportunities Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

Portfolio Management

Brian Lavin, CFA

Portfolio Breakdown (%) (at December 31, 2013)	
Common Stocks	**0.0**(a)
Convertible Bonds	**0.0**(a)
Corporate Bonds & Notes	**93.3**
Money Market Funds	**1.8**
Preferred Stocks	**0.0**(a)
Senior Loans	**4.9**
Warrants	**0.0**(a)
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

(a) Rounds to zero.

Quality Breakdown (%) (at December 31, 2013)	
BBB rating	3.4
BB rating	45.7
B rating	45.3
CCC rating	5.2
Not rated	0.4
Total	**100.0**

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.

At December 31, 2013, approximately 66% of the Fund's shares were owned in the aggregate by affiliated funds-of-funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager). As a result of asset allocation decisions by the Investment Manager, it is possible that the Fund may experience relatively large purchases or redemptions from affiliated funds-of-funds. The Investment Manager seeks to minimize the impact of these transactions by structuring them over a reasonable period of time. The Fund may experience increased expenses as it buys and sells securities as a result of purchases or redemptions by affiliated funds-of-funds.

For the 12-month period that ended December 31, 2013, the Fund's Class 3 shares returned 5.02%. The Fund's benchmark, the BofAML U.S. High Yield Cash Pay BB-B Rated Constrained Index, returned 6.29% over the same period. The Fund underperformed its benchmark primarily because it carried an overweight in intermediate maturities, which proved particularly vulnerable when interest rates rose.

A Favorable Environment for High Yield Bonds

Whereas most segments of the fixed-income markets struggled in 2013 because of the steady rise in longer-term interest rates, the dynamics of the high-yield market were far more favorable. Companies in the high-yield universe were able to improve their balance sheets, either by borrowing at attractive rates or by tapping the equity markets through secondary offerings. Default rates came in well below expectations, and with investors flocking into non-Treasury assets in search of extra yields, it was no surprise that high-yield securities prospered.

The Fund participated in the high-yield rally, but performance trailed the benchmark because of an overweight position in securities with five-to 10-year maturities. This market segment was hit especially hard by the rise in interest rates that began in the second quarter of the year, when Federal Reserve (Fed) chairman Ben Bernanke signaled that the Fed's longstanding monthly purchases of Treasury securities, known as quantitative easing, would be tapered in the foreseeable future.

In terms of specific investments, the Fund was aided by its overweight allocations to the gaming and software/services industries. Individual contributors included MCE Finance LTD, First Data and Univision Communications. On the negative side, the Fund's overweight positions in energy and telecommunication services detracted from relative performance. The Fund experienced opportunity costs in the banking and steel industries by underweighting such strong performers as HBOS Capital, RBS Capital and Luxembourg-based steel company Arcelormittal SA.

We made several adjustments to the portfolio during the period. We increased exposure to gaming and software/services and media-cable and slightly reduced exposure to media-broadcast. In terms of credit quality allocations, the portfolio remains underweight in BB rated issues and overweight in B rated issues.

Looking Ahead

At this time, we believe the environment for high-yield securities continues to appear favorable for the year ahead, especially in terms of credit fundamentals. We believe that corporate earnings prospects are currently reasonable, while default rates are expected to remain low. The likelihood that interest rates will continue to rise suggests that high yield should continue to be an attractive alternative to other fixed-income classes. Valuations, however, began 2014 at higher levels than a year ago. We do not feel that this is the time to stretch for extra yields by adding significant

Manager Discussion of Fund Performance *(continued)*

risk to the portfolio. We believe that credit selection will be a key driver of performance in the coming year, and the Fund's strategy will be to maintain its disciplined credit selection in order to take advantage of opportunities in the marketplace as they arise.

Understanding Your Fund's Expenses
(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service 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.

July 1, 2013 – December 31, 2013

	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	1,049.40	1,021.86	3.71	3.66	0.71
Class 2	1,000.00	1,000.00	1,049.50	1,021.56	4.02	3.97	0.77
Class 3	1,000.00	1,000.00	1,049.20	1,021.20	4.39	4.33	0.84

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 365.

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

December 31, 2013

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes 92.4%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 1.4%			
ADS Tactical, Inc. Senior Secured[(a)] 04/01/18	11.000%	7,476,000	6,952,680
Bombardier, Inc. Senior Notes[(a)] 01/15/23	6.125%	3,366,000	3,349,170
Oshkosh Corp. 03/01/20	8.500%	5,154,000	5,695,170
TransDigm, Inc. 10/15/20	5.500%	369,000	360,698
Total			16,357,718
Automotive 2.9%			
American Axle & Manufacturing, Inc. 02/15/19	5.125%	1,691,000	1,737,503
03/15/21	6.250%	2,000,000	2,125,000
Chrysler Group LLC/Co-Issuer, Inc. Secured 06/15/21	8.250%	3,653,000	4,155,287
Collins & Aikman Products Co.[(a)(b)(c)(d)] 08/15/12	12.875%	620,000	62
General Motors Co. Senior Unsecured[(a)] 10/02/23	4.875%	4,400,000	4,455,000
Jaguar Land Rover Automotive PLC[(a)] 12/15/18	4.125%	1,890,000	1,901,812
Lear Corp. Escrow Bond[(b)(d)(e)] 12/01/16	8.750%	595,000	—
Schaeffler Finance BV[(a)] Senior Secured 02/15/17	7.750%	2,165,000	2,468,100
02/15/19	8.500%	1,363,000	1,536,783
05/15/21	4.750%	2,032,000	2,026,920
Schaeffler Holding Finance BV Senior Secured PIK[(a)] 08/15/18	6.875%	4,147,000	4,395,820
Titan International, Inc. Senior Secured[(a)] 10/01/20	6.875%	1,643,000	1,710,774
Visteon Corp. 04/15/19	6.750%	6,793,000	7,217,562
Total			33,730,623
Banking 2.4%			
Ally Financial, Inc. 02/15/17	5.500%	344,000	372,380
03/15/20	8.000%	14,420,000	17,285,975
09/15/20	7.500%	3,588,000	4,180,020
Synovus Financial Corp. Senior Unsecured 02/15/19	7.875%	5,187,000	5,835,375
Total			27,673,750

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Brokerage 0.3%			
E*TRADE Financial Corp. Senior Unsecured 11/15/19	6.375%	3,319,000	3,563,776
Building Materials 1.3%			
Allegion US Holding Co., Inc.[(a)] 10/01/21	5.750%	2,125,000	2,210,000
American Builders & Contractors Supply Co., Inc. Senior Unsecured[(a)] 04/15/21	5.625%	4,022,000	4,032,055
Building Materials Corp. of America[(a)] Senior Notes 05/01/21	6.750%	3,568,000	3,862,360
Senior Secured 02/15/20	7.000%	440,000	473,000
Gibraltar Industries, Inc. 02/01/21	6.250%	892,000	916,530
Interface, Inc. 12/01/18	7.625%	2,006,000	2,156,450
Nortek, Inc. 04/15/21	8.500%	877,000	971,277
USG Corp.[(a)] 11/01/21	5.875%	863,000	899,678
Total			15,521,350
Chemicals 3.0%			
Ashland, Inc. 08/15/22	4.750%	852,000	809,400
Celanese U.S. Holdings LLC 06/15/21	5.875%	1,268,000	1,350,420
Chemtura Corp. 07/15/21	5.750%	651,000	659,951
Huntsman International LLC 11/15/20	4.875%	1,318,000	1,298,230
JM Huber Corp. Senior Notes[(a)] 11/01/19	9.875%	3,775,000	4,331,812
Momentive Performance Materials, Inc. Senior Secured 10/15/20	8.875%	3,935,000	4,141,587
NOVA Chemicals Corp. Senior Unsecured[(a)] 08/01/23	5.250%	2,613,000	2,691,390
PQ Corp. Secured[(a)] 05/01/18	8.750%	10,221,000	11,051,456
Polypore International, Inc. 11/15/17	7.500%	3,545,000	3,748,838
Rockwood Specialties Group, Inc. 10/15/20	4.625%	1,535,000	1,567,619

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

Portfolio of Investments *(continued)*

December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
SPCM SA Senior Unsecured[(a)] 01/15/22	6.000%	546,000	576,030
U.S. Coatings Acquisition, Inc./Axalta Coating Systems Dutch Holding B BV[(a)] 05/01/21	7.375%	2,915,000	3,108,119
Total			35,334,852
Construction Machinery 3.4%			
Ashtead Capital, Inc. Secured[(a)] 07/15/22	6.500%	2,069,000	2,198,313
CNH Capital LLC 04/15/18	3.625%	410,000	415,638
Case New Holland, Inc. 12/01/17	7.875%	13,141,000	15,506,380
Columbus McKinnon Corp. 02/01/19	7.875%	1,288,000	1,387,820
H&E Equipment Services, Inc. 09/01/22	7.000%	1,923,000	2,096,070
Neff Rental LLC/Finance Corp. Secured[(a)] 05/15/16	9.625%	5,206,000	5,479,315
United Rentals North America, Inc. 12/15/19	9.250%	7,234,000	8,056,867
05/15/20	7.375%	223,000	247,251
04/15/22	7.625%	2,936,000	3,262,630
Secured 07/15/18	5.750%	1,148,000	1,226,925
Total			39,877,209
Consumer Cyclical Services 1.7%			
APX Group, Inc. Senior Secured 12/01/19	6.375%	12,514,000	12,701,710
Corrections Corp. of America 05/01/23	4.625%	1,783,000	1,680,477
Goodman Networks, Inc.[(a)] Senior Secured 07/01/18	12.125%	1,584,000	1,679,040
07/01/18	13.125%	3,551,000	3,764,060
Total			19,825,287
Consumer Products 1.3%			
Libbey Glass, Inc. Senior Secured 05/15/20	6.875%	1,422,000	1,535,760
Revlon Consumer Products Corp. 02/15/21	5.750%	3,712,000	3,660,960
Spectrum Brands Escrow Corp.[(a)] 11/15/20	6.375%	2,660,000	2,839,550
11/15/22	6.625%	899,000	956,311

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Spectrum Brands, Inc. 03/15/20	6.750%	1,066,000	1,147,283
Springs Window Fashions LLC Senior Secured[(a)] 06/01/21	6.250%	3,710,000	3,742,462
Tempur Sealy International, Inc. 12/15/20	6.875%	1,538,000	1,676,420
Total			15,558,746
Diversified Manufacturing 0.9%			
Actuant Corp. 06/15/22	5.625%	2,112,000	2,138,400
Amsted Industries, Inc. Senior Notes[(a)] 03/15/18	8.125%	4,569,000	4,797,450
Gardner Denver, Inc. Senior Unsecured[(a)] 08/15/21	6.875%	3,640,000	3,630,900
Total			10,566,750
Electric 1.1%			
AES Corp. (The) Senior Unsecured 07/01/21	7.375%	3,074,000	3,465,935
Calpine Corp.[(a)] Senior Secured 02/15/21	7.500%	3,021,000	3,307,995
01/15/22	6.000%	1,231,000	1,258,698
GenOn Energy, Inc. Senior Unsecured 10/15/20	9.875%	2,700,000	2,997,000
Ipalco Enterprises, Inc. Senior Secured[(a)] 04/01/16	7.250%	2,015,000	2,211,462
Total			13,241,090
Entertainment 1.2%			
AMC Entertainment, Inc. 06/01/19	8.750%	3,682,000	3,935,138
Activision Blizzard, Inc.[(a)] 09/15/21	5.625%	7,348,000	7,605,180
Speedway Motorsports, Inc. 02/01/19	6.750%	2,076,000	2,205,750
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates[(b)(d)] 07/01/15	9.300%	15,043	15,043
Total			13,761,111
Environmental 0.2%			
Clean Harbors, Inc. 08/01/20	5.250%	1,961,000	2,019,830

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

Portfolio of Investments *(continued)*
December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Food and Beverage 0.8%			
ARAMARK Corp.[a]			
03/15/20	5.750%	2,709,000	2,830,905
B&G Foods, Inc.			
06/01/21	4.625%	1,705,000	1,636,800
Constellation Brands, Inc.			
Senior Unsecured			
05/01/21	3.750%	1,526,000	1,434,440
Darling Escrow Corp.			
Senior Unsecured[a][f]			
01/15/22	5.375%	3,431,000	3,456,733
Total			9,358,878
Gaming 3.7%			
Caesars Entertainment Operating Co., Inc.			
Senior Secured			
02/15/20	8.500%	2,140,000	2,059,750
02/15/20	9.000%	4,556,000	4,430,710
MGM Resorts International			
10/01/20	6.750%	1,044,000	1,117,080
12/15/21	6.625%	5,374,000	5,683,005
PNK Finance Corp.[a]			
08/01/21	6.375%	4,476,000	4,576,710
Penn National Gaming, Inc.			
Senior Unsecured[a]			
11/01/21	5.875%	1,497,000	1,482,030
Seminole Tribe of Florida, Inc.[a]			
Senior Secured			
10/01/20	6.535%	5,645,000	6,181,275
Senior Unsecured			
10/01/20	7.804%	1,515,000	1,598,613
Seneca Gaming Corp.[a]			
12/01/18	8.250%	2,480,000	2,666,000
Studio City Finance Ltd.[a]			
12/01/20	8.500%	5,451,000	6,077,865
SugarHouse HSP Gaming LP/Finance Corp.			
Senior Secured[a]			
06/01/21	6.375%	2,942,000	2,839,030
Tunica-Biloxi Gaming Authority			
Senior Unsecured[a]			
11/15/15	9.000%	4,284,000	3,850,245
Total			42,562,313
Gas Pipelines 7.1%			
Access Midstream Partners LP/Finance Corp.			
04/15/21	5.875%	1,964,000	2,091,660
05/15/23	4.875%	4,551,000	4,391,715
Crestwood Midstream Partners LP/Corp.[a]			
03/01/22	6.125%	1,298,000	1,330,450
El Paso LLC			
Senior Secured			
09/15/20	6.500%	3,716,000	3,958,570
01/15/32	7.750%	11,568,000	11,742,145

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Hiland Partners LP/Finance Corp.[a]			
10/01/20	7.250%	10,292,000	11,038,170
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,569,000	1,670,985
02/15/23	5.500%	4,323,000	4,355,423
07/15/23	4.500%	6,141,000	5,757,188
Northwest Pipeline LLC			
Senior Unsecured			
12/01/25	7.125%	150,000	180,505
Regency Energy Partners LP/Finance Corp.			
09/01/20	5.750%	2,354,000	2,430,505
07/15/21	6.500%	6,017,000	6,378,020
11/01/23	4.500%	1,614,000	1,468,740
Sabine Pass Liquefaction LLC[a]			
Senior Secured			
02/01/21	5.625%	3,218,000	3,145,595
03/15/22	6.250%	2,960,000	2,937,800
04/15/23	5.625%	2,145,000	2,005,575
Sonat, Inc.			
Senior Secured			
02/01/18	7.000%	2,600,000	2,820,828
Southern Star Central Corp.			
Senior Unsecured			
03/01/16	6.750%	8,686,000	8,740,287
Southern Star Central Corp.[a]			
Senior Unsecured			
03/01/16	6.750%	6,490,000	6,522,450
Total			82,966,611
Health Care 5.5%			
Amsurg Corp.			
11/30/20	5.625%	1,343,000	1,396,720
Biomet, Inc.			
08/01/20	6.500%	4,766,000	5,004,300
10/01/20	6.500%	1,750,000	1,802,500
ConvaTec Finance International SA			
Senior Unsecured PIK[a]			
01/15/19	8.250%	2,838,000	2,905,403
ConvaTec Healthcare E SA			
Senior Unsecured[a]			
12/15/18	10.500%	4,611,000	5,181,611
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	5,000,000	5,062,500
Fresenius Medical Care U.S. Finance II, Inc.[a]			
07/31/19	5.625%	289,000	312,120
01/31/22	5.875%	2,530,000	2,669,150
Fresenius Medical Care U.S. Finance, Inc.[a]			
09/15/18	6.500%	73,000	82,490
HCA Holdings, Inc.			
Senior Unsecured			
02/15/21	6.250%	3,269,000	3,420,191
HCA, Inc.			
05/01/23	5.875%	1,844,000	1,820,950

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

Portfolio of Investments *(continued)*

December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Senior Secured			
02/15/20	6.500%	9,034,000	9,926,107
05/01/23	4.750%	2,346,000	2,205,240
Healthcare Technology Intermediate, Inc.			
Senior Unsecured PIK[a]			
09/01/18	7.375%	370,000	383,875
IMS Health, Inc.			
Senior Unsecured[a]			
11/01/20	6.000%	1,869,000	1,985,813
LifePoint Hospitals, Inc.[a]			
12/01/21	5.500%	2,376,000	2,399,760
Physio-Control International, Inc.			
Senior Secured[a]			
01/15/19	9.875%	3,157,000	3,535,840
STHI Holding Corp.			
Secured[a]			
03/15/18	8.000%	1,362,000	1,457,340
Tenet Healthcare Corp.			
Senior Secured			
06/01/20	4.750%	3,969,000	3,889,620
04/01/21	4.500%	844,000	799,690
Senior Unsecured			
04/01/22	8.125%	5,296,000	5,706,440
Tenet Healthcare Corp.[a]			
Senior Secured			
10/01/20	6.000%	1,604,000	1,680,190
Total			63,627,850
Home Construction 1.2%			
Brookfield Residential Properties, Inc./U.S. Corp.[a]			
07/01/22	6.125%	1,127,000	1,132,635
Meritage Homes Corp.			
03/01/18	4.500%	1,900,000	1,890,500
04/01/22	7.000%	2,046,000	2,163,645
Meritage Homes Corp.[a]			
04/15/20	7.150%	739,000	798,120
Shea Homes LP/Funding Corp.			
Senior Secured			
05/15/19	8.625%	2,403,000	2,661,322
Taylor Morrison Communities, Inc./Monarch, Inc.[a]			
04/15/20	7.750%	2,472,000	2,719,200
04/15/20	7.750%	717,000	788,700
Woodside Homes Co. LLC / Finance, Inc.			
Senior Unsecured[a]			
12/15/21	6.750%	1,285,000	1,288,213
Total			13,442,335
Independent Energy 11.8%			
Antero Resources Finance Corp.[a]			
11/01/21	5.375%	1,728,000	1,745,280
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	2,085,000	2,257,013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Chesapeake Energy Corp.			
08/15/20	6.625%	7,933,000	8,865,127
02/15/21	6.125%	5,677,000	6,088,582
03/15/23	5.750%	3,352,000	3,452,560
Comstock Resources, Inc.			
06/15/20	9.500%	4,694,000	5,257,280
Concho Resources, Inc.			
01/15/21	7.000%	1,326,000	1,458,600
01/15/22	6.500%	5,057,000	5,474,202
04/01/23	5.500%	4,140,000	4,264,200
Continental Resources, Inc.			
04/01/21	7.125%	1,532,000	1,736,905
09/15/22	5.000%	14,015,000	14,558,081
04/15/23	4.500%	2,307,000	2,338,721
EP Energy LLC/Everest Acquisition Finance, Inc.			
09/01/22	7.750%	645,000	722,400
Senior Secured			
05/01/19	6.875%	3,680,000	3,960,600
EP Energy LLC/Finance, Inc.			
Senior Unsecured			
05/01/20	9.375%	2,635,000	3,040,131
Kodiak Oil & Gas Corp.			
12/01/19	8.125%	5,895,000	6,543,450
01/15/21	5.500%	4,192,000	4,181,520
02/01/22	5.500%	7,899,000	7,859,505
Laredo Petroleum, Inc.			
02/15/19	9.500%	6,990,000	7,811,325
05/01/22	7.375%	3,401,000	3,690,085
MEG Energy Corp.[a]			
03/31/24	7.000%	2,376,000	2,405,700
Oasis Petroleum, Inc.			
02/01/19	7.250%	2,897,000	3,114,275
11/01/21	6.500%	5,906,000	6,319,420
01/15/23	6.875%	2,617,000	2,787,105
Oasis Petroleum, Inc.[a]			
03/15/22	6.875%	2,345,000	2,485,700
Plains Exploration & Production Co.			
02/15/23	6.875%	620,000	691,300
QEP Resources, Inc.			
Senior Unsecured			
03/01/21	6.875%	4,499,000	4,825,178
10/01/22	5.375%	3,539,000	3,415,135
05/01/23	5.250%	6,732,000	6,311,250
SM Energy Co.			
Senior Unsecured			
11/15/21	6.500%	2,022,000	2,143,320
01/01/23	6.500%	1,533,000	1,607,734
SM Energy Co.[a]			
Senior Unsecured			
01/15/24	5.000%	2,447,000	2,330,768
Whiting Petroleum Corp.			
10/01/18	6.500%	243,000	258,188
03/15/21	5.750%	3,248,000	3,361,680
Total			137,362,320

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

Portfolio of Investments *(continued)*
December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Lodging 1.0%			
Choice Hotels International, Inc.			
07/01/22	5.750%	1,561,000	1,629,294
Hilton Worldwide Finance/Corp.[(a)]			
10/15/21	5.625%	5,619,000	5,829,712
Playa Resorts Holding BV Senior Unsecured[(a)]			
08/15/20	8.000%	3,540,000	3,758,905
Total			11,217,911
Media Cable 2.8%			
CSC Holdings, Inc. Senior Unsecured			
11/15/21	6.750%	5,920,000	6,393,600
Cequel Communications Holdings I LLC/Capital Corp. Senior Unsecured[(a)]			
09/15/20	6.375%	2,927,000	3,000,175
DISH DBS Corp.			
06/01/21	6.750%	8,286,000	8,783,160
07/15/22	5.875%	4,040,000	4,040,000
Quebecor Media, Inc. Senior Unsecured			
01/15/23	5.750%	2,688,000	2,600,640
Quebecor Media, Inc.[(a)(b)(d)]			
01/15/49	9.750%	1,855,000	74,571
Time Warner Entertainment Co. LP			
03/15/23	8.375%	5,707,000	6,564,077
Videotron Ltd.			
07/15/22	5.000%	584,000	570,860
WaveDivision Escrow LLC/Corp. Senior Unsecured[(a)]			
09/01/20	8.125%	89,000	94,340
Total			32,121,423
Media Non-Cable 5.9%			
AMC Networks, Inc.			
07/15/21	7.750%	7,554,000	8,517,135
12/15/22	4.750%	2,280,000	2,171,700
Clear Channel Worldwide Holdings, Inc.			
11/15/22	6.500%	2,017,000	2,044,734
11/15/22	6.500%	9,624,000	9,828,510
DigitalGlobe, Inc.[(a)]			
02/01/21	5.250%	1,385,000	1,350,375
Gannett Co., Inc.[(a)]			
10/15/19	5.125%	1,950,000	2,030,437
Hughes Satellite Systems Corp. Senior Secured			
06/15/19	6.500%	3,292,000	3,563,590
Intelsat Jackson Holdings SA			
10/15/20	7.250%	561,000	613,594
Senior Unsecured			
04/01/21	7.500%	925,000	1,019,812

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Intelsat Jackson Holdings SA[(a)]			
08/01/23	5.500%	2,057,000	1,956,721
Intelsat Luxembourg SA[(a)]			
06/01/21	7.750%	659,000	706,778
Lamar Media Corp.			
05/01/23	5.000%	3,788,000	3,598,600
MDC Partners, Inc.[(a)]			
04/01/20	6.750%	4,395,000	4,598,269
Nielsen Finance Co. SARL (The)[(a)]			
10/01/21	5.500%	3,239,000	3,303,780
Nielsen Finance LLC/Co.			
10/01/20	4.500%	7,178,000	6,980,605
Starz LLC/Finance Corp.			
09/15/19	5.000%	871,000	890,598
Univision Communications, Inc.[(a)] Senior Secured			
11/01/20	7.875%	6,701,000	7,404,605
09/15/22	6.750%	3,030,000	3,317,850
05/15/23	5.125%	4,544,000	4,538,320
Ziff Davis Media, Inc.[(b)(c)(d)]			
12/15/11	13.500%	68,749	1,794
Total			68,437,807
Metals 3.2%			
Alpha Natural Resources, Inc.			
04/15/18	9.750%	2,035,000	2,157,100
06/01/19	6.000%	187,000	161,755
06/01/21	6.250%	1,283,000	1,096,965
ArcelorMittal Senior Unsecured			
03/01/21	6.000%	5,142,000	5,450,520
02/25/22	6.750%	3,509,000	3,820,715
Arch Coal, Inc. Secured[(a)]			
01/15/19	8.000%	3,785,000	3,775,537
CONSOL Energy, Inc.			
03/01/21	6.375%	172,000	177,590
Calcipar SA Senior Secured[(a)]			
05/01/18	6.875%	5,882,000	6,234,920
Compass Minerals International, Inc.			
06/01/19	8.000%	1,610,000	1,710,625
FQM Akubra, Inc.[(a)]			
06/01/20	8.750%	5,925,000	6,428,625
06/01/21	7.500%	1,861,000	1,944,745
JMC Steel Group, Inc. Senior Notes[(a)]			
03/15/18	8.250%	3,178,000	3,209,780
Peabody Energy Corp.			
11/15/18	6.000%	1,190,000	1,267,350
Total			37,436,227

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

Portfolio of Investments *(continued)*
December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Non-Captive Consumer 0.8%			
Provident Funding Associates LP/PFG Finance Corp.[a]			
06/15/21	6.750%	4,045,000	4,024,775
Springleaf Finance Corp.			
Senior Unsecured			
12/15/17	6.900%	1,084,000	1,184,270
10/01/21	7.750%	1,950,000	2,106,000
10/01/23	8.250%	1,352,000	1,466,920
Total			8,781,965
Non-Captive Diversified 3.4%			
AerCap Aviation Solutions BV			
05/30/17	6.375%	3,746,000	4,055,045
Air Lease Corp.			
03/01/20	4.750%	2,786,000	2,893,957
CIT Group, Inc.[a]			
Senior Secured			
04/01/18	6.625%	4,785,000	5,383,125
Senior Unsecured			
02/15/19	5.500%	10,280,000	11,076,700
International Lease Finance Corp.			
Senior Unsecured			
04/01/19	5.875%	509,000	542,085
12/15/20	8.250%	10,831,000	12,672,270
01/15/22	8.625%	2,381,000	2,813,752
Total			39,436,934
Oil Field Services 1.7%			
Atwood Oceanics, Inc.			
Senior Unsecured			
02/01/20	6.500%	8,699,000	9,286,182
Oil States International, Inc.			
06/01/19	6.500%	2,990,000	3,180,613
01/15/23	5.125%	2,238,000	2,523,345
Pacific Drilling SA			
Senior Secured[a]			
06/01/20	5.375%	4,301,000	4,322,505
Total			19,312,645
Other Financial Institutions 0.1%			
FTI Consulting, Inc.			
11/15/22	6.000%	1,058,000	1,071,225
Other Industry 0.6%			
Interline Brands, Inc.			
11/15/18	7.500%	5,015,000	5,315,900
Unifrax I LLC/Holding Co.[a]			
02/15/19	7.500%	1,834,000	1,898,190
Total			7,214,090

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Packaging 1.1%			
Plastipak Holdings, Inc.			
Senior Unsecured[a]			
10/01/21	6.500%	4,081,000	4,223,835
Reynolds Group Issuer, Inc. LLC			
Senior Secured			
10/15/20	5.750%	3,465,000	3,534,300
Reynolds Group Issuer, Inc./LLC			
Senior Secured			
08/15/19	7.875%	3,830,000	4,232,150
Sealed Air Corp.[a]			
09/15/21	8.375%	1,171,000	1,329,085
Total			13,319,370
Paper 0.1%			
Graphic Packaging International, Inc.			
04/15/21	4.750%	1,515,000	1,496,063
Pharmaceuticals 1.6%			
Capsugel SA			
Senior Unsecured PIK[a]			
05/15/19	7.000%	1,051,000	1,065,567
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured[a]			
12/01/19	9.500%	1,422,000	1,599,750
Valeant Pharmaceuticals International, Inc.[a]			
12/01/21	5.625%	2,075,000	2,095,750
Senior Unsecured			
07/15/21	7.500%	3,736,000	4,100,260
Valeant Pharmaceuticals International[a]			
10/15/20	6.375%	6,228,000	6,562,755
Senior Unsecured			
08/15/18	6.750%	2,614,000	2,872,133
Total			18,296,215
Property & Casualty —%			
Lumbermens Mutual Casualty Co.[a][c]			
12/01/97	8.450%	30,000	15
Subordinated Notes			
07/01/26	9.150%	645,000	323
Total			338
REITs 0.3%			
CyrusOne LP/Finance Corp.			
11/15/22	6.375%	2,876,000	2,976,660
Retailers 0.8%			
AutoNation, Inc.			
02/01/20	5.500%	292,000	313,900
Claire's Stores, Inc.			
Senior Secured[a]			
03/15/20	6.125%	2,055,000	1,983,075

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

Portfolio of Investments *(continued)*

December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
L Brands, Inc.			
02/15/22	5.625%	4,148,000	4,241,330
Rite Aid Corp.			
Senior Secured			
08/15/20	8.000%	2,706,000	3,044,250
Total			9,582,555
Technology 5.8%			
Alliance Data Systems Corp.[a]			
12/01/17	5.250%	2,604,000	2,701,650
04/01/20	6.375%	1,957,000	2,049,957
Anixter, Inc.			
05/01/19	5.625%	1,063,000	1,118,808
Audatex North America, Inc.[a]			
06/15/21	6.000%	1,256,000	1,315,660
11/01/23	6.125%	1,255,000	1,292,650
Brocade Communications Systems, Inc.			
Senior Secured			
01/15/20	6.875%	1,308,000	1,402,830
CDW LLC/Finance Corp.			
04/01/19	8.500%	438,000	485,085
Senior Secured			
12/15/18	8.000%	5,492,000	5,986,280
Cardtronics, Inc.			
09/01/18	8.250%	3,093,000	3,324,975
DuPont Fabros Technology LP			
09/15/21	5.875%	1,310,000	1,352,575
Equinix, Inc.			
Senior Unsecured			
04/01/20	4.875%	1,303,000	1,296,485
07/15/21	7.000%	1,770,000	1,933,725
04/01/23	5.375%	4,705,000	4,599,137
First Data Corp.[a]			
Secured			
01/15/21	8.250%	4,443,000	4,726,241
Senior Secured			
06/15/19	7.375%	7,632,000	8,166,240
08/15/20	8.875%	370,000	409,313
Freescale Semiconductor, Inc.			
Senior Secured[a]			
01/15/22	6.000%	4,400,000	4,455,000
Interactive Data Corp.			
08/01/18	10.250%	4,545,000	4,982,456
NCR Escrow Corp.[a]			
Senior Unsecured			
12/15/21	5.875%	897,000	912,698
12/15/23	6.375%	2,690,000	2,743,800
NXP BV/Funding LLC[a]			
06/01/18	3.750%	4,336,000	4,368,520
Nuance Communications, Inc.[a]			
08/15/20	5.375%	6,359,000	6,168,230

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
VeriSign, Inc.			
05/01/23	4.625%	2,191,000	2,092,405
Total			67,884,720
Textile —%			
Quiksilver Inc./QS Wholesale Inc.			
Senior Secured[a]			
08/01/18	7.875%	428,000	464,380
Transportation Services 0.9%			
Avis Budget Car Rental LLC/Finance, Inc.			
03/15/20	9.750%	2,405,000	2,819,862
Hertz Corp. (The)			
10/15/20	5.875%	1,980,000	2,051,775
01/15/21	7.375%	1,470,000	1,613,325
10/15/22	6.250%	1,278,000	1,319,535
LBC Tank Terminals Holding Netherlands BV[a]			
05/15/23	6.875%	3,197,000	3,304,899
Total			11,109,396
Wireless 6.1%			
Crown Castle International Corp.			
Senior Unsecured			
01/15/23	5.250%	5,744,000	5,629,120
MetroPCS Wireless, Inc.[a]			
04/01/23	6.625%	2,214,000	2,280,420
NII International Telecom SCA[a]			
08/15/19	11.375%	8,217,000	6,861,195
SBA Communications Corp.			
Senior Unsecured			
10/01/19	5.625%	458,000	471,740
SBA Telecommunications, Inc.			
07/15/20	5.750%	6,124,000	6,368,960
Sprint Communications, Inc.[a]			
11/15/18	9.000%	10,599,000	12,745,297
03/01/20	7.000%	3,217,000	3,586,955
Sprint Corp.[a]			
09/15/21	7.250%	4,800,000	5,154,000
09/15/23	7.875%	6,000,000	6,450,000
06/15/24	7.125%	1,176,000	1,193,640
T-Mobile USA, Inc.			
04/28/20	6.542%	1,034,000	1,098,625
04/28/21	6.633%	2,399,000	2,524,947
01/15/22	6.125%	2,077,000	2,113,348
04/28/22	6.731%	2,849,000	2,970,082
04/28/23	6.836%	603,000	625,613
01/15/24	6.500%	2,077,000	2,102,963
Wind Acquisition Finance SA[a]			
Senior Secured			
02/15/18	7.250%	2,268,000	2,375,730
04/30/20	6.500%	5,906,000	6,289,890
Total			70,842,525

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

Portfolio of Investments *(continued)*
December 31, 2013

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wirelines 5.0%			
CenturyLink, Inc.			
Senior Unsecured			
04/01/20	5.625%	2,305,000	2,345,337
06/15/21	6.450%	8,546,000	8,887,840
03/15/22	5.800%	3,895,000	3,846,312
12/01/23	6.750%	2,586,000	2,618,325
EarthLink Holdings Corp.			
Senior Secured			
06/01/20	7.375%	2,362,000	2,356,095
Frontier Communications Corp.			
Senior Unsecured			
10/01/18	8.125%	20,000	22,850
03/15/19	7.125%	1,100,000	1,185,250
04/15/20	8.500%	772,000	864,640
07/01/21	9.250%	6,350,000	7,318,375
04/15/22	8.750%	1,509,000	1,674,990
Level 3 Financing, Inc.			
04/01/19	9.375%	8,328,000	9,316,950
07/01/19	8.125%	1,658,000	1,815,510
06/01/20	7.000%	2,609,000	2,762,279
Level 3 Financing, Inc.[a]			
01/15/21	6.125%	1,731,000	1,748,310
Level 3 Financing, Inc.[a][g]			
01/15/18	3.846%	884,000	889,525
Telecom Italia Capital SA			
06/18/19	7.175%	2,066,000	2,319,085
Windstream Corp.			
10/15/20	7.750%	5,637,000	5,982,266
06/01/22	7.500%	1,855,000	1,896,738
Total			57,850,677
Total Corporate Bonds & Notes			
(Cost: $1,033,374,600)			**1,075,205,525**

Convertible Bonds —%

Wirelines —%			
At Home Corp.			
Subordinated Notes[b][c][d]			
06/12/15	4.750%	296,351	30
Total Convertible Bonds			
(Cost: $—)			**30**

Senior Loans 4.9%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Automotive —%			
BHM Technologies LLC			
Term Loan[b][c][d][g][h]			
11/26/13	0.000%	386,034	1,042

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Chemicals 0.3%			
Axalta Coating Systems Dutch Holding BBV/U.S. Holdings, Inc.			
Tranche B Term Loan[g][h]			
02/01/20	4.750%	1,496,690	1,506,044
PQ Corp.			
Term Loan[g][h]			
08/07/17	4.500%	2,378,216	2,392,485
Total			3,898,529
Construction Machinery 0.6%			
CPM Acquisition Corp.[g][h]			
1st Lien Term Loan			
08/29/17	6.250%	4,307,475	4,323,628
2nd Lien Term Loan			
03/01/18	10.250%	2,799,000	2,819,993
Total			7,143,621
Consumer Cyclical Services 0.4%			
New Breed, Inc.			
Term Loan[g][h]			
10/01/19	6.000%	4,054,993	4,060,062
Diversified Manufacturing 0.1%			
Gardner Denver, Inc.			
Term Loan[f][g][h]			
07/30/20	4.250%	1,671,280	1,671,080
Food and Beverage 0.2%			
New HB Acquisition LLC			
Tranche B Term Loan[g][h]			
04/09/20	6.750%	1,756,000	1,817,460
Health Care 0.5%			
U.S. Renal Care, Inc.[f][g][h]			
1st Lien Tranche B-2 Term Loan			
07/03/19	4.250%	1,065,010	1,067,672
U.S. Renal Care, Inc.[g][h]			
2nd Lien Tranche B2 Term Loan			
07/03/20	8.500%	1,002,000	1,012,020
United Surgical Partners International, Inc.			
Tranche B Term Loan[g][h]			
04/03/19	4.750%	3,870,682	3,885,197
Total			5,964,889
Lodging 0.4%			
Four Seasons Holdings, Inc.			
2nd Lien Term Loan[g][h]			
12/28/20	6.250%	809,000	827,202
Hilton Worldwide Financial LLC			
Term Loan[g][h]			
10/26/20	3.750%	2,355,000	2,372,663

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

Portfolio of Investments *(continued)*

December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Playa Resorts Holding Term Loan[g][h] 08/09/19	4.750%	1,136,153	1,146,094
Total			4,345,959
Media Cable —%			
TWCC Holding Corp. 2nd Lien Term Loan[g][h] 06/26/20	7.000%	374,000	384,053
Metals 0.4%			
Arch Coal, Inc. Tranche B Term Loan[f][g][h] 05/16/18	6.250%	4,176,424	4,114,655
Oil Field Services 0.1%			
Offshore Group Investment Ltd. 2nd Lien Term Loan[g][h] 03/28/19	5.750%	892,258	902,019
Packaging 0.2%			
Exopack Holdings S.A. Term Loan[f][g][h] 05/08/19	5.250%	2,091,000	2,122,365
Property & Casualty 0.6%			
Lonestar Intermediate Super Holdings LLC Term Loan[g][h] 09/02/19	11.000%	7,224,000	7,431,690
Retailers 0.5%			
Neiman Marcus Group, Inc. (The) Term Loan[g][h] 10/25/20	5.000%	3,385,000	3,424,029
Rite Aid Corp. Tranche 1 2nd Lien Term Loan[g][h] 08/21/20	5.750%	2,276,000	2,329,350
Total			5,753,379
Technology 0.5%			
Digital Insight Corp. 1st Lien Term Loan[g][h] 10/16/19	4.750%	1,555,000	1,555,000
Freescale Semiconductor, Inc. Tranche B4 Term Loan[g][h] 02/28/20	5.000%	2,150	2,171
Triple Point Group Holdings, Inc. 1st Lien Term Loan[g][h] 07/10/20	5.250%	5,371,538	4,780,668
Total			6,337,839

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Wirelines 0.1%			
Integra Telecom Holdings, Inc. Tranche B Term Loan[g][h] 02/22/19	5.250%	1,126,487	1,140,095
Total Senior Loans (Cost: $57,558,126)			**57,088,737**

Common Stocks —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Auto Components —%		
Lear Corp.	404	32,712
Media —%		
Haights Cross Communications, Inc.[b][d][e][i]	27,056	—
Loral Space & Communications, Inc.[i]	6	486
Ziff Davis Holdings, Inc.[b][d][i]	553	5
Total		491
Total Consumer Discretionary		**33,203**
Industrials —%		
Airlines —%		
Delta Air Lines, Inc.	399	10,961
Building Products —%		
BHM Technologies LLC[b][d]	35,922	359
Road & Rail —%		
Quality Distribution, Inc.[i]	195	2,502
Total Industrials		**13,822**
Materials —%		
Metals & Mining —%		
Neenah Enterprises, Inc.[b][d][i]	45,482	204,669
Total Materials		**204,669**
Utilities —%		
Independent Power Producers & Energy Traders —%		
Calpine Corp. Escrow[b][d][e][i]	6,049,000	—
Total Utilities		**—**
Total Common Stocks (Cost: $695,300)		**251,694**

Preferred Stocks —%

Issuer	Shares	Value ($)
Industrials —%		
Industrial Conglomerates —%		
BHM Technologies LLC[b][d][i]	430	4
Total Industrials		**4**
Total Preferred Stocks (Cost: $23)		**4**

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

Portfolio of Investments *(continued)*

December 31, 2013

Warrants —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Auto Components —%		
Lear Corp.[i]	45	7,337
Media —%		
ION Media Networks, Inc.[b][d][i]	123	1
Total Consumer Discretionary		**7,338**
Total Warrants (Cost: $316,604)		**7,338**

Money Market Funds 1.8%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.096%[j][k]	20,832,003	20,832,003
Total Money Market Funds (Cost: $20,832,003)		**20,832,003**
Total Investments (Cost: $1,112,776,656)		**1,153,385,331**
Other Assets & Liabilities, Net		**10,366,986**
Net Assets		**1,163,752,317**

Investments in Derivatives

Futures Contracts Outstanding at December 31, 2013

At December 31, 2013, cash totaling $182,900 was pledged as collateral to cover initial margin requirements on open futures contracts.

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
U.S. Treasury Note, 10-year	(124)	USD	(15,257,813)	March 2014	335,546	—

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 December 31, 2013, the value of these securities amounted to $415,081,599 or 35.67% of net assets.

(b) Identifies issues considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2013 was $297,580, representing 0.03% of net assets. Information concerning such security holdings at December 31, 2013 is as follows:

Security Description	Acquisition Dates	Cost ($)
At Home Corp. Subordinated Notes 4.750% 06/12/15	07/26/05	—
BHM Technologies LLC Common Stock	07/21/06	1,940
BHM Technologies LLC Preferred Stock	07/21/06	23
BHM Technologies LLC Term Loan 0.000% 11/26/13	06/21/07 - 03/31/10	951,580
Calpine Corp. Escrow Common Stock	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. Common Stock	01/15/04 - 02/03/06	307,972
ION Media Networks, Inc. Warrant	12/19/05 - 04/14/09	316,604
Lear Corp. Escrow Bond 8.750% 12/01/16	11/20/06 - 07/24/08	—
Neenah Enterprises, Inc. Common Stock	08/02/10	385,233
Quebecor Media, Inc. 9.750% 01/15/49	01/17/07 - 07/24/08	18,754

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

Portfolio of Investments *(continued)*

December 31, 2013

Notes to Portfolio of Investments *(continued)*

Security Description	Acquisition Dates	Cost ($)
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates 9.300% 07/01/15	01/27/03 - 04/24/13	14,617
Ziff Davis Holdings, Inc. Common Stock	07/01/08	6
Ziff Davis Media, Inc. 13.500% 12/15/11	07/01/08 - 04/15/11	53,372

(c) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2013, the value of these securities amounted to $3,266, which represents 0.00% of net assets.

(d) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2013, the value of these securities amounted to $297,580, which represents 0.03% of net assets.

(e) Negligible market value.

(f) Represents a security purchased on a when-issued or delayed delivery basis.

(g) Variable rate security.

(h) 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 December 31, 2013. 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.

(i) Non-income producing.

(j) The rate shown is the seven-day current annualized yield at December 31, 2013.

(k) 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 year ended December 31, 2013, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	26,137,674	327,129,038	(332,434,709)	20,832,003	29,959	20,832,003

Abbreviation Legend

PIK Payment-in-Kind

Currency Legend

USD US Dollar

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).

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

Portfolio of Investments *(continued)*
December 31, 2013

Fair Value Measurements *(continued)*

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 may 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 overseeing 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 or are not readily available, including recommendations 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)*

December 31, 2013

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

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				
Automotive	—	33,730,561	62	33,730,623
Entertainment	—	13,746,068	15,043	13,761,111
Media Cable	—	32,046,852	74,571	32,121,423
Media Non-Cable	—	68,436,013	1,794	68,437,807
All Other Industries	—	927,154,561	—	927,154,561
Convertible Bonds	—	—	30	30
Total Bonds	—	1,075,114,055	91,500	1,075,205,555
Equity Securities				
Common Stocks				
Consumer Discretionary	33,198	—	5	33,203
Industrials	13,463	—	359	13,822
Materials	—	—	204,669	204,669
Preferred Stocks				
Industrials	—	—	4	4
Warrants				
Consumer Discretionary	7,337	—	1	7,338
Total Equity Securities	53,998	—	205,038	259,036
Other				
Senior Loans				
Automotive	—	—	1,042	1,042
Construction Machinery	—	4,323,628	2,819,993	7,143,621
Food and Beverage	—	—	1,817,460	1,817,460
Lodging	—	3,518,757	827,202	4,345,959
All Other Industries	—	43,780,655	—	43,780,655
Total Other	—	51,623,040	5,465,697	57,088,737
Mutual Funds				
Money Market Funds	20,832,003	—	—	20,832,003
Total Mutual Funds	20,832,003	—	—	20,832,003
Investments in Securities	20,886,001	1,126,737,095	5,762,235	1,153,385,331
Derivatives				
Assets				
Futures Contracts	335,546	—	—	335,546
Total	21,221,547	1,126,737,095	5,762,235	1,153,720,877

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)*

December 31, 2013

Fair Value Measurements *(continued)*

Derivative instruments are valued at unrealized appreciation (depreciation).

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, common stocks and warrants 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 senior loans as well as common and preferred 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.

Certain senior loans classified as Level 3 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.

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

December 31, 2013

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,091,944,653)	$1,132,553,328
Affiliated issuers (identified cost $20,832,003)	20,832,003
Total investments (identified cost $1,112,776,656)	1,153,385,331
Cash	615,534
Margin deposits	182,900
Receivable for:	
Investments sold	5,440,669
Capital shares sold	1,089,480
Dividends	1,123
Interest	17,971,715
Variation margin	21,312
Expense reimbursement due from Investment Manager	186
Prepaid expenses	4,034
Trustees' deferred compensation plan	406
Total assets	1,178,712,690
Liabilities	
Payable for:	
Investments purchased on a delayed delivery basis	12,369,923
Capital shares purchased	1,626,841
Investment management fees	581,999
Distribution and/or service fees	31,144
Transfer agent fees	61,218
Administration fees	67,794
Compensation of board members	146,662
Other expenses	74,386
Trustees' deferred compensation plan	406
Total liabilities	14,960,373
Net assets applicable to outstanding capital stock	**$1,163,752,317**
Represented by	
Paid-in capital	$1,129,704,521
Excess of distributions over net investment income	(419,384)
Accumulated net realized loss	(6,477,041)
Unrealized appreciation (depreciation) on:	
Investments	40,608,675
Futures contracts	335,546
Total — representing net assets applicable to outstanding capital stock	**$1,163,752,317**
Class 1	
Net assets	$808,378,775
Shares outstanding	92,772,473
Net asset value per share	$8.71
Class 2	
Net assets	$139,972,504
Shares outstanding	16,106,746
Net asset value per share	$8.69
Class 3	
Net assets	$215,401,038
Shares outstanding	24,616,480
Net asset value per share	$8.75

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

Statement of Operations

Year Ended December 31, 2013

Net investment income	
Income:	
Dividends — unaffiliated issuers	$254
Dividends — affiliated issuers	29,959
Interest	72,340,112
Total income	72,370,325
Expenses:	
Investment management fees	6,555,407
Distribution and/or service fees	
Class 2	253,389
Class 3	302,593
Transfer agent fees	
Class 1	483,167
Class 2	60,806
Class 3	145,240
Administration fees	764,212
Compensation of board members	50,118
Custodian fees	34,561
Printing and postage fees	120,027
Professional fees	45,580
Other	27,761
Total expenses	8,842,861
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(129,846)
Fees waived by Distributor — Class 2	(185,930)
Total net expenses	8,527,085
Net investment income	63,843,240
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	24,028,983
Futures contracts	359,115
Net realized gain	24,388,098
Net change in unrealized appreciation (depreciation) on:	
Investments	(35,696,774)
Futures contracts	462,735
Net change in unrealized appreciation (depreciation)	(35,234,039)
Net realized and unrealized loss	(10,845,941)
Net increase in net assets resulting from operations	**$52,997,299**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$63,843,240	$72,084,889
Net realized gain	24,388,098	52,519,160
Net change in unrealized appreciation (depreciation)	(35,234,039)	37,300,002
Net increase in net assets resulting from operations	52,997,299	161,904,051
Distributions to shareholders		
Net investment income		
Class 1	(109,266,678)	(62,367,943)
Class 2	(10,047,443)	(396,906)
Class 3	(33,424,969)	(16,687,936)
Net realized gains		
Class 1	(43,608,294)	(19,040,291)
Class 2	(2,858,798)	(124,341)
Class 3	(14,083,365)	(5,182,451)
Tax return of capital		
Class 1	(25,431,057)	—
Class 2	(3,368,775)	—
Class 3	(7,549,328)	—
Total distributions to shareholders	(249,638,707)	(103,799,868)
Increase (decrease) in net assets from capital stock activity	332,179,020	(254,242,870)
Total increase (decrease) in net assets	135,537,612	(196,138,687)
Net assets at beginning of year	1,028,214,705	1,224,353,392
Net assets at end of year	**$1,163,752,317**	**$1,028,214,705**
Undistributed (excess of distributions over) net investment income	$(419,384)	$72,018,643

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

Statement of Changes in Net Assets *(continued)*

	Year ended December 31, 2013		Year ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	19,550,098	170,915,192	7,963,804	81,516,877
Fund merger	4,655,588	44,708,536	—	—
Distributions reinvested	20,068,316	178,306,029	8,401,262	81,408,234
Redemptions	(23,401,279)	(202,041,308)	(42,599,391)	(435,104,895)
Net increase (decrease)	20,872,723	191,888,449	(26,234,325)	(272,179,784)
Class 2 shares				
Subscriptions	786,132	7,473,359	483,229	4,941,795
Fund merger	14,369,493	137,245,648	—	—
Distributions reinvested	1,947,832	16,275,016	53,959	521,247
Redemptions	(1,919,987)	(16,746,500)	(85,147)	(879,702)
Net increase	15,183,470	144,247,523	452,041	4,583,340
Class 3 shares				
Subscriptions	275,027	2,642,975	1,445,901	14,896,990
Distributions reinvested	6,142,479	55,057,662	2,250,040	21,870,387
Redemptions	(6,762,497)	(61,657,589)	(2,275,445)	(23,413,803)
Net increase (decrease)	(344,991)	(3,956,952)	1,420,496	13,353,574
Total net increase (decrease)	**35,711,202**	**332,179,020**	**(24,361,788)**	**(254,242,870)**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year Ended December 31,			
Class 1	**2013**	**2012**	**2011**	**2010[(a)]**
Per share data				
Net asset value, beginning of period	$10.51	$10.02	$10.69	$11.25
Income from investment operations:				
Net investment income	0.52	0.64	0.70	0.51
Net realized and unrealized gain (loss)	(0.06)	0.78	(0.04)	0.23
Total from investment operations	0.46	1.42	0.66	0.74
Less distributions to shareholders:				
Net investment income	(1.38)	(0.71)	(1.03)	(1.30)
Net realized gains	(0.59)	(0.22)	(0.30)	—
Tax return of capital	(0.29)	—	—	—
Total distributions to shareholders	(2.26)	(0.93)	(1.33)	(1.30)
Net asset value, end of period	$8.71	$10.51	$10.02	$10.69
Total return	5.09%	14.97%	6.42%	7.68%
Ratios to average net assets[(b)]				
Total gross expenses	0.72%	0.71%	0.72%	0.78%[(c)]
Total net expenses[(d)]	0.71%	0.71%	0.72%	0.78%[(c)]
Net investment income	5.59%	6.16%	6.76%	7.47%[(c)]
Supplemental data				
Net assets, end of period (in thousands)	$808,379	$755,648	$983,282	$842,202
Portfolio turnover	56%	68%	66%	77%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 2	Year Ended December 31, 2013	2012	2011	2010[a]
Per share data				
Net asset value, beginning of period	$10.46	$9.98	$10.67	$11.25
Income from investment operations:				
Net investment income	0.49	0.60	0.66	0.47
Net realized and unrealized gain (loss)	(0.04)	0.79	(0.03)	0.24
Total from investment operations	0.45	1.39	0.63	0.71
Less distributions to shareholders:				
Net investment income	(1.34)	(0.69)	(1.02)	(1.29)
Net realized gains	(0.59)	(0.22)	(0.30)	—
Tax return of capital	(0.29)	—	—	—
Total distributions to shareholders	(2.22)	(0.91)	(1.32)	(1.29)
Net asset value, end of period	$8.69	$10.46	$9.98	$10.67
Total return	5.01%	14.72%	6.17%	7.44%
Ratios to average net assets[b]				
Total gross expenses	0.97%	0.96%	0.97%	1.01%[c]
Total net expenses[d]	0.78%	0.96%	0.96%	1.01%[c]
Net investment income	5.54%	5.86%	6.54%	6.87%[c]
Supplemental data				
Net assets, end of period (in thousands)	$139,973	$9,657	$4,704	$929
Portfolio turnover	56%	68%	66%	77%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 3	2013	2012	2011	2010	2009
Per share data					
Net asset value, beginning of period	$10.53	$10.04	$10.71	$10.71	$7.99
Income from investment operations:					
Net investment income	0.51	0.62	0.69	0.81	0.84
Net realized and unrealized gain (loss)	(0.06)	0.79	(0.05)	0.47	2.46
Total from investment operations	0.45	1.41	0.64	1.28	3.30
Less distributions to shareholders:					
Net investment income	(1.35)	(0.70)	(1.01)	(1.28)	(0.58)
Net realized gains	(0.59)	(0.22)	(0.30)	—	—
Tax return of capital	(0.29)	—	—	—	—
Total distributions to shareholders	(2.23)	(0.92)	(1.31)	(1.28)	(0.58)
Net asset value, end of period	$8.75	$10.53	$10.04	$10.71	$10.71
Total return	5.02%	14.80%	6.26%	13.04%	42.41%
Ratios to average net assets[(a)]					
Total gross expenses	0.85%	0.84%	0.85%	0.86%	0.88%
Total net expenses[(b)]	0.84%	0.83%	0.85%	0.86%	0.88%
Net investment income	5.45%	6.01%	6.63%	7.38%	8.63%
Supplemental data					
Net assets, end of period (in thousands)	$215,401	$262,909	$236,367	$251,747	$2,003,909
Portfolio turnover	56%	68%	66%	77%	70%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Notes to Financial Statements

December 31, 2013

Note 1. Organization

Columbia Variable Portfolio – Income Opportunities 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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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 ask prices on such exchanges or markets.

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

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.

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.

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

Notes to Financial Statements *(continued)*

December 31, 2013

obligation under the terms of the contract, the potential for an illiquid secondary market (making it difficult for the Fund to sell, including at favorable prices) 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 notional amounts of derivative instruments, if applicable, are not recorded in the financial statements.

A derivative instrument may suffer a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract. A Fund's risk of loss from counterparty credit risk on over-the-counter derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund and the amount of any initial margin held by the counterparty. With exchange traded or centrally cleared derivatives, there is minimal counterparty credit risk to the Fund since the exchange's clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the counterparty credit risk is limited to failure of the clearinghouse. However, credit risk still exists in exchange traded or centrally cleared derivatives with respect to initial and variation margin that is held in a broker's customer accounts. While brokers are required to segregate customer margin from their own assets, in the event that a broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the broker for all its clients, U.S. bankruptcy laws will typically allocate that shortfall on a pro-rata basis across all the broker's customers, potentially resulting in losses to the Fund.

In order to better define its contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is an agreement between a Fund and a counterparty that governs over-the-counter derivatives and forward foreign currency exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative instrument's payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default (close-out netting) including the bankruptcy or insolvency of the counterparty. Note, however, that bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral (margin) requirements differ by type of derivative. Margin requirements are established by the exchange or clearinghouse for exchange traded and centrally cleared derivatives. Brokers can ask for margin in excess of the minimum in certain circumstances. Collateral terms are contract specific for over-the-counter derivatives. For over-the-counter derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any variation margin currently pledged by the Fund and/or the counterparty. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold (e.g. $500,000) before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance. The Fund attempts to mitigate counterparty risk by only entering into agreements with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Certain ISDA Master Agreements allow counterparties to over-the-counter derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage over a specified time period or the Fund fails to meet the terms of the ISDA Master Agreement, which would cause the Fund to accelerate payment of any net liability owed to the counterparty. The Fund also has termination rights if the counterparty fails to meet the terms of the ISDA Master Agreement. In addition to considering counterparty credit risk, the Fund would consider terminating the derivative contracts based on whether termination would result in a net liability owed from the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities.

Futures Contracts

Futures contracts are exchange traded and 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 and to manage exposure to movements in interest rates. These instruments may be used for other purposes in future periods. Upon entering into futures contracts, the Fund bears risks that it may not achieve the anticipated benefits of the futures contracts and may realize a

Notes to Financial Statements *(continued)*

December 31, 2013

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. The initial margin deposit must be maintained at an established level over the life of the contract. Cash deposited as initial margin is recorded in the Statement of Assets and Liabilities as margin deposits. Securities deposited as initial margin are designated in the Portfolio of Investments. 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.

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 over the period in the Statement of Operations 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 December 31, 2013:

	Asset Derivatives	
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Interest rate risk	Net assets — unrealized appreciation on futures contracts	335,546*

* Includes cumulative appreciation (depreciation) as reported in the tables 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 following table indicates the effect of derivative instruments in the Statement of Operations for the year ended December 31, 2013:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Interest rate risk	359,115

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income	
Risk Exposure Category	**Futures Contracts ($)**
Interest rate risk	462,735

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2013:

Derivative Instrument	Contracts Opened
Futures contracts	1,866

Investments in Loans

The Fund may invest in loan participations and assignments of all or a portion of a loan. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participations (Selling Participant), but not the borrower, and assumes the credit risk of the borrower, Selling Participant and any other persons interpositioned between the Fund and the borrower. In addition, the Fund may not directly benefit from the collateral supporting the loan that it has purchased from the Selling Participant. In contrast, when the Fund purchases an assignment of a loan, the Fund typically has direct rights against the borrower; provided, however, that the Fund's rights may be more limited than the lender from which it acquired the assignment and the Fund may be able to enforce their rights only through an administrative agent. Although certain loan participations or assignments are secured by collateral, the Fund could experience delays or limitations in realizing such collateral or have their interest subordinated to other indebtedness of the obligor. In the event that the administrator or collateral agent of a loan becomes insolvent, enters into receivership or bankruptcy, the Fund may incur costs and delays in realizing payment or may suffer a loss of principal and/or interest. The risk of loss is greater for unsecured or subordinated loans. In addition, loan participations and assignments are vulnerable to market conditions such that economic conditions or other events may reduce the demand for loan participations and assignments and certain loan participations and assignments which were liquid, when purchased, may become illiquid.

Delayed Delivery Securities

The Fund may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-

Notes to Financial Statements *(continued)*

December 31, 2013

issued" basis. This may increase risk since the other party to the transaction may fail to deliver which could cause 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.

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.

Trade date for senior loans purchased in the primary market is the date on which the loan is allocated. Trade date for senior loans purchased in the secondary market is the date on which the transaction is entered into.

Income Recognition

Interest income is recorded on an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

Corporate actions and dividend income are recorded on the ex-dividend date.

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. If the Fund no longer owns the applicable securities, return of capital is recorded as a realized gain. 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.

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.

Distributions to Subaccounts

Distributions to the subaccounts (of Contracts, Qualified Plans and Qualified Investors) are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared and distributed annually. Capital gains distributions, when available will be made annually. However, an additional capital gain distribution may be made during the fiscal year in order to comply with the Internal Revenue Code, as applicable to registered investment companies. 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 the next calculated net asset value after the distribution is paid.

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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 investment management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.59% to 0.36% as the Fund's net assets increase. The effective investment management fee rate for the year ended December 31, 2013 was 0.57% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 effective administration fee rate for the year ended December 31, 2013 was 0.07% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, miscellaneous expenses of the Fund or the Board, including payments to a company providing limited administrative services to the Fund and the Board. That company's expenses include boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. For the year ended December 31, 2013, other expenses paid to this company were $3,938.

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 attributable to each share class. 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, 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.

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

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) for the period disclosed below, 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:

	Fee Rates Contractual through April 30, 2014
Class 1	0.710%
Class 2	0.960
Class 3	0.835

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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,

Notes to Financial Statements *(continued)*

December 31, 2013

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. Class 2 distribution fees waived by the Distributor, as discussed above, are in addition to the waiver/reimbursement commitment under the agreement.

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 December 31, 2013, these differences are primarily due to differing treatment for capital loss carryforwards, principal and/or interest of fixed income securities, deferral/reversal of wash sales losses, Trustees' deferred compensation, and derivative investments. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Excess of distributions over net investment income	$16,457,823
Accumulated net realized loss	(22,602,887)
Paid-in capital	6,145,064

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

	Year Ended December 31, 2013 ($)	Year Ended December 31, 2012 ($)
Ordinary income	164,925,393	81,002,764
Long-term capital gains	48,364,154	22,797,104
Tax return of capital	36,349,160	—
Total	249,638,707	103,799,868

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

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

Unrealized appreciation	$40,716,513

At December 31, 2013, the cost of investments for federal income tax purposes was $1,112,668,818 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$51,080,791
Unrealized depreciation	(10,364,278)
Net unrealized appreciation	$40,716,513

The following capital loss carryforward, determined at December 31, 2013, 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	6,367,733

For the year ended December 31, 2013, $16,769,718 of capital loss carryforward was utilized.

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 $628,737,999 and $649,265,656, respectively, for the year ended December 31, 2013.

Note 6. Affiliated Money Market Fund

The Fund invests 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 — affiliated issuers" 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 December 31, 2013, affiliated shareholder accounts owned 95.0% 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.

Notes to Financial Statements *(continued)*
December 31, 2013

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. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. Prior to December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the year ended December 31, 2013.

Note 9. Fund Merger

At the close of business on April 26, 2013, the Fund acquired the assets and assumed the identified liabilities of Columbia Variable Portfolio — High Income Fund, a series of Columbia Funds Variable Insurance Trust I (the acquired fund). The reorganization was completed after shareholders of the acquired fund approved the plan on February 27, 2013. 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 $1,063,840,327 and the combined net assets immediately after the acquisition were $1,245,794,511.

The merger was accomplished by a tax-free exchange of 17,853,023 shares of the acquired fund valued at $181,954,184 (including $10,151,066 of unrealized appreciation).

In exchange for the acquired fund's shares, the Fund issued the following number of shares:

	Shares
Class 1	4,655,588
Class 2	14,369,493

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, 2013, the Fund's pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net increase in net assets from operations for the year ended December 31, 2013 would have been approximately $66.8 million, $26.5 million, $(34.1) million and $59.2 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

Notes to Financial Statements *(continued)*

December 31, 2013

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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Series Trust II and the Shareholders of Columbia Variable Portfolio — Income Opportunities Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Income Opportunities Fund (the “Fund”, a series of Columbia Funds Variable Series Trust II) at December 31, 2013, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, brokers, agent banks and transfer agent, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for the opinion expressed above. The financial highlights for the Fund for the periods ended on or prior to December 31, 2011 were audited by another independent registered public accounting firm whose report dated February 22, 2012 expressed an unqualified opinion on those financial highlights.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2013.

Tax Designations

Capital Gain Dividend	$8,517,831

Capital Gain Dividend. The Fund designates as a capital gain dividend the amount reflected above, or if subsequently determined to be different, the net capital gain of such fiscal period. The Fund also designates as capital gain dividends, to the extent necessary to fully distribute such capital gains, earnings and profits distributed to shareholders on the redemption of shares.

Trustees and Officers

Shareholders elect the Board that oversees the Funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the Funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve through the end of the calendar year in which he or she reaches either the mandatory retirement age established by the Board or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

Independent Trustees

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	131	Director, BlueCross BlueShield of Minnesota since 2009
Edward J. Boudreau, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	129	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard — Partners in Cross Cultural Leadership (consulting company) since 2003	131	None
William P. Carmichael 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Chair of the Board since 1/14, Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	Retired	131	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; Director, International Textile Corp. since 2012; former Director, McMoRan Exploration Company (oil and gas exploration and development) 2010-2013; former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 1950	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University since 1976	131	None
William A. Hawkins 901 S. Marquette Ave. Minneapolis, MN 55402 1942	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	129	Trustee, BofA Funds Series Trust (11 funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
R. Glenn Hilliard 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (insurance), September 2003-May 2011	129	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1939	Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds, Board Chair 1/07-12/13	President Emeritus and Professor of Economics Emeritus, Carleton College since 2002	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Legacy Seligman Funds, since 11/08 for RiverSource Funds and since J for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	131	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Director, Infinity, Inc. (oil and gas exploration and production) since 1994; Director, OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 901 S. Marquette Ave. Minneapolis, MN 55402 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments) since 2011; President, Micco Corp. since 1998	129	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010	131	Director, Healthways, Inc. (health and wellbeing improvement) since 2005; Director, ICI Mutual Insurance Company, RRG since 2011; Director, Abt Associates (government contractor) since 2001; Director, Boston Children’s Hospital since 2002

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
Anthony M. Santomero 901 S. Marquette Ave. Minneapolis, MN 55402 1946	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008	129	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company since March 2008; Director, Citigroup Inc. since 2009; Director, Citibank, N.A. since 2009; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the Investment Manager or Ameriprise Financial. However, he is currently deemed by the Funds to be an "interested person" (as defined in the 1940 Act) of the Funds because he serves as a Director of Citigroup Inc. and Citibank, N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the Funds or accounts advised/managed by the Investment Manager.

Interested Trustee Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002 for RiverSource Funds and since 5/10 for Nations Funds	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012, respectively (previously President and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010- September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012.	183	Former Director, Ameriprise Certificate Company, 2006-January 2013

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the Investment Manager or Ameriprise Financial.

The SAI has additional information about the Fund's Board members and is available, without charge, upon request by calling 800.345.6611 or contacting your financial intermediary.

Trustees and Officers *(continued)*

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel — Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President — Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President — Asset Management and Trust Company Services, from 2006 to 2009
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President — Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President — Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010

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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 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 – Income Opportunities Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product 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.

S-6544 D (2/14)

Annual Report
December 31, 2013

ColumbiaManagement®

Columbia Variable Portfolio – Large Cap Growth Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. Please contact your financial advisor or insurance representative for more information.

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

Performance Summary

> Columbia Variable Portfolio — Large Cap Growth Fund (the Fund) Class 3 shares returned 30.26% for the 12-month period that ended December 31, 2013.

> In an environment of generally rising stock prices, the Fund underperformed its benchmark, the Russell 1000 Growth Index,
> which returned 33.48% for the same 12-month period.

> Stock selection in the technology and energy sectors generally accounted for the Fund's performance shortfall relative to its benchmark.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	30.44	19.53	6.24
Class 2*	05/03/10	30.00	19.25	6.03
Class 3	09/15/99	30.26	19.44	6.20
Russell 1000 Growth Index		33.48	20.39	7.83

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 financial advisor or insurance representative.

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.

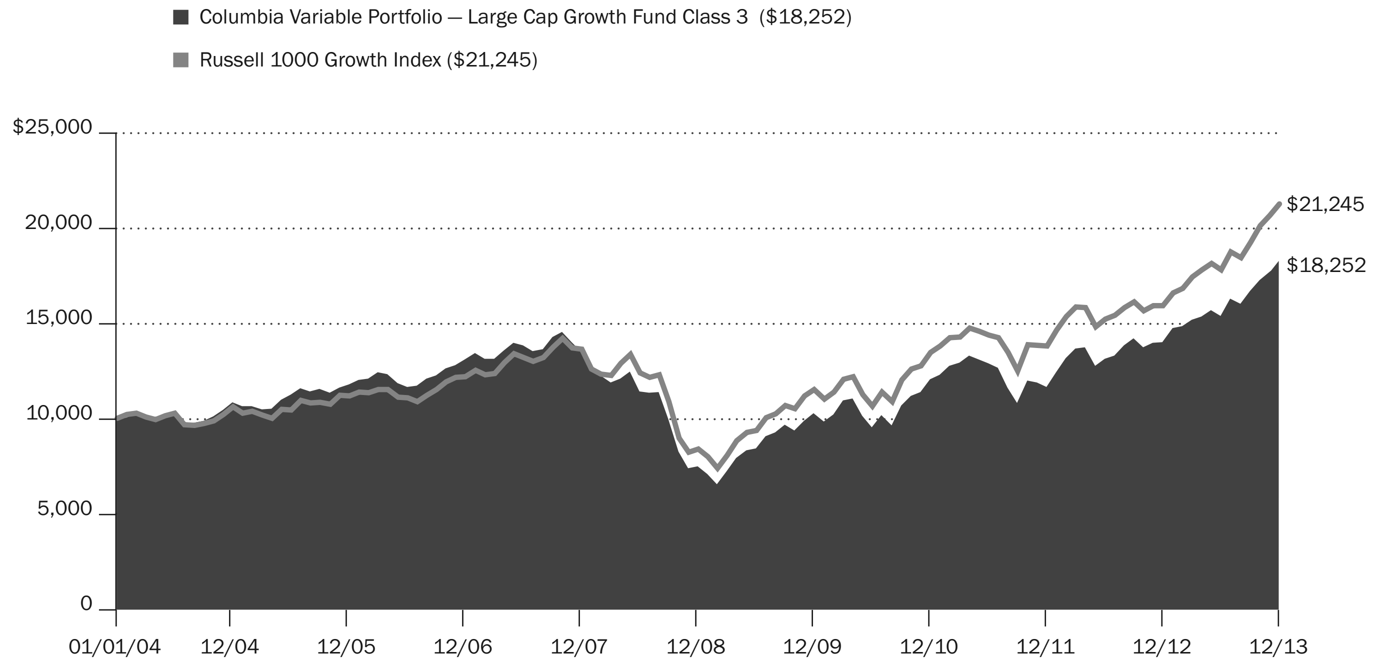
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the 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 Russell 1000 Index companies with higher price-to-book ratios and higher 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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2004 — December 31, 2013)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 3 shares of Columbia Variable Portfolio — Large Cap Growth Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

Portfolio Management

John Wilson, CFA

Peter Deininger, CFA, CAIA

Top Ten Holdings (%) (at December 31, 2013)	
Apple, Inc.	4.7
Google, Inc., Class A	4.4
MasterCard, Inc., Class A	3.3
Gilead Sciences, Inc.	3.1
Amazon.com, Inc.	2.4
QUALCOMM, Inc.	2.1
Microsoft Corp.	1.9
Monsanto Co.	1.9
priceline.com, Inc.	1.9
Starwood Hotels & Resorts Worldwide, Inc.	1.8

Percentages indicated are based upon total investments (excluding Money Market Funds).

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 December 31, 2013)	
Common Stocks	**99.4**
Consumer Discretionary	20.8
Consumer Staples	8.0
Energy	4.0
Financials	5.6
Health Care	15.1
Industrials	12.3
Information Technology	28.9
Materials	4.0
Telecommunication Services	0.7
Money Market Funds	**0.6**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

At December 31, 2013, approximately 79% of the Fund's shares were owned in the aggregate by affiliated funds-of-funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager). As a result of asset allocation decisions by the Investment Manager, it is possible that the Fund may experience relatively large purchases or redemptions from affiliated funds-of-funds. The Investment Manager seeks to minimize the impact of these transactions by structuring them over a reasonable period of time. The Fund may experience increased expenses as it buys and sells securities as a result of purchases or redemptions by affiliated funds-of-funds.

For the 12-month period that ended December 31, 2013, the Fund's Class 3 shares returned 30.26%. The Fund's benchmark, the Russell 1000 Growth Index, returned 33.48% over the same 12-month period. Stock selection in the technology and energy sectors detracted from Fund performance relative to the benchmark, while stock selection in consumer discretionary and health care aided relative results.

U.S. Economy Picked Up Momentum

Steady job growth, a solid rebound in the housing market and increased manufacturing activity drove economic growth steadily higher in 2013. Pent-up demand, low mortgage rates and an improving labor market helped home sales. Foreclosure activity has also trended downward. After a brief pullback midway through the year, manufacturing activity picked up in the late summer and remained strong. Business surveys and recent demand measures suggest that business spending could be poised to pick up. Even though a host of concerns weighed on investors — the impact of tax increases and enforced federal spending cuts, another showdown over the debt ceiling, the possibility of an attack on Syria and uncertainty regarding the Federal Reserve's (the Fed's) next move on monetary policy — prices on stocks and other riskier assets moved higher as central banks continued to pour liquidity into key markets. These sectors pulled back in July and August after the Fed began to talk about removing some of its support. However, when the Fed postponed its reduced monthly bond purchases to January 2014, and pledged to take a measured approach to its cutbacks, investor enthusiasm was restored and the market rally rebooted. U.S. equities posted their most significant gains since the late 1990s and most bond sectors managed modest positive returns for the year. Equity returns in developed foreign markets also were strong, while emerging stock markets lagged.

Technology and Energy Stocks Led Disappointments

In an environment of muted business spending, stock selection was a challenge in the information technology sector. We made two decisions that bolstered the Fund's gains in the technology sector: the Fund had no exposure to IBM, which lost ground during the period, and it was overweight in MasterCard, which delivered outsized returns. However, the positive results from these two decisions were not enough to offset the impact of earnings shortfalls on Fund holdings Citrix, F5, EMC and Cisco. All were sold except EMC, which we retained because we have conviction about the company's rebound potential in a better environment. An underweight in Microsoft also weighed on performance for the period. Stock selection among energy stocks also detracted from relative returns, especially in the equipment and services industry. Positions in Cameron International and Ensco were detractors. An overweight in Andarko, an American oil and gas exploration and production company, also weighed on performance as earnings and earnings prospects declined. Cameron International and Ensco were sold.

Manager Discussion of Fund Performance *(continued)*

Consumer Discretionary and Health Care Aided Relative Results

Within the consumer discretionary sector, casino operator Las Vegas Sands was a notable contributor to performance, as the company continued to benefit from the growth in its China-based Macau properties. Overall, the media industry was an area of strength for the market and an overweight position in DISH Network was a standout performer relative to the benchmark.

In the health care sector, Gilead Sciences and Vertex Pharmaceuticals made significant contributions to the Fund's gains, and overweights in both securities aided relative performance. Gilead shares were driven higher on improved confidence in the biotech company's new product aimed at treating hepatitis C. Biotechnology company Vertex Pharmaceuticals, with treatments for both hepatitis C and cystic fibrosis, advanced strongly on reports of positive results from a new cystic fibrosis treatment. Also in the health care sector, St. Jude Medical and Thermo Fisher, a leading manufacturer of instruments and tools that serve biotechnology and other related fields, paid off nicely. Good revenues, solid earnings and improved long-term growth prospects benefited both companies during the period.

Looking Ahead

Given the strong equity returns of 2013, we presently expect more modest results in the year ahead. However, we continue to believe that the market currently offers opportunities and we continue to look for reasonably valued, high quality growth companies with competitive strengths across multiple geographic regions, with leading market share, strong management teams and solid balance sheets. We believe our investment process is well suited to identifying companies with solid investment potential.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service 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.

July 1, 2013 – December 31, 2013

	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	1,189.20	1,021.45	4.41	4.07	0.79
Class 2	1,000.00	1,000.00	1,187.30	1,020.18	5.80	5.35	1.04
Class 3	1,000.00	1,000.00	1,187.40	1,020.79	5.13	4.74	0.92

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 365.

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

December 31, 2013

(Percentages represent value of investments compared to net assets)

Common Stocks 99.5%

Issuer	Shares	Value ($)
Consumer Discretionary 20.8%		
Auto Components 0.8%		
Delphi Automotive PLC	198,290	11,923,178
Automobiles 1.1%		
General Motors Co.[a]	375,321	15,339,369
Hotels, Restaurants & Leisure 2.8%		
Las Vegas Sands Corp.	192,244	15,162,284
Starwood Hotels & Resorts Worldwide, Inc.	310,180	24,643,801
Total		39,806,085
Household Durables 1.1%		
Mohawk Industries, Inc.[a]	100,527	14,968,470
Internet & Catalog Retail 5.0%		
Amazon.com, Inc.[a]	84,917	33,864,050
Netflix, Inc.[a]	26,827	9,876,897
priceline.com, Inc.[a]	22,290	25,909,896
Total		69,650,843
Media 4.2%		
DISH Network Corp., Class A[a]	352,857	20,437,478
Time Warner Cable, Inc.	152,040	20,601,420
Twenty-First Century Fox, Inc., Class A	519,280	18,268,270
Total		59,307,168
Specialty Retail 3.4%		
Best Buy Co., Inc.	174,030	6,940,316
Lowe’s Companies, Inc.	337,523	16,724,265
O’Reilly Automotive, Inc.[a]	96,593	12,432,485
Williams-Sonoma, Inc.	195,800	11,411,224
Total		47,508,290
Textiles, Apparel & Luxury Goods 2.4%		
Nike, Inc., Class B	132,087	10,387,322
VF Corp.	383,712	23,920,606
Total		34,307,928
Total Consumer Discretionary		**292,811,331**
Consumer Staples 8.0%		
Beverages 4.3%		
Anheuser-Busch InBev NV, ADR	174,830	18,612,402
Coca-Cola Enterprises, Inc.	409,310	18,062,850
PepsiCo, Inc.	291,530	24,179,498
Total		60,854,750
Food & Staples Retailing 1.7%		
Walgreen Co.	422,770	24,283,909

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Household Products 0.6%		
Procter & Gamble Co. (The)	100,429	8,175,925
Personal Products 1.4%		
Estee Lauder Companies, Inc. (The), Class A	258,500	19,470,220
Total Consumer Staples		**112,784,804**
Energy 4.0%		
Energy Equipment & Services 2.7%		
Halliburton Co.	303,342	15,394,606
Schlumberger Ltd.	250,679	22,588,685
Total		37,983,291
Oil, Gas & Consumable Fuels 1.3%		
EOG Resources, Inc.	106,910	17,943,775
Kinder Morgan Management LLC[a][b][c]	—	1
Total		17,943,776
Total Energy		**55,927,067**
Financials 5.6%		
Capital Markets 1.9%		
BlackRock, Inc.	51,616	16,334,916
Invesco Ltd.	298,000	10,847,200
Total		27,182,116
Commercial Banks 1.5%		
Fifth Third Bancorp	527,975	11,103,314
Wells Fargo & Co.	208,350	9,459,090
Total		20,562,404
Diversified Financial Services 1.2%		
Citigroup, Inc.	339,611	17,697,129
Real Estate Investment Trusts (REITs) 1.0%		
Simon Property Group, Inc.	88,920	13,530,067
Total Financials		**78,971,716**
Health Care 15.1%		
Biotechnology 6.6%		
Celgene Corp.[a]	140,317	23,707,960
Celldex Therapeutics, Inc.[a]	62,625	1,516,151
Cubist Pharmaceuticals, Inc.[a]	78,631	5,415,317
Gilead Sciences, Inc.[a]	574,490	43,172,924
Pharmacyclics, Inc.[a]	65,550	6,933,879
Vertex Pharmaceuticals, Inc.[a]	154,013	11,443,166
Total		92,189,397

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

Portfolio of Investments *(continued)*

December 31, 2013

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Health Care Equipment & Supplies 3.0%		
St. Jude Medical, Inc.	352,770	21,854,102
Zimmer Holdings, Inc.	220,848	20,580,825
Total		42,434,927
Health Care Providers & Services 1.4%		
Cardinal Health, Inc.	302,580	20,215,370
Life Sciences Tools & Services 0.7%		
Thermo Fisher Scientific, Inc.	86,605	9,643,467
Pharmaceuticals 3.4%		
AbbVie, Inc.	404,396	21,356,152
Bristol-Myers Squibb Co.	219,480	11,665,362
Johnson & Johnson	160,015	14,655,774
Total		47,677,288
Total Health Care		**212,160,449**
Industrials 12.3%		
Aerospace & Defense 3.7%		
Boeing Co. (The)	143,100	19,531,719
Honeywell International, Inc.	233,777	21,360,204
Raytheon Co.	125,127	11,349,019
Total		52,240,942
Commercial Services & Supplies 1.7%		
Tyco International Ltd.	581,566	23,867,469
Electrical Equipment 3.1%		
Eaton Corp. PLC	280,638	21,362,165
Rockwell Automation, Inc.	185,914	21,967,598
Total		43,329,763
Machinery 0.9%		
Pall Corp.	140,459	11,988,176
Professional Services 0.8%		
Nielsen Holdings NV	254,470	11,677,628
Road & Rail 2.1%		
JB Hunt Transport Services, Inc.	165,433	12,787,971
Union Pacific Corp.	103,910	17,456,880
Total		30,244,851
Total Industrials		**173,348,829**
Information Technology 29.0%		
Communications Equipment 2.1%		
QUALCOMM, Inc.	392,114	29,114,464
Computers & Peripherals 6.1%		
Apple, Inc.	116,824	65,551,115
EMC Corp.	683,017	17,177,877
Stratasys Ltd.[(a)]	20,768	2,797,450
Total		85,526,442

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Internet Software & Services 8.0%		
eBay, Inc.[(a)]	271,574	14,906,697
Facebook, Inc., Class A[(a)]	403,428	22,051,374
Google, Inc., Class A[(a)]	55,290	61,964,056
LinkedIn Corp., Class A[(a)]	63,800	13,833,754
Total		112,755,881
IT Services 4.6%		
Accenture PLC, Class A	226,222	18,599,973
MasterCard, Inc., Class A	54,532	45,559,305
Total		64,159,278
Semiconductors & Semiconductor Equipment 2.8%		
Avago Technologies Ltd.	154,950	8,195,306
KLA-Tencor Corp.	275,840	17,780,646
NXP Semiconductor NV[(a)]	292,036	13,413,213
Total		39,389,165
Software 5.4%		
CommVault Systems, Inc.[(a)]	86,390	6,468,883
Microsoft Corp.	710,814	26,605,768
QLIK Technologies, Inc.[(a)]	294,280	7,836,676
Red Hat, Inc.[(a)]	217,560	12,192,063
Salesforce.com, Inc.[(a)]	414,430	22,872,392
Total		75,975,782
Total Information Technology		**406,921,012**
Materials 4.0%		
Chemicals 4.0%		
Celanese Corp., Class A	238,240	13,177,054
LyondellBasell Industries NV, Class A	207,183	16,632,651
Monsanto Co.	223,490	26,047,760
Total		55,857,465
Total Materials		**55,857,465**
Telecommunication Services 0.7%		
Diversified Telecommunication Services 0.7%		
Verizon Communications, Inc.	199,652	9,810,899
Total Telecommunication Services		**9,810,899**
Total Common Stocks (Cost: $1,154,394,683)		**1,398,593,572**

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

Portfolio of Investments *(continued)*

December 31, 2013

Money Market Funds 0.6%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.096%[d][e]	8,842,394	8,842,394
Total Money Market Funds (Cost: $8,842,394)		**8,842,394**
Total Investments (Cost: $1,163,237,077)		**1,407,435,966**
Other Assets & Liabilities, Net		**(2,009,045)**
Net Assets		**1,405,426,921**

Notes to Portfolio of Investments

(a) Non-income producing.

(b) Identifies issues considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2013 was $1, representing less than 0.01% of net assets. Information concerning such security holdings at December 31, 2013 is as follows:

Security Description	Acquisition Dates	Cost ($)
Kinder Morgan Management LLC	12/19/03 – 01/18/05	—

(c) Represents fractional shares.

(d) The rate shown is the seven-day current annualized yield at December 31, 2013.

(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 year ended December 31, 2013, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds from Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	7,578,886	1,212,320,881	(1,211,057,373)	8,842,394	41,486	8,842,394

Abbreviation Legend

ADR American Depositary Receipt

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

Portfolio of Investments *(continued)*
December 31, 2013

Fair Value Measurements *(continued)*

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 may 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 overseeing 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 or are not readily available, including recommendations 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 following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

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	292,811,331	—	—	292,811,331
Consumer Staples	112,784,804	—	—	112,784,804
Energy	55,927,066	1	—	55,927,067
Financials	78,971,716	—	—	78,971,716
Health Care	212,160,449	—	—	212,160,449
Industrials	173,348,829	—	—	173,348,829
Information Technology	406,921,012	—	—	406,921,012
Materials	55,857,465	—	—	55,857,465
Telecommunication Services	9,810,899	—	—	9,810,899
Total Equity Securities	1,398,593,571	1	—	1,398,593,572
Mutual Funds				
Money Market Funds	8,842,394	—	—	8,842,394
Total Mutual Funds	8,842,394	—	—	8,842,394
Total	1,407,435,965	1	—	1,407,435,966

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

December 31, 2013

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,154,394,683)	$1,398,593,572
Affiliated issuers (identified cost $8,842,394)	8,842,394
Total investments (identified cost $1,163,237,077)	1,407,435,966
Receivable for:	
Capital shares sold	422,747
Dividends	872,686
Reclaims	11,596
Expense reimbursement due from Investment Manager	15,493
Prepaid expenses	4,572
Trustees' deferred compensation plan	23,181
Total assets	1,408,786,241
Liabilities	
Payable for:	
Capital shares purchased	2,283,425
Investment management fees	809,620
Distribution and/or service fees	27,247
Transfer agent fees	72,622
Administration fees	67,094
Compensation of board members	24,280
Other expenses	51,851
Trustees' deferred compensation plan	23,181
Total liabilities	3,359,320
Net assets applicable to outstanding capital stock	**$1,405,426,921**
Represented by	
Trust capital	$1,405,426,921
Total — representing net assets applicable to outstanding capital stock	**$1,405,426,921**
Class 1	
Net assets	$1,166,312,328
Shares outstanding	112,457,603
Net asset value per share	$10.37
Class 2	
Net assets	$14,195,519
Shares outstanding	1,381,819
Net asset value per share	$10.27
Class 3	
Net assets	$224,919,074
Shares outstanding	21,766,566
Net asset value per share	$10.33

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

Statement of Operations

Year Ended December 31, 2013

Net investment income	
Income:	
Dividends — unaffiliated issuers	$14,752,212
Dividends — affiliated issuers	41,486
Interest	7
Foreign taxes withheld	(228,461)
Total income	14,565,244
Expenses:	
Investment management fees	7,398,534
Distribution and/or service fees	
Class 2	28,759
Class 3	262,671
Transfer agent fees	
Class 1	522,619
Class 2	6,902
Class 3	126,078
Administration fees	615,650
Compensation of board members	30,288
Custodian fees	19,380
Printing and postage fees	79,899
Professional fees	45,783
Other	11,203
Total expenses	9,147,766
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(224,078)
Total net expenses	8,923,688
Net investment income	5,641,556
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	58,544,774
Foreign currency translations	1,662
Options contracts written	48,499
Net realized gain	58,594,935
Net change in unrealized appreciation (depreciation) on:	
Investments	209,965,663
Foreign currency translations	(1,508)
Net change in unrealized appreciation (depreciation)	209,964,155
Net realized and unrealized gain	268,559,090
Net increase in net assets resulting from operations	**$274,200,646**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$5,641,556	$1,385,210
Net realized gain	58,594,935	28,506,441
Net change in unrealized appreciation (depreciation)	209,964,155	16,866,671
Net increase in net assets resulting from operations	274,200,646	46,758,322
Increase (decrease) in net assets from capital stock activity	880,103,735	(36,486,623)
Total increase in net assets	1,154,304,381	10,271,699
Net assets at beginning of year	251,122,540	240,850,841
Net assets at end of year	**$1,405,426,921**	**$251,122,540**

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	113,701,326	973,275,531	156,040	1,179,982
Redemptions	(7,094,766)	(69,093,971)	(977,650)	(7,482,082)
Net increase (decrease)	106,606,560	904,181,560	(821,610)	(6,302,100)
Class 2 shares				
Subscriptions	448,005	4,063,295	337,437	2,535,468
Redemptions	(299,904)	(2,642,119)	(305,378)	(2,293,895)
Net increase	148,101	1,421,176	32,059	241,573
Class 3 shares				
Subscriptions	261,183	2,327,911	291,816	2,239,547
Redemptions	(3,062,470)	(27,826,912)	(4,330,703)	(32,665,643)
Net decrease	(2,801,287)	(25,499,001)	(4,038,887)	(30,426,096)
Total net increase (decrease)	**103,953,374**	**880,103,735**	**(4,828,438)**	**(36,486,623)**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year Ended December 31,			
Class 1	**2013**	**2012**	**2011**	**2010**[(a)]
Per share data				
Net asset value, beginning of period	$7.95	$6.61	$6.82	$6.34
Income from investment operations:				
Net investment income	0.05	0.05	0.03	0.02
Net realized and unrealized gain (loss)	2.37	1.29	(0.24)	0.46
Total from investment operations	2.42	1.34	(0.21)	0.48
Net asset value, end of period	$10.37	$7.95	$6.61	$6.82
Total return	30.44%	20.27%	(3.08%)	7.57%
Ratios to average net assets[(b)]				
Total gross expenses	0.81%	0.88%	0.89%	0.83%[(c)]
Total net expenses[(d)]	0.79%	0.78%	0.77%	0.83%[(c)]
Net investment income	0.55%	0.64%	0.51%	0.60%[(c)]
Supplemental data				
Net assets, end of period (in thousands)	$1,166,312	$46,512	$44,092	$5
Portfolio turnover	93%	102%	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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 2	Year Ended December 31, 2013	2012	2011	2010[a]
Per share data				
Net asset value, beginning of period	$7.90	$6.58	$6.81	$6.34
Income from investment operations:				
Net investment income	0.03	0.03	0.02	0.02
Net realized and unrealized gain (loss)	2.34	1.29	(0.25)	0.45
Total from investment operations	2.37	1.32	(0.23)	0.47
Net asset value, end of period	$10.27	$7.90	$6.58	$6.81
Total return	30.00%	20.06%	(3.38%)	7.41%
Ratios to average net assets[b]				
Total gross expenses	1.06%	1.13%	1.15%	1.09%[c]
Total net expenses[d]	1.04%	1.03%	1.02%	1.09%[c]
Net investment income	0.28%	0.43%	0.26%	0.50%[c]
Supplemental data				
Net assets, end of period (in thousands)	$14,196	$9,741	$7,907	$320
Portfolio turnover	93%	102%	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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 3	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$7.93	$6.60	$6.82	$5.82	$4.25
Income from investment operations:					
Net investment income	0.04	0.04	0.01	0.02	0.03
Net realized and unrealized gain (loss)	2.36	1.29	(0.23)	0.98	1.54
Total from investment operations	2.40	1.33	(0.22)	1.00	1.57
Net asset value, end of period	$10.33	$7.93	$6.60	$6.82	$5.82
Total return	30.26%	20.15%	(3.23%)	17.16%	37.00%
Ratios to average net assets[(a)]					
Total gross expenses	0.94%	1.00%	0.99%	0.93%	0.80%
Total net expenses[(b)]	0.92%	0.91%	0.92%	0.93%	0.80%
Net investment income	0.40%	0.52%	0.21%	0.34%	0.71%
Supplemental data					
Net assets, end of period (in thousands)	$224,919	$194,870	$188,852	$233,165	$240,404
Portfolio turnover	93%	102%	104%	152%	152%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Notes to Financial Statements

December 31, 2013

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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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 equity 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 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.

Foreign Currency Transactions and Translations

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

Notes to Financial Statements *(continued)*

December 31, 2013

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 (making it difficult for the Fund to sell, including at favorable prices) 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 notional amounts of derivative instruments, if applicable, are not recorded in the financial statements.

A derivative instrument may suffer a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract. A Fund's risk of loss from counterparty credit risk on over-the-counter derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund and the amount of any initial margin held by the counterparty. With exchange traded or centrally cleared derivatives, there is minimal counterparty credit risk to the Fund since the exchange's clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the counterparty credit risk is limited to failure of the clearinghouse. However, credit risk still exists in exchange traded or centrally cleared derivatives with respect to initial and variation margin that is held in a broker's customer accounts. While brokers are required to segregate customer margin from their own assets, in the event that a broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the broker for all its clients, U.S. bankruptcy laws will typically allocate that shortfall on a pro-rata basis across all the broker's customers, potentially resulting in losses to the Fund.

In order to better define its contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is an agreement between a Fund and a counterparty that governs over-the-counter derivatives and forward foreign currency exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative instrument's payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default (close-out netting) including the bankruptcy or insolvency of the counterparty. Note, however, that bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral (margin) requirements differ by type of derivative. Margin requirements are established by the exchange or clearinghouse for exchange traded and centrally cleared derivatives. Brokers can ask for margin in excess of the minimum in certain circumstances. Collateral terms are contract specific for over-the-counter derivatives. For over-the-counter derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any variation margin currently pledged by the Fund and/or the counterparty. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold (e.g. $500,000) before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance. The Fund attempts to mitigate counterparty risk by only entering into agreements with counterparties that it believes have the

Notes to Financial Statements *(continued)*

December 31, 2013

financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Certain ISDA Master Agreements allow counterparties to over-the-counter derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage over a specified time period or the Fund fails to meet the terms of the ISDA Master Agreement, which would cause the Fund to accelerate payment of any net liability owed to the counterparty. The Fund also has termination rights if the counterparty fails to meet the terms of the ISDA Master Agreement. In addition to considering counterparty credit risk, the Fund would consider terminating the derivative contracts based on whether termination would result in a net liability owed from the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities.

Options Contracts

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. Option contracts can be either exchange traded or over-the-counter. The Fund purchased and wrote option contracts to decrease the Fund's exposure to equity market risk and to increase return on investments. These instruments may be used for other purposes in future periods. Completion of transactions for option contracts traded in the over-the-counter market depends upon the performance of the other party. Cash collateral may be collected or posted by the Fund to secure certain over-the-counter 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.

Options contracts purchased are recorded as investments. When the Fund writes an options contract, the premium received is recorded as an asset and an amount equivalent to the premium is recorded as a liability in the Statement of Assets and Liabilities and is subsequently adjusted to reflect the current fair value of the option written. The Fund will realize a gain or loss when the option contract is closed or 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.

For over-the-counter options purchased, the Fund bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by the Fund should the counterparty fail to perform under the contracts. 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 above the strike price. The risk in writing a put option contract is that the Fund may incur a loss if the market price of the security decreases below the strike price 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 over-the-counter options contracts, the transaction is also subject to counterparty credit risk. Option contracts written by the Fund do not typically give rise to counterparty credit risk, as options written generally obligate the Fund and not the counterparty to perform. 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 year ended December 31, 2013 are as follows:

	Calls	
	Contracts	**Premiums ($)**
Balance at December 31, 2012	—	—
Opened	690	48,499
Closed	—	—
Expired	(690)	(48,499)
Exercised	—	—
Balance at December 31, 2013	—	—

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 over the period in the Statement of Operations 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 December 31, 2013, the fund had no outstanding derivatives.

Notes to Financial Statements *(continued)*

December 31, 2013

The following table indicates the effect of derivative instruments in the Statement of Operations for the year ended December 31, 2013:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	**Options Contracts Written and Purchased ($)**
Equity risk	48,499

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2013:

Derivative Instrument	Contracts Opened
Options contracts	690

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 generally 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 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. If the Fund no longer owns the applicable securities, return of capital is recorded as a realized gain. 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 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 realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified

Notes to Financial Statements *(continued)*
December 31, 2013

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 investment 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 effective investment management fee rate for the year ended December 31, 2013 was 0.68% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 effective administration fee rate for the year ended December 31, 2013 was 0.06% of the Fund's average daily net assets.

Other Expenses

Other expenses are for, among other things, miscellaneous expenses of the Fund or the Board, including payments to a company providing limited administrative services to the Fund and the Board. That company's expenses include boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. For the year ended December 31, 2013, other expenses paid to this company were $3,591.

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 attributable to each share class. 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, 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.

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) for the period disclosed below, 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:

	Fee Rates Contractual through April 30, 2014
Class 1	0.790%
Class 2	1.040
Class 3	0.915

Notes to Financial Statements *(continued)*

December 31, 2013

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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 $1,853,985,906 and $966,841,406, respectively, for the year ended December 31, 2013.

Note 5. Affiliated Money Market Fund

The Fund invests 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 — affiliated issuers" 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 6. Shareholder Concentration

At December 31, 2013, affiliated shareholder accounts owned 90.2% 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 7. 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. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. Prior to December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the year ended December 31, 2013.

Note 8. Significant Risks

Consumer Discretionary Sector Risk

Sector risk occurs when a fund invests a significant portion of its assets in securities of companies conducting business in a related group of industries within an economic sector. Companies in the same economic sector may be similarly affected by economic, regulatory, political or market events or conditions, making a fund more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly. The Fund may be more susceptible to the particular risks that may affect companies in the consumer discretionary sector than if it were invested in a wider variety of companies in unrelated sectors.

Information Technology Sector Risk

Sector risk occurs when a fund invests a significant portion of its assets in securities of companies conducting business in a related group of industries within an economic sector. Companies in the same economic sector may be similarly affected by economic, regulatory, political or market events or conditions, making a fund more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly. The Fund may be more susceptible to the particular risks that may affect companies in the information technology sector than if it were invested in a wider variety of companies in unrelated sectors.

Note 9. 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 10. 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.

Notes to Financial Statements *(continued)*

December 31, 2013

(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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Series Trust II and the Shareholders of Columbia Variable Portfolio — Large Cap Growth Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Large Cap Growth Fund (the "Fund", a series of Columbia Funds Variable Series Trust II) at December 31, 2013, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and transfer agent, provide a reasonable basis for the opinion expressed above. The financial highlights for the Fund for the periods ended on or prior to December 31, 2011 were audited by another independent registered public accounting firm whose report dated February 17, 2012 expressed an unqualified opinion on those financial highlights.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Trustees and Officers

Shareholders elect the Board that oversees the Funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the Funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve through the end of the calendar year in which he or she reaches either the mandatory retirement age established by the Board or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

Independent Trustees

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	131	Director, BlueCross BlueShield of Minnesota since 2009
Edward J. Boudreau, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	129	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard — Partners in Cross Cultural Leadership (consulting company) since 2003	131	None
William P. Carmichael 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Chair of the Board since 1/14, Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	Retired	131	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; Director, International Textile Corp. since 2012; former Director, McMoRan Exploration Company (oil and gas exploration and development) 2010-2013; former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 1950	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University since 1976	131	None
William A. Hawkins 901 S. Marquette Ave. Minneapolis, MN 55402 1942	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	129	Trustee, BofA Funds Series Trust (11 funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
R. Glenn Hilliard 901 S. Marquette Ave. Minneapolis, MN 55402 1943	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (insurance), September 2003-May 2011	129	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 1939	Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds, Board Chair 1/07-12/13	President Emeritus and Professor of Economics Emeritus, Carleton College since 2002	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	131	Director, Valmont Industries, Inc. (irrigation systems manufacturer) since 2012
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	Board member since 2000 for Legacy Seligman Funds, since 11/08 for RiverSource Funds and since J for Nations Funds	Counsel, Lewis & Munday, P.C. (law firm) since 2004; Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation, 1993-1997	131	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Director, Infinity, Inc. (oil and gas exploration and production) since 1994; Director, OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 901 S. Marquette Ave. Minneapolis, MN 55402 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments) since 2011; President, Micco Corp. since 1998	129	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc., (biotechnology) 2003-2010	131	Director, Healthways, Inc. (health and wellbeing improvement) since 2005; Director, ICI Mutual Insurance Company, RRG since 2011; Director, Abt Associates (government contractor) since 2001; Director, Boston Children's Hospital since 2002

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
Anthony M. Santomero 901 S. Marquette Ave. Minneapolis, MN 55402 1946	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008	129	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company since March 2008; Director, Citigroup Inc. since 2009; Director, Citibank, N.A. since 2009; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the Investment Manager or Ameriprise Financial. However, he is currently deemed by the Funds to be an "interested person" (as defined in the 1940 Act) of the Funds because he serves as a Director of Citigroup Inc. and Citibank, N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the Funds or accounts advised/managed by the Investment Manager.

Interested Trustee Affiliated with Investment Manager*

Name, Address, Year of Birth	Position Held with Funds and Length of Service	Principal Occupation During Past Five Years	Number of Funds in the Fund Family Overseen by Board Member	Other Present or Past Directorships/ Trusteeships (within Past 5 Years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002 for RiverSource Funds and since 5/10 for Nations Funds	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012, respectively (previously President and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010- September 2012 and President – U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006-August 2012.	183	Former Director, Ameriprise Certificate Company, 2006-January 2013

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the Investment Manager or Ameriprise Financial.

The SAI has additional information about the Fund's Board members and is available, without charge, upon request by calling 800.345.6611 or contacting your financial intermediary.

Trustees and Officers *(continued)*

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel – Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President – Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President – Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President – Asset Management and Trust Company Services, from 2006 to 2009
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President – Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President – Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010

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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 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 – 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. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product 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.

S-6464 D (2/14)

Annual Report

December 31, 2013

ColumbiaManagement®

Columbia Variable Portfolio — Small Cap Value Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. Please contact your financial advisor or insurance representative for more information.

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

Performance Summary

> Columbia Variable Portfolio — Small Cap Value Fund (the Fund) Class 2 shares returned 34.04% for the 12-month period that ended December 31, 2013.

> The Fund slightly underperformed its benchmark, the Russell 2000 Value Index, which returned 34.52% for the same period.

> Positions in the financials, materials and energy sectors aided performance, while technology and consumer discretionary holdings detracted from returns.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	10 Years
Class 1	05/19/98	34.22	17.41	9.28
Class 2	06/01/00	34.04	17.22	9.10
Russell 2000 Value Index		34.52	17.64	8.61

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 financial advisor or insurance representative.

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.

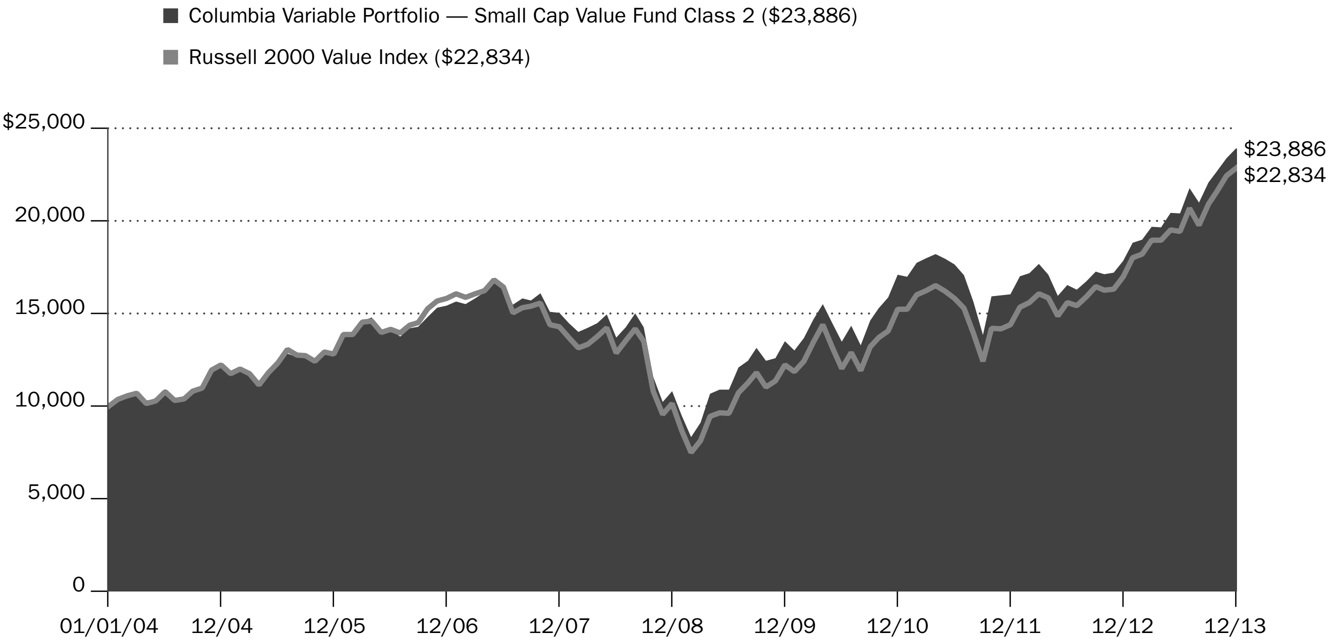
Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but 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, an unmanaged 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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2004 – December 31, 2013)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 2 shares of Columbia Variable Portfolio — Small Cap Value Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period that ended December 31, 2013, the Fund's Class 2 shares returned 34.04%. The Fund slightly underperformed its benchmark, the Russell 2000 Value Index, which returned 34.52% for the same period. The market's rise in 2013 was driven by improving company valuations, bolstered by the Federal Reserve's (the Fed's) program of monthly bond purchases, known as quantitative easing. The portfolio generated excess returns through stock selection, as we identified some high quality stocks that were trading at discounted valuations that appreciated in 2013. Stock picking in the financials, materials and energy sectors provided a powerful boost to the Fund. However, relative returns were restrained by holdings in the technology and consumer discretionary sectors.

U.S. Economy Picked Up Momentum

Steady job growth, a solid rebound in the housing market and increased manufacturing activity drove economic growth steadily higher in 2013. Pent-up demand, low mortgage rates and an improving labor market helped home sales. Foreclosure activity has also trended downward. After a brief pullback midway through the year, manufacturing activity picked up in the late summer and remained strong. Business surveys and recent demand measures suggest that business spending could be poised to pick up. Even though a host of concerns weighed on investors — the impact of tax increases and enforced federal spending cuts, another showdown over the debt ceiling, the possibility of an attack on Syria and uncertainty regarding the Fed's next move on monetary policy — prices on stocks and other riskier assets moved higher as central banks continued to pour liquidity into key markets. These sectors pulled back in July and August after the Fed began to talk about removing some of its support. However, when the Fed postponed its reduced monthly bond purchases to January 2014, and pledged to take a measured approach to its cutbacks, investor enthusiasm was restored and the market rally rebooted. U.S. equities posted their most significant gains since the late 1990s and most bond sectors managed modest positive returns for the year. Equity returns in developed foreign markets also were strong, while emerging stock markets lagged.

Financials, Materials and Energy Aided Returns

Financial names were among the strongest performers for the Fund, with hotel real estate investment trusts (REITs) providing a particularly bright spot. Among top performers was LaSalle Hotel Properties which benefited from an improving economy. The Fund avoided mortgage REITs, which underperformed as interest rates began to rise. Positions in insurance companies also helped results. Deeply discounted in early 2013, American Equity Investment Life Holding more than doubled in value due to equity exposure and management's policy writing prowess. Horace Mann Educators was buoyed by shareholder friendly policies and a successful management transition. Another insurance name, Safety Insurance Group, was acquired during the period.

In materials, metals and mining holdings helped drive returns along with paper and forest product stocks. Frac sand miner U.S. Silica Holdings benefited from growth in demand due to increased well drilling. In the paper and forest area, Buckeye Technologies was acquired by Georgia Pacific. We sold the position.

Several energy names also contributed positively to the Fund's performance. The stock of oilfield service and equipment provider RPC rose over the holding

Portfolio Management

Jeremy Javidi, CFA

John Barrett, CFA

Top Ten Holdings (%) (at December 31, 2013)	
Greif, Inc., Class A	1.3
American Equity Investment Life Holding Co.	1.0
Esterline Technologies Corp.	1.0
Dana Holding Corp.	1.0
Hancock Holding Co.	0.9
Southwest Gas Corp.	0.9
Highwoods Properties, Inc.	0.9
IDACORP, Inc.	0.9
Wintrust Financial Corp.	0.9
Stone Energy Corp.	0.8

Percentages indicated are based upon total investments (excluding Money Market Funds).

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 December 31, 2013)	
Common Stocks	**96.6**
Consumer Discretionary	9.7
Consumer Staples	2.9
Energy	7.6
Financials	34.6
Health Care	4.8
Industrials	14.0
Information Technology	10.6
Materials	5.3
Telecommunication Services	0.7
Utilities	6.4
Exchange-Traded Funds	**0.6**
Money Market Funds	**2.8**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Manager Discussion of Fund Performance *(continued)*

period. The Fund sold the position when it reached its valuation target. Tesco Corporation, which provides oil rig rental equipment, appreciated in value as its market improved globally. Driller Patterson-UTI Energy benefited from efficiencies created by new drilling technology on its rigs.

Technology and Consumer Discretionary Names Detracted

Exposure to the semiconductor industry hurt the Fund's returns, as the sector was out of favor. For example, shares of Silicon Laboratories did not rise along with the market. Nevertheless, we maintained the position as we continue to believe in its high quality product and management team. Two semiconductor makers in the handset area, RF Micro Devices and Cypress Semiconductor, were hurt by a reduced level of consumer interest in the new generation of smartphones.

Several consumer discretionary holdings also detracted from the Fund's results. In the specialty retail area, Pier 1 Imports was affected by weather-related disruptions and weak consumer spending on home decor. Mattress retailer Select Comfort struggled due to the consumer pullback in discretionary spending. The stock price of rural department store retailer Stage Stores was hurt by a fickle consumer and management missteps. The decision not to own media stocks also detracted from the Fund's performance when that sector outperformed as a result of positive merger and acquisition activity. Overall, we still consider media unattractive over our three- to five-year investment cycle.

Looking Ahead

Despite the sharp gain in equity performance in 2013, U.S. economic growth remains modest. Improvement in small-cap business fundamentals currently continues to outpace that of the broader market. At present, we expect the economy to continue to expand in 2014, albeit with opportunities to surprise on the upside as the consumer's balance sheet continues to improve. We currently believe the market's quantitative easing-driven valuation rally is in its late stages. With valuations now reflecting a moderate pace of economic expansion and low bond yields, we expect future returns to be driven by company-specific fundamental improvements, a development that should benefit the Fund's strategy.

We remain focused on finding higher quality stocks at attractive prices from companies with growing cash flow and strong balance sheets that can benefit from a slow growth environment. As valuations have risen in all sectors, there is scarce opportunity to benefit from sector-specific opportunities to find value. In general, our portfolio make-up mimics that of the small cap value market. However, at this point, we have remained underweight in the financials sector, as it represents over 39% of the benchmark. In particular, we continue to limit the portfolio's exposure to business development companies and mortgage REITs, although we have slightly increased our exposure to the latter where we are finding value. Overall, we continue to emphasize quality companies with stable, positive earnings.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service 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.

July 1, 2013 – December 31, 2013

	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	1,173.20	1,021.00	4.87	4.53	0.88
Class 2	1,000.00	1,000.00	1,171.80	1,020.23	5.70	5.30	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 365.

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

December 31, 2013

(Percentages represent value of investments compared to net assets)

Common Stocks 97.3%

Issuer	Shares	Value ($)
Consumer Discretionary 9.8%		
Auto Components 1.8%		
Dana Holding Corp.	190,756	3,742,633
Fuel Systems Solutions, Inc.[(a)]	39,177	543,385
Gentherm, Inc.[(a)]	58,979	1,581,227
Remy International, Inc.	53,189	1,240,367
Total		7,107,612
Distributors —%		
VOXX International Corp.[(a)]	8,975	149,883
Diversified Consumer Services 0.2%		
Universal Technical Institute, Inc.	65,341	908,893
Hotels, Restaurants & Leisure 0.9%		
Del Frisco's Restaurant Group, Inc.[(a)]	41,088	968,444
Life Time Fitness, Inc.[(a)]	50,120	2,355,640
Total		3,324,084
Household Durables 0.9%		
Cavco Industries, Inc.[(a)]	16,366	1,124,344
Helen of Troy Ltd.[(a)]	23,540	1,165,465
UCP Inc., Class A[(a)]	67,740	991,714
Total		3,281,523
Internet & Catalog Retail 0.2%		
PetMed Express, Inc.	49,120	816,866
Leisure Equipment & Products 0.4%		
Smith & Wesson Holding Corp.[(a)]	105,800	1,427,242
Multiline Retail 0.2%		
Tuesday Morning Corp.[(a)]	58,354	931,330
Specialty Retail 2.9%		
Children's Place Retail Stores, Inc. (The)[(a)]	46,860	2,669,614
Destination Maternity Corp.	24,790	740,725
Finish Line, Inc., Class A (The)	80,470	2,266,840
Haverty Furniture Companies, Inc.	44,842	1,403,555
Pier 1 Imports, Inc.	53,830	1,242,396
Select Comfort Corp.[(a)]	40,186	847,523
Shoe Carnival, Inc.	33,425	969,659
Stage Stores, Inc.	47,794	1,061,983
Total		11,202,295
Textiles, Apparel & Luxury Goods 2.3%		
Columbia Sportswear Co.	25,365	1,997,494
Crocs, Inc.[(a)]	71,060	1,131,275
Deckers Outdoor Corp.[(a)]	18,920	1,597,983

Common Stocks *(continued)*

Issuer	Shares	Value ($)
G-III Apparel Group Ltd.[(a)]	22,360	1,649,944
Steven Madden Ltd.[(a)]	64,850	2,372,862
Total		8,749,558
Total Consumer Discretionary		**37,899,286**
Consumer Staples 3.0%		
Food & Staples Retailing 0.6%		
Andersons, Inc. (The)	24,090	2,148,105
Food Products 2.0%		
Chiquita Brands International, Inc.[(a)]	116,300	1,360,710
Darling International, Inc.[(a)]	146,340	3,055,579
Fresh Del Monte Produce, Inc.	105,109	2,974,585
John B. Sanfilippo & Son, Inc.	15,015	370,570
Total		7,761,444
Personal Products 0.4%		
Inter Parfums, Inc.	44,482	1,592,901
Total Consumer Staples		**11,502,450**
Energy 7.6%		
Energy Equipment & Services 3.0%		
Dawson Geophysical Co.[(a)]	41,122	1,390,746
Gulf Island Fabrication, Inc.	50,885	1,181,550
Newpark Resources, Inc.[(a)]	151,621	1,863,422
Patterson-UTI Energy, Inc.	93,870	2,376,788
Tesco Corp.[(a)]	82,050	1,622,949
TGC Industries, Inc.	67,345	491,618
Tidewater, Inc.	47,733	2,829,135
Total		11,756,208
Oil, Gas & Consumable Fuels 4.6%		
Bill Barrett Corp.[(a)]	72,930	1,953,065
Comstock Resources, Inc.	125,750	2,299,968
Energy XXI Bermuda Ltd.	103,740	2,807,204
Forest Oil Corp.[(a)]	531,370	1,918,246
Rex Energy Corp.[(a)]	79,144	1,559,928
Stone Energy Corp.[(a)]	92,229	3,190,201
VAALCO Energy, Inc.[(a)]	221,168	1,523,848
Western Refining, Inc.	30,190	1,280,358
World Fuel Services Corp.	29,700	1,281,852
Total		17,814,670
Total Energy		**29,570,878**

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

Portfolio of Investments *(continued)*
December 31, 2013

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Financials 34.8%		
Capital Markets 0.7%		
GFI Group, Inc.	227,187	888,301
INTL FCStone, Inc.[a]	91,235	1,691,497
Total		2,579,798
Commercial Banks 12.9%		
Ameris Bancorp[a]	97,108	2,049,950
BancFirst Corp.	29,212	1,637,625
BankUnited, Inc.	86,603	2,850,971
Banner Corp.	18,643	835,579
Bridge Bancorp, Inc.	21,240	552,240
Bryn Mawr Bank Corp.	69,211	2,088,788
Capital City Bank Group, Inc.[a]	52,600	619,102
Chemical Financial Corp.	74,629	2,363,500
Columbia Banking System, Inc.	90,649	2,493,754
Community Trust Bancorp, Inc.	48,829	2,205,118
First Citizens BancShares Inc., Class A	7,938	1,767,237
First Commonwealth Financial Corp.	255,328	2,251,993
First Financial Corp.	74,789	2,734,286
First NBC Bank Holding Co.[a]	31,845	1,028,594
FirstMerit Corp.	80,450	1,788,403
Glacier Bancorp, Inc.	34,710	1,034,011
Hancock Holding Co.	93,564	3,431,928
Home Federal Bancorp, Inc.	150,847	2,247,620
Hudson Valley Holding Corp.	43,432	883,841
Investors Bancorp, Inc.	105,743	2,704,906
Merchants Bancshares, Inc.	58,924	1,973,954
Northrim BanCorp, Inc.	73,310	1,923,654
Sterling Bancorp	117,830	1,575,387
Synovus Financial Corp.	445,328	1,603,181
TowneBank	24,070	370,437
Union First Market Bankshares Corp.	56,350	1,398,043
Washington Banking Co.	28,833	511,209
Wintrust Financial Corp.	70,957	3,272,537
Total		50,197,848
Consumer Finance 0.4%		
Cash America International, Inc.	42,599	1,631,542

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Diversified Financial Services 0.9%		
Interactive Brokers Group, Inc., Class A	87,080	2,119,527
Pico Holdings, Inc.[a]	51,079	1,180,436
Total		3,299,963
Insurance 8.4%		
Allied World Assurance Co. Holdings AG	10,410	1,174,352
American Equity Investment Life Holding Co.	143,209	3,777,853
Argo Group International Holdings Ltd.	52,953	2,461,785
Baldwin & Lyons, Inc., Class B	50,828	1,388,621
EMC Insurance Group, Inc.	72,760	2,227,911
Endurance Specialty Holdings Ltd.	47,400	2,780,958
FBL Financial Group, Inc., Class A	29,217	1,308,630
Hanover Insurance Group, Inc. (The)	52,025	3,106,413
Horace Mann Educators Corp.	68,810	2,170,267
Kemper Corp.	52,955	2,164,800
National Western Life Insurance Co., Class A	8,502	1,900,622
Navigators Group, Inc. (The)[a]	22,080	1,394,573
Safety Insurance Group, Inc.	36,275	2,042,283
Symetra Financial Corp.	149,825	2,840,682
United Fire Group, Inc.	61,350	1,758,291
Total		32,498,041
Real Estate Investment Trusts (REITs) 9.0%		
AG Mortgage Investment Trust, Inc.	103,302	1,615,643
Apollo Residential Mortgage, Inc.	90,490	1,337,442
Associated Estates Realty Corp.	95,839	1,538,216
Brandywine Realty Trust	176,320	2,484,349
Campus Crest Communities, Inc.	270,469	2,545,113
Chesapeake Lodging Trust	102,853	2,601,152
Cousins Properties, Inc.	223,691	2,304,017
CYS Investments, Inc.	274,550	2,034,416
Highwoods Properties, Inc.	92,770	3,355,491
LaSalle Hotel Properties	84,200	2,598,412
National Health Investors, Inc.	33,297	1,867,962
Post Properties, Inc.	47,040	2,127,619
Potlatch Corp.	57,457	2,398,255
Sabra Health Care REIT, Inc.	71,670	1,873,454
Sunstone Hotel Investors, Inc.	168,806	2,262,001
Terreno Realty Corp.	118,337	2,094,565
Total		35,038,107

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

Portfolio of Investments *(continued)*
December 31, 2013

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Thrifts & Mortgage Finance 2.5%		
Bank Mutual Corp.	227,680	1,596,037
BankFinancial Corp.	114,338	1,047,336
Brookline Bancorp, Inc.	174,280	1,667,860
MGIC Investment Corp.[a]	139,163	1,174,536
Washington Federal, Inc.	131,515	3,062,984
WSFS Financial Corp.	16,465	1,276,531
Total		9,825,284
Total Financials		**135,070,583**
Health Care 4.8%		
Biotechnology 0.2%		
Ariad Pharmaceuticals, Inc.[a]	124,720	850,590
Health Care Equipment & Supplies 0.8%		
CONMED Corp.	69,385	2,948,863
Health Care Providers & Services 2.4%		
Centene Corp.[a]	26,200	1,544,490
Chemed Corp.	30,673	2,350,165
Ensign Group, Inc. (The)	21,402	947,467
Magellan Health Services, Inc.[a]	43,420	2,601,292
Molina Healthcare, Inc.[a]	59,410	2,064,498
Total		9,507,912
Health Care Technology 0.4%		
Allscripts-Misys Healthcare Solutions, Inc.[a]	109,440	1,691,942
Pharmaceuticals 1.0%		
Impax Laboratories, Inc.[a]	112,920	2,838,809
Supernus Pharmaceuticals, Inc.[a]	136,842	1,031,788
Total		3,870,597
Total Health Care		**18,869,904**
Industrials 14.1%		
Aerospace & Defense 2.0%		
Esterline Technologies Corp.[a]	36,930	3,765,383
KEYW Holding Corp. (The)[a]	146,520	1,969,229
Orbital Sciences Corp.[a]	82,143	1,913,932
Total		7,648,544
Airlines 0.4%		
Skywest, Inc.	115,947	1,719,494

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Building Products 0.5%		
Universal Forest Products, Inc.	35,700	1,861,398
Commercial Services & Supplies 2.1%		
ACCO Brands Corp.[a]	150,241	1,009,620
EnerNOC, Inc.[a]	93,095	1,602,165
Ennis, Inc.	60,592	1,072,478
Steelcase, Inc., Class A	159,100	2,523,326
Unifirst Corp.	18,160	1,943,120
Total		8,150,709
Construction & Engineering 0.2%		
Layne Christensen Co.[a]	56,239	960,562
Electrical Equipment 1.6%		
Brady Corp., Class A	42,950	1,328,444
General Cable Corp.	81,520	2,397,503
GrafTech International Ltd.[a]	213,558	2,398,256
Total		6,124,203
Machinery 5.7%		
Albany International Corp., Class A	39,023	1,402,096
Altra Industrial Motion Corp.	55,987	1,915,875
Briggs & Stratton Corp.	90,581	1,971,043
CIRCOR International, Inc.	29,129	2,353,041
Dynamic Materials Corp.	54,468	1,184,134
EnPro Industries, Inc.[a]	38,496	2,219,294
FreightCar America, Inc.	42,078	1,120,116
Gorman-Rupp Co.	29,826	997,083
Kadant, Inc.	35,946	1,456,532
LB Foster Co., Class A	42,469	2,008,359
Lydall, Inc.[a]	21,266	374,707
Mueller Industries, Inc.	42,684	2,689,519
Titan International, Inc.	87,603	1,575,102
Twin Disc, Inc.	32,738	847,587
Total		22,114,488
Professional Services 0.5%		
Korn/Ferry International[a]	67,814	1,771,302
Road & Rail 1.1%		
Heartland Express, Inc.	106,043	2,080,563
Werner Enterprises, Inc.	87,738	2,169,761
Total		4,250,324
Total Industrials		**54,601,024**

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

Portfolio of Investments *(continued)*
December 31, 2013

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Information Technology 10.6%		
Communications Equipment 0.7%		
Digi International, Inc.[a]	30,936	374,944
Harmonic, Inc.[a]	157,780	1,164,417
Polycom, Inc.[a]	106,440	1,195,321
Total		2,734,682
Electronic Equipment, Instruments & Components 1.9%		
Audience, Inc.[a]	39,060	454,658
GSI Group, Inc.[a]	106,115	1,192,733
Littelfuse, Inc.	19,810	1,840,943
Measurement Specialties, Inc.[a]	27,612	1,675,772
MTS Systems Corp.	18,839	1,342,279
Rofin-Sinar Technologies, Inc.[a]	34,823	940,918
Total		7,447,303
Internet Software & Services 0.5%		
j2 Global, Inc.	37,536	1,877,175
IT Services 1.3%		
Global Cash Access Holdings, Inc.[a]	128,103	1,279,749
MoneyGram International, Inc.[a]	93,501	1,942,951
TeleTech Holdings, Inc.[a]	69,350	1,660,239
Total		4,882,939
Semiconductors & Semiconductor Equipment 4.3%		
Cypress Semiconductor Corp.	69,230	726,915
Entegris, Inc.[a]	192,130	2,228,708
Integrated Device Technology, Inc.[a]	186,220	1,897,582
IXYS Corp.	39,366	510,577
M/A-COM Technology Solutions Holdings, Inc.[a]	51,312	871,791
Microsemi Corp.[a]	47,520	1,185,624
MKS Instruments, Inc.	65,185	1,951,639
OmniVision Technologies, Inc.[a]	56,710	975,412
RF Micro Devices, Inc.[a]	331,070	1,708,321
Silicon Image, Inc.[a]	216,760	1,333,074
Silicon Laboratories, Inc.[a]	34,710	1,503,290
Spansion, Inc., Class A[a]	80,410	1,116,895
Teradyne, Inc.[a]	48,040	846,465
Total		16,856,293
Software 1.9%		
ePlus, Inc.[a]	1,173	66,673
Mentor Graphics Corp.	132,500	3,189,275

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Progress Software Corp.[a]	45,921	1,186,139
PTC, Inc.[a]	55,195	1,953,351
Tangoe, Inc.[a]	62,360	1,123,104
Total		7,518,542
Total Information Technology		**41,316,934**
Materials 5.4%		
Chemicals 3.2%		
A. Schulman, Inc.	54,520	1,922,375
Kraton Performance Polymers, Inc.[a]	74,231	1,711,025
LSB Industries, Inc.[a]	40,948	1,679,687
Olin Corp.	70,077	2,021,721
OM Group, Inc.[a]	71,973	2,620,537
Tronox Ltd., Class A	105,593	2,436,031
Total		12,391,376
Containers & Packaging 1.2%		
Greif, Inc., Class A	91,687	4,804,399
Metals & Mining 1.0%		
Hecla Mining Co.	614,950	1,894,046
Olympic Steel, Inc.	61,841	1,792,152
Total		3,686,198
Total Materials		**20,881,973**
Telecommunication Services 0.7%		
Diversified Telecommunication Services 0.4%		
Cbeyond, Inc.[a]	105,116	725,300
magicJack VocalTec Ltd.[a]	93,980	1,120,242
Total		1,845,542
Wireless Telecommunication Services 0.3%		
Shenandoah Telecommunications Co.	42,044	1,079,269
Total Telecommunication Services		**2,924,811**
Utilities 6.5%		
Electric Utilities 3.1%		
Allete, Inc.	34,219	1,706,844
El Paso Electric Co.	68,530	2,406,088
IDACORP, Inc.	63,740	3,304,282
MGE Energy, Inc.	28,940	1,675,626
Portland General Electric Co.	91,285	2,756,807
Total		11,849,647

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

Portfolio of Investments *(continued)*
December 31, 2013

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Gas Utilities 2.1%		
Laclede Group, Inc. (The)	61,491	2,800,300
Southwest Gas Corp.	60,661	3,391,556
WGL Holdings, Inc.	49,860	1,997,392
Total		8,189,248
Multi-Utilities 1.3%		
Avista Corp.	91,650	2,583,613
Vectren Corp.	69,405	2,463,878
Total		5,047,491
Total Utilities		**25,086,386**
Total Common Stocks (Cost: $316,281,044)		**377,724,229**

Exchange-Traded Funds 0.6%

	Shares	Value ($)
iShares Russell 2000 Value ETF	23,220	2,310,390
Total Exchange-Traded Funds (Cost: $2,228,529)		**2,310,390**

Money Market Funds 2.9%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.094%[b][c]	11,068,316	11,068,316
Total Money Market Funds (Cost: $11,068,316)		**11,068,316**
Total Investments (Cost: $329,577,889)		**391,102,935**
Other Assets & Liabilities, Net		(3,060,427)
Net Assets		**388,042,508**

Notes to Portfolio of Investments

(a) Non-income producing.

(b) The rate shown is the seven-day current annualized yield at December 31, 2013.

(c) 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 year ended December 31, 2013, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	2,182,116	91,980,290	(83,094,090)	11,068,316	7,469	11,068,316

Abbreviation Legend

MGIC Mortgage Guaranty Insurance Corporation

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

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

Portfolio of Investments *(continued)*
December 31, 2013

Fair Value Measurements *(continued)*

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 may 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 overseeing 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 or are not readily available, including recommendations 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)*

December 31, 2013

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

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	37,899,286	—	—	37,899,286
Consumer Staples	11,502,450	—	—	11,502,450
Energy	29,570,878	—	—	29,570,878
Financials	135,070,583	—	—	135,070,583
Health Care	18,869,904	—	—	18,869,904
Industrials	54,601,024	—	—	54,601,024
Information Technology	41,316,934	—	—	41,316,934
Materials	20,881,973	—	—	20,881,973
Telecommunication Services	2,924,811	—	—	2,924,811
Utilities	25,086,386	—	—	25,086,386
Exchange-Traded Funds	2,310,390	—	—	2,310,390
Total Equity Securities	380,034,619	—	—	380,034,619
Mutual Funds				
Money Market Funds	11,068,316	—	—	11,068,316
Total Mutual Funds	11,068,316	—	—	11,068,316
Total	391,102,935	—	—	391,102,935

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

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

December 31, 2013

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $318,509,573)	$380,034,619
Affiliated issuers (identified cost $11,068,316)	11,068,316
Total investments (identified cost $329,577,889)	391,102,935
Receivable for:	
Investments sold	510,067
Capital shares sold	157,989
Dividends	490,699
Reclaims	1,085
Expense reimbursement due from Investment Manager	75,053
Prepaid expenses	2,495
Trustees' deferred compensation plan	43,967
Total assets	392,384,290
Liabilities	
Payable for:	
Investments purchased	2,903,885
Capital shares purchased	952,361
Investment management fees	262,590
Distribution and/or service fees	81,369
Transfer agent fees	19,943
Administration fees	26,592
Compensation of board members	241
Chief compliance officer expenses	51
Other expenses	50,783
Trustees' deferred compensation plan	43,967
Total liabilities	4,341,782
Net assets applicable to outstanding capital stock	**$388,042,508**
Represented by	
Paid-in capital	$278,728,700
Undistributed net investment income	1,755,576
Accumulated net realized gain	46,033,127
Unrealized appreciation (depreciation) on:	
Investments	61,525,046
Foreign currency translations	59
Total — representing net assets applicable to outstanding capital stock	**$388,042,508**

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

Statement of Assets and Liabilities *(continued)*
December 31, 2013

Class 1	
Net assets	$8,083,793
Shares outstanding	395,124
Net asset value per share	$20.46
Class 2	
Net assets	$379,958,715
Shares outstanding	18,632,866
Net asset value per share	$20.39

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

Statement of Operations

Year Ended December 31, 2013

Net investment income	
Income:	
Dividends — unaffiliated issuers	$5,420,805
Dividends — affiliated issuers	7,469
Interest	112
Foreign taxes withheld	(1,163)
Total income	5,427,223
Expenses:	
Investment management fees	2,778,196
Distribution and/or service fees	
Class 2	843,750
Transfer agent fees	
Class 1	8,502
Class 2	202,496
Administration fees	281,339
Compensation of board members	24,796
Custodian fees	23,160
Printing and postage fees	85,603
Professional fees	30,620
Line of credit interest expense	127
Chief compliance officer expenses	203
Other	10,539
Total expenses	4,289,331
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(687,167)
Total net expenses	3,602,164
Net investment income	1,825,059
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	48,733,533
Foreign currency translations	(96)
Net realized gain	48,733,437
Net change in unrealized appreciation (depreciation) on:	
Investments	52,133,263
Foreign currency translations	57
Net change in unrealized appreciation (depreciation)	52,133,320
Net realized and unrealized gain	100,866,757
Net increase in net assets resulting from operations	**$102,691,816**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$1,825,059	$2,876,002
Net realized gain (loss)	48,733,437	(2,463,586)
Net change in unrealized appreciation (depreciation)	52,133,320	32,482,486
Net increase in net assets resulting from operations	102,691,816	32,894,902
Distributions to shareholders		
Net investment income		
Class 1	(81,752)	(92,472)
Class 2	(3,409,393)	(812,331)
Net realized gains		
Class 1	—	(957,894)
Class 2	—	(13,057,096)
Total distributions to shareholders	(3,491,145)	(14,919,793)
Increase (decrease) in net assets from capital stock activity	(30,353,275)	9,989,516
Total increase in net assets	68,847,396	27,964,625
Net assets at beginning of year	319,195,112	291,230,487
Net assets at end of year	**$388,042,508**	**$319,195,112**
Undistributed net investment income	$1,755,576	$3,372,093

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	71,472	1,230,784	122,293	1,852,356
Distributions reinvested	4,395	81,752	74,126	1,050,365
Redemptions	(1,013,265)	(17,843,148)	(581,889)	(9,007,152)
Net decrease	(937,398)	(16,530,612)	(385,470)	(6,104,431)
Class 2 shares				
Subscriptions	1,859,711	34,089,320	2,413,047	36,162,495
Distributions reinvested	183,795	3,409,393	980,865	13,869,426
Redemptions	(2,852,960)	(51,321,376)	(2,257,004)	(33,937,974)
Net increase (decrease)	(809,454)	(13,822,663)	1,136,908	16,093,947
Total net increase (decrease)	**(1,746,852)**	**(30,353,275)**	**751,438**	**9,989,516**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year Ended December 31,				
Class 1	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$15.41	$14.59	$17.53	$14.01	$11.35
Income from investment operations:					
Net investment income	0.11	0.16	0.12	0.13	0.12
Net realized and unrealized gain (loss)	5.14	1.44	(1.04)	3.58	2.70
Total from investment operations	5.25	1.60	(0.92)	3.71	2.82
Less distributions to shareholders:					
Net investment income	(0.20)	(0.07)	(0.17)	(0.19)	(0.14)
Net realized gains	—	(0.71)	(1.85)	—	(0.02)
Total distributions to shareholders	(0.20)	(0.78)	(2.02)	(0.19)	(0.16)
Net asset value, end of period	$20.46	$15.41	$14.59	$17.53	$14.01
Total return	34.22%	11.40%	(5.96%)	26.75%	25.16%
Ratios to average net assets[(a)]					
Total gross expenses	0.98%[(b)]	1.00%	0.98%[(b)]	0.93%[(b)]	0.92%
Total net expenses[(c)]	0.88%[(b)]	0.88%	0.90%[(b)]	0.93%[(b)(d)(e)]	0.92%[(d)]
Net investment income	0.63%	1.06%	0.76%	0.85%	0.99%
Supplemental data					
Net assets, end of period (in thousands)	$8,084	$20,532	$25,058	$29,529	$23,538
Portfolio turnover	58%	49%	32%	39%	43%

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) Ratios include line of credit interest expense which rounds to less than 0.01%.

(c) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

(e) The Investment Manager reimbursed line of credit 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)*

	Year Ended December 31,				
Class 2	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$15.36	$14.54	$17.49	$13.98	$11.31
Income from investment operations:					
Net investment income	0.09	0.14	0.10	0.09	0.10
Net realized and unrealized gain (loss)	5.12	1.43	(1.04)	3.58	2.70
Total from investment operations	5.21	1.57	(0.94)	3.67	2.80
Less distributions to shareholders:					
Net investment income	(0.18)	(0.04)	(0.16)	(0.16)	(0.11)
Net realized gains	—	(0.71)	(1.85)	—	(0.02)
Total distributions to shareholders	(0.18)	(0.75)	(2.01)	(0.16)	(0.13)
Net asset value, end of period	$20.39	$15.36	$14.54	$17.49	$13.98
Total return	34.04%	11.25%	(6.13%)	26.46%	25.00%
Ratios to average net assets[(a)]					
Total gross expenses	1.23%[(b)]	1.25%	1.23%[(b)]	1.18%[(b)]	1.17%
Total net expenses[(c)]	1.03%[(b)]	1.03%	1.05%[(b)]	1.10%[(b)(d)(e)]	1.10%[(e)]
Net investment income	0.51%	0.93%	0.61%	0.61%	0.81%
Supplemental data					
Net assets, end of period (in thousands)	$379,959	$298,663	$266,172	$293,600	$436,346
Portfolio turnover	58%	49%	32%	39%	43%

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) Ratios include line of credit interest expense which rounds to less than 0.01%.

(c) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

(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

December 31, 2013

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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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 and exchange traded funds (ETFs) are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities and ETFs 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 equity 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 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.

Notes to Financial Statements *(continued)*

December 31, 2013

Foreign Currency Transactions and Translations

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.

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 generally 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 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. If the Fund no longer owns the applicable securities, return of capital is recorded as a realized gain. 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.

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 realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

Distributions to Subaccounts

Distributions to the subaccounts of Contracts, Qualified Plans and Qualified Investors are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared and distributed annually. Capital gains distributions, when available will be made annually. However, an additional capital gain distribution may be made during the fiscal year in order to comply with the Internal Revenue Code, as applicable to registered investment companies. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from GAAP. All dividends and

Notes to Financial Statements *(continued)*
December 31, 2013

distributions are reinvested in additional shares of the applicable class of the Fund at the next calculated net asset value after the distribution is paid.

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 investment 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 effective investment management fee rate for the year ended December 31, 2013 was 0.79% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 effective administration fee rate for the year ended December 31, 2013 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 attributable to each share class. 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. 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), for the period disclosed below, 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:

	Fee Rates Contractual through April 30, 2014
Class 1	0.88%
Class 2	1.03

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if

Notes to Financial Statements *(continued)*
December 31, 2013

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 December 31, 2013, these differences are primarily due to differing treatment for deferral/reversal of wash sales losses, Trustees' deferred compensation, foreign currency transactions, passive foreign investment company (PFIC) holdings and re-characterization of distributions for investments. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$49,569
Accumulated net realized gain	(49,569)

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

Year Ended December 31,	2013	2012
Ordinary income	$3,491,145	$2,634,395
Long-term capital gains	—	12,285,398
Total	$3,491,145	$14,919,793

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

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

Undistributed ordinary income	$20,106,959
Undistributed accumulated long-term capital gains	27,936,230
Unrealized appreciation	61,311,018

At December 31, 2013, the cost of investments for federal income tax purposes was $329,791,917 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$69,113,960
Unrealized depreciation	(7,802,942)
Net unrealized appreciation	$61,311,018

For the year ended December 31, 2013, $2,481,019 of capital loss carryforward was utilized.

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 $198,615,575 and $236,601,105, respectively, for the year ended December 31, 2013.

Note 6. Affiliated Money Market Fund

The Fund invests 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 — affiliated issuers" 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 December 31, 2013, three unaffiliated shareholder accounts owned an aggregate of 93.7% 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.

Notes to Financial Statements *(continued)*

December 31, 2013

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. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. Prior to December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. The commitment fee is included in other expenses in the Statement of Operations.

For the year ended December 31, 2013, the average daily loan balance outstanding on days when borrowing existed was $1,900,000 at a weighted average interest rate of 1.20%. Interest expense incurred by the Fund is recorded as line of credit interest expense in the Statement of Operations.

Note 9. Significant Risks

Financial Sector Risk

Sector risk occurs when a fund invests a significant portion of its assets in securities of companies conducting business in a related group of industries within an economic sector. Companies in the same economic sector may be similarly affected by economic, regulatory, political or market events or conditions, making a fund more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly. The Fund may be more susceptible to the particular risks that may affect companies in the financials sector than if it were invested in a wider variety of companies in unrelated sectors.

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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and the Shareholders of Columbia Variable Portfolio — Small Cap Value Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Small Cap Value Fund (the "Fund", a series of Columbia Funds Variable Insurance Trust) at December 31, 2013, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, brokers and transfer agent, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Federal Income Tax Information
(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2013.

Tax Designations:

Dividends Received Deduction	98.93%
Capital Gain Dividend	$29,333,042

Dividends Received Deduction. The percentage of ordinary income dividends paid during the fiscal year that qualifies for the corporate dividends received deduction.

Capital Gain Dividend. The Fund designates as a capital gain dividend the amount reflected above, or if subsequently determined to be different, the net capital gain of such fiscal period. The Fund also designates as capital gain dividends, to the extent necessary to fully distribute such capital gains, earnings and profits distributed to shareholders on the redemption of shares.

Trustees and Officers

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Independent Trustees

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; Chairman (from 2003 to 2010) and CEO (from 2008 to 2010) of Crystal River Capital, Inc. (real estate investment trust); Oversees 52; Jackson Hewitt Tax Service Inc. (tax preparation services) from 2004 to 2011; Student Loan Corporation (student loan provider) from 2005 to 2010; Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Chimerix, Inc. (biopharmaceutical company) since August 1, 2013; Crystal River Capital, Inc. from 2005 to 2010; Parsons Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President — Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 52; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd. (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel — Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director of Marketing, Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 52; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (financial service provider); E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services); Genworth Financial, Inc. (financial and insurance products and services); and University of Oklahoma Foundation
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired. Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington from 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington from 1993 to 2011; Adjunct Professor of Statistics, University of Washington from 1980 to 2011; Associate Editor, Journal of Money, Credit and Banking from September 1993 to 2008; consultant on econometric and statistical matters. Oversees 52; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. General Manager — Global Education Industry from 1994 to 1997, President — Application Systems Division from 1991 to 1994, Chief Financial Officer — US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology). Oversees 52; Enesco Group, Inc. (producer of giftware and home and garden décor products) from 2001 to 2006

Interested Trustee

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012 (previously President and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously, Chief Executive Officer, U.S. Asset Management & President, Annuities, from May 2010 to September 2012 and President — U.S. Asset Management and Chief Investment Officer from 2005 to April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer from 2006 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006 to August 2012; Oversees 183; Director, Ameriprise Certificate Company, 2006-January 2013

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 800.345.6611.

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel — Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006.
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President — Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010.
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010.
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President — Asset Management and Trust Company Services, from 2006 to 2009.
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President — Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President — Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010.
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007.
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010.

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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 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. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product 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.

C-1501 D (2/14)

Annual Report

December 31, 2013

ColumbiaManagement

Columbia Variable Portfolio — Strategic Income Fund

Please remember that you may not buy (nor will you own) shares of the Fund directly. The Fund is available through variable annuity contracts and variable life insurance policies offered by the separate accounts of participating insurance companies as well as qualified pension and retirement plans. Please contact your financial advisor or insurance representative for more information.

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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 — Strategic Income Fund (the Fund) Class 2 shares returned 0.12% for the 12-month period that ended December 31, 2013.

> The Fund slightly outperformed its Blended Benchmark, which returned 0.11% for the same time period.

> The Fund outperformed the Barclays U.S. Government/Credit Bond Index, which returned -2.35% for the same 12-month period.

> Sector allocation and beneficial duration/interest rate positioning helped the Fund to a positive return in a difficult environment for bonds. Duration is a measure of interest rate sensitivity.

Average Annual Total Returns (%) (for period ended December 31, 2013)

	Inception	1 Year	5 Years	10 Years
Class 1	07/05/94	0.37	9.85	6.49
Class 2	06/01/00	0.12	9.60	6.25
Blended Benchmark		0.11	10.03	6.52
Barclays U.S. Government/Credit Bond Index		-2.35	4.40	4.52

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 financial advisor or insurance representative.

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.

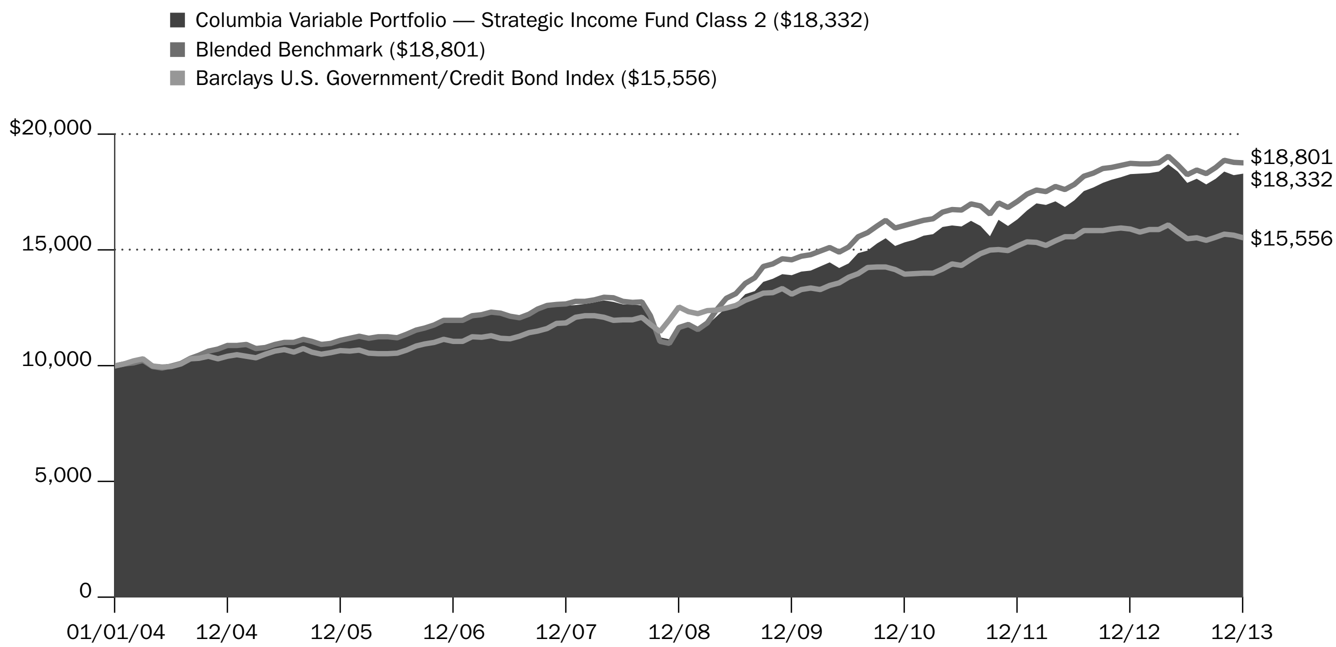
The Blended Benchmark, a weighted custom composite established by the Investment Manager, consists of a 35% weighting of the Barclays U.S. Aggregate Bond Index, a 35% weighting of the Bank of America Merrill Lynch (BofAML) U.S. High Yield Cash Pay Constrained Index, a 15% weighting of the Citigroup Non-U.S. World Government Bond Index — Unhedged (Citigroup Non U.S. WGBI — 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 nonconvertible investment grade debt issues with at least $250 million par amount outstanding and with at least one year to final maturity. The BofAML 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. WGBI — 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 noninstitutional 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 Barclays U.S. Government/Credit Bond Index tracks the performance of U.S. government and corporate bonds rated investment grade or better, with maturities of at least one year.

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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2004 – December 31, 2013)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 2 shares of Columbia Variable Portfolio — Strategic Income Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period that ended December 31, 2013, the Fund's Class 2 shares returned 0.12%. The Fund slightly outperformed its Blended Benchmark, which returned 0.11%, and the Barclays U.S. Government/Credit Bond Index, which returned -2.35% for the same time period. Interest rate calls and related portfolio adjustments allowed the Fund to benefit from rising interest rates and a flatter yield curve later in the year. Sector allocations were also a positive contributor to performance.

Market Conditions

In December, the Federal Reserve (the Fed) announced that it would reduce its monthly bond-buying from $85 billion to $75 billion. Outgoing Fed chairman Ben Bernanke expressed concern about persistently low core inflation, but gains in the labor market and reduced unemployment led to the decision to begin the gradual tapering in January 2014. The evolving policy from the Fed, combined with improved economic data, drove interest rates higher over the year. Credit spreads (the difference in yield between different securities, due to different credit quality) narrowed and the dollar weakened against most developed market currencies. Against this backdrop, most high quality fixed-income sectors delivered negative returns, while more credit sensitive sectors, such as high-yield bonds, posted gains. Investors welcomed reduced tensions in Washington, where an extended budget deal and the President's nomination of Janet Yellen as the new Fed chairman received bipartisan support.

Interest Rate and Sector Positioning Aided Results

An underweight position in foreign government bonds and an overweight in U.S. high-yield bonds added to performance. We utilized Treasury futures and options within the portfolio to manage interest rate risk. Overall, interest rate decisions (i.e., on duration and yield curve) were a positive contributor to performance for the year. We utilized mortgage TBAs to manage exposure within the mortgage-backed securities (MBS) sector. Mortgage TBAs, short for "to-be-announced" securities are a special type of trading of mortgage-backed securities in the secondary market. Overall, security selection in MBS was positive on the year.

Security Selection in Some Markets Disappointed

Security selection was a drag on performance in 2013. Strong security selection in MBS and investment grade corporate bonds was offset by underperformance in foreign developed markets, emerging market bonds and high-yield bonds.

Looking Ahead

During the year, we reduced the portfolio's duration because we expected interest rates to rise. We also reduced exposure to international bonds on the expectation that the dollar would strengthen. We reduced positions in high-yield bank loans following a strong performance in that sector. Conversely, we increased positions in emerging market bonds following disappointing performance in 2013.

At its December meeting, the Fed finally took the action investors had been anticipating since last summer by reducing its asset purchases. With asset purchases winding down, investors are now left to analyze the underlying state of the economy and how that will influence the timing of potential interest rate

Portfolio Management

Colin Lundgren, CFA

Brian Lavin, CFA

Zach Pandl

Gene Tannuzzo, CFA

Portfolio Breakdown (%) (at December 31, 2013)	
Asset-Backed Securities — Non-Agency	**0.1**
Commercial Mortgage-Backed Securities — Non-Agency	**1.9**
Common Stocks	**0.0(a)**
Financials	0.0(a)
Corporate Bonds & Notes	**43.3**
Foreign Government Obligations	**21.8**
Inflation-Indexed Bonds	**1.6**
Money Market Funds	**7.4**
Municipal Bonds	**0.0(a)**
Residential Mortgage-Backed Securities — Agency	**9.5**
Residential Mortgage-Backed Securities — Non-Agency	**6.3**
Senior Loans	**4.4**
Treasury Bills	**0.9**
U.S. Treasury Obligations	**2.8**
Warrants	**0.0(a)**
Energy	0.0(a)
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

(a) Rounds to zero.

Manager Discussion of Fund Performance *(continued)*

hikes in the future. We believe the normalization of interest rates is occurring in two phases. The first phase, which began last year, resulted in higher long-term rates and a very steep yield curve. The second phase, which we expect will begin in 2014, involves short- and intermediate-term interest rates rising as investors prepare for the Fed's next move. We believe this may bring a stronger U.S. dollar compared to developed market currencies. We believe emerging markets, however, are now more attractively priced and likely to benefit from improved global demand. In the U.S. market, we are currently finding opportunities in corporate bonds and mortgage-backed securities, which we believe will be affected less by the Fed's tapering. In today's market, our goal is to maintain an attractive yield profile, diversified by sector, quality and country, with a focus on assets that we believe to offer the best risk-adjusted return potential.

Quality Breakdown (%) (at December 31, 2013)	
AAA rating	15.7
AA rating	1.9
A rating	3.1
BBB rating	19.9
BB rating	19.4
B rating	24.1
CCC rating	7.8
CC rating	0.0[a]
Not rated	8.1
Total	100.0

(a) Rounds to zero.

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 middle rating of Moody's, S&P, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower rating is used. When a rating from only one agency is available, that rating is used. When a bond is not rated by one of these agencies, it is designated as Not rated. Credit ratings are subjective opinions and not statements of fact.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service 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.

July 1, 2013 – December 31, 2013

	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	1,023.40	1,022.07	3.45	3.45	0.67
Class 2	1,000.00	1,000.00	1,023.20	1,020.79	4.74	4.74	0.92

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 365.

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).

Portfolio of Investments

December 31, 2013

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes[a] 44.5%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 0.8%			
ADS Tactical, Inc. Senior Secured[b]			
04/01/18	11.000%	2,608,000	2,425,440
Bombardier, Inc. Senior Notes[b]			
01/15/23	6.125%	1,595,000	1,587,025
Northrop Grumman Corp. Senior Unsecured			
03/15/21	3.500%	3,045,000	3,026,532
Oshkosh Corp.			
03/01/20	8.500%	2,086,000	2,305,030
TransDigm, Inc.			
10/15/20	5.500%	83,000	81,133
Total			9,425,160
Automotive 0.8%			
American Axle & Manufacturing, Inc.			
02/15/19	5.125%	647,000	664,793
03/15/21	6.250%	612,000	650,250
Chrysler Group LLC/Co-Issuer, Inc. Secured			
06/15/21	8.250%	960,000	1,092,000
General Motors Co. Senior Unsecured[b]			
10/02/23	4.875%	1,425,000	1,442,812
Jaguar Land Rover Automotive PLC[b]			
12/15/18	4.125%	735,000	739,594
02/01/23	5.625%	867,000	867,000
Schaeffler Holding Finance BV Senior Secured PIK[b]			
08/15/18	6.875%	1,462,000	1,549,720
Tenneco, Inc.			
08/15/18	7.750%	16,000	17,120
Titan International, Inc. Senior Secured[b]			
10/01/20	6.875%	611,000	636,204
Visteon Corp.			
04/15/19	6.750%	1,829,000	1,943,312
Total			9,602,805
Banking 1.0%			
Ally Financial, Inc.			
03/15/20	8.000%	5,933,000	7,112,184
09/15/20	7.500%	791,000	921,515
BanColombia SA Senior Unsecured			
06/03/21	5.950%	700,000	728,000

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Grupo Aval Ltd.[b]			
09/26/22	4.750%	500,000	461,250
Industrial Senior Trust[b]			
11/01/22	5.500%	400,000	368,000
Synovus Financial Corp. Senior Unsecured			
02/15/19	7.875%	1,564,000	1,759,500
Total			11,350,449
Brokerage 0.3%			
E*TRADE Financial Corp. Senior Unsecured			
11/15/19	6.375%	1,021,000	1,096,299
Nuveen Investments, Inc.[b] Senior Unsecured			
10/15/17	9.125%	720,000	720,000
10/15/20	9.500%	1,391,000	1,394,477
Total			3,210,776
Building Materials 0.8%			
Allegion US Holding Co., Inc.[b]			
10/01/21	5.750%	789,000	820,560
American Builders & Contractors Supply Co., Inc. Senior Unsecured[b]			
04/15/21	5.625%	1,704,000	1,708,260
Building Materials Corp. of America Senior Notes[b]			
05/01/21	6.750%	1,355,000	1,466,787
Gibraltar Industries, Inc.			
02/01/21	6.250%	272,000	279,480
HD Supply, Inc.			
07/15/20	7.500%	1,895,000	2,041,862
07/15/20	11.500%	500,000	596,875
Interface, Inc.			
12/01/18	7.625%	536,000	576,200
Nortek, Inc.			
04/15/21	8.500%	786,000	870,495
Turkiye Sise ve Cam Fabrikalari AS Senior Unsecured[b]			
05/09/20	4.250%	1,600,000	1,391,043
USG Corp.[b]			
11/01/21	5.875%	325,000	338,813
Total			10,090,375
Chemicals 1.3%			
Celanese U.S. Holdings LLC			
10/15/18	6.625%	8,000	8,540
06/15/21	5.875%	354,000	377,010

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Chemtura Corp.			
07/15/21	5.750%	235,000	238,231
Huntsman International LLC			
11/15/20	4.875%	1,415,000	1,393,775
JM Huber Corp.			
Senior Notes[b]			
11/01/19	9.875%	1,175,000	1,348,313
LYB International Finance BV			
07/15/23	4.000%	590,000	582,362
Momentive Performance Materials, Inc.			
Senior Secured			
10/15/20	8.875%	1,938,000	2,039,745
10/15/20	10.000%	192,000	201,120
NOVA Chemicals Corp.			
Senior Unsecured[b]			
08/01/23	5.250%	584,000	601,520
PQ Corp.			
Secured[b]			
05/01/18	8.750%	5,160,000	5,579,250
Polypore International, Inc.			
11/15/17	7.500%	1,025,000	1,083,938
Rockwood Specialties Group, Inc.			
10/15/20	4.625%	429,000	438,116
SPCM SA			
Senior Unsecured[b]			
01/15/22	6.000%	202,000	213,110
Sibur Securities Ltd.[b]			
01/31/18	3.914%	750,000	727,310
U.S. Coatings Acquisition, Inc./Axalta Coating Systems Dutch Holding B BV[b]			
05/01/21	7.375%	880,000	938,300
Total			15,770,640
Construction Machinery 1.0%			
Ashtead Capital, Inc.			
Secured[b]			
07/15/22	6.500%	745,000	791,562
Case New Holland, Inc.			
12/01/17	7.875%	4,612,000	5,442,160
Columbus McKinnon Corp.			
02/01/19	7.875%	381,000	410,528
H&E Equipment Services, Inc.			
09/01/22	7.000%	1,541,000	1,679,690
Neff Rental LLC/Finance Corp.			
Secured[b]			
05/15/16	9.625%	1,534,000	1,614,535
United Rentals North America, Inc.			
04/15/22	7.625%	1,445,000	1,605,756

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Secured			
07/15/18	5.750%	777,000	830,419
Total			12,374,650
Consumer Cyclical Services 0.7%			
APX Group, Inc.			
12/01/20	8.750%	1,635,000	1,667,700
Senior Secured			
12/01/19	6.375%	2,655,000	2,694,825
APX Group, Inc.[b]			
12/01/20	8.750%	575,000	585,063
Corrections Corp. of America			
05/01/23	4.625%	1,093,000	1,030,152
Goodman Networks, Inc.[b]			
Senior Secured			
07/01/18	12.125%	506,000	536,360
07/01/18	13.125%	1,035,000	1,097,100
Monitronics International, Inc.			
04/01/20	9.125%	946,000	1,005,125
Total			8,616,325
Consumer Products 0.6%			
Alphabet Holding Co., Inc.			
Senior Unsecured[b]			
11/01/17	7.750%	632,000	651,750
Libbey Glass, Inc.			
Senior Secured			
05/15/20	6.875%	390,000	421,200
Revlon Consumer Products Corp.			
02/15/21	5.750%	896,000	883,680
Serta Simmons Holdings LLC			
Senior Unsecured[b]			
10/01/20	8.125%	1,863,000	2,021,355
Spectrum Brands Escrow Corp.[b]			
11/15/20	6.375%	829,000	884,957
11/15/22	6.625%	281,000	298,914
Spectrum Brands, Inc.			
03/15/20	6.750%	309,000	332,561
Springs Window Fashions LLC			
Senior Secured[b]			
06/01/21	6.250%	1,453,000	1,465,714
Tempur Sealy International, Inc.			
12/15/20	6.875%	308,000	335,720
Total			7,295,851
Diversified Manufacturing 0.5%			
Actuant Corp.			
06/15/22	5.625%	610,000	617,625

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Amsted Industries, Inc. Senior Notes[b]			
03/15/18	8.125%	1,070,000	1,123,500
Gardner Denver, Inc. Senior Unsecured[b]			
08/15/21	6.875%	1,273,000	1,269,818
Hamilton Sundstrand Corp. Senior Unsecured[b]			
12/15/20	7.750%	1,252,000	1,327,120
Metalloinvest Finance Ltd.[b]			
07/21/16	6.500%	1,000,000	1,055,733
Total			5,393,796
Electric 1.5%			
AES Corp. (The) Senior Unsecured			
07/01/21	7.375%	959,000	1,081,273
Calpine Corp.[b] Senior Secured			
02/15/21	7.500%	1,420,000	1,554,900
01/15/22	6.000%	123,000	125,768
Companhia de Eletricidade do Estad			
04/27/16	11.750% BRL	1,837,000	743,599
Dominion Resources, Inc. Senior Unsecured			
03/15/21	4.450%	1,700,000	1,802,396
Duke Energy Corp. Senior Unsecured			
09/15/21	3.550%	175,000	175,043
08/15/22	3.050%	3,642,000	3,459,346
GenOn Energy, Inc. Senior Unsecured			
10/15/20	9.875%	1,175,000	1,304,250
Oncor Electric Delivery Co. LLC Senior Secured			
06/01/42	5.300%	1,460,000	1,518,090
PPL Capital Funding, Inc.			
06/01/23	3.400%	2,475,000	2,302,968
Progress Energy, Inc. Senior Unsecured			
04/01/22	3.150%	2,230,000	2,147,180
Southern California Edison Co. 1st Refunding Mortgage			
06/01/21	3.875%	1,330,000	1,397,167
Xcel Energy, Inc. Senior Unsecured			
05/15/20	4.700%	525,000	576,175
Total			18,188,155

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Entertainment 0.5%			
AMC Entertainment, Inc.			
06/01/19	8.750%	820,000	876,375
12/01/20	9.750%	752,000	860,100
Activision Blizzard, Inc.[b]			
09/15/21	5.625%	2,661,000	2,754,135
Cedar Fair LP/Canada's Wonderland Co./ Magnum Management Corp.			
03/15/21	5.250%	1,000,000	987,500
Six Flags, Inc.[b][c][d][e]			
06/01/14	9.625%	95,000	—
Total			5,478,110
Environmental 0.1%			
Clean Harbors, Inc.			
08/01/20	5.250%	550,000	566,500
Corp. Azucarera del Peru SA[b]			
08/02/22	6.375%	500,000	444,587
Total			1,011,087
Food and Beverage 1.1%			
ARAMARK Corp.[b]			
03/15/20	5.750%	1,060,000	1,107,700
B&G Foods, Inc.			
06/01/21	4.625%	1,733,000	1,663,680
ConAgra Foods, Inc. Senior Unsecured			
09/15/22	3.250%	2,025,000	1,899,213
Constellation Brands, Inc. Senior Unsecured			
05/01/21	3.750%	471,000	442,740
05/01/23	4.250%	1,072,000	999,640
Cosan Luxembourg SA[b]			
03/14/23	5.000%	200,000	177,614
Cott Beverages, Inc.			
09/01/18	8.125%	1,150,000	1,242,000
Darling Escrow Corp. Senior Unsecured[b][f]			
01/15/22	5.375%	1,354,000	1,364,155
Heineken NV Senior Unsecured[b]			
04/01/22	3.400%	1,700,000	1,659,751
MHP SA[b]			
04/02/20	8.250%	2,100,000	1,863,299
SABMiller Holdings, Inc.[b]			
01/15/22	3.750%	1,045,000	1,048,898
Total			13,468,690

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gaming 1.4%			
Boyd Gaming Corp.			
07/01/20	9.000%	188,000	205,860
Caesars Entertainment Operating Co., Inc.			
Senior Secured			
02/15/20	8.500%	1,159,000	1,115,538
02/15/20	9.000%	2,154,000	2,094,765
MGM Resorts International			
03/01/18	11.375%	901,000	1,144,270
10/01/20	6.750%	176,000	188,320
12/15/21	6.625%	2,959,000	3,129,142
PNK Finance Corp.[b]			
08/01/21	6.375%	2,427,000	2,481,607
Penn National Gaming, Inc.			
Senior Unsecured[b]			
11/01/21	5.875%	571,000	565,290
Seminole Tribe of Florida, Inc.[b]			
Senior Secured			
10/01/20	6.535%	65,000	71,175
Senior Unsecured			
10/01/20	7.804%	135,000	142,451
Seneca Gaming Corp.[b]			
12/01/18	8.250%	1,340,000	1,440,500
Studio City Finance Ltd.[b]			
12/01/20	8.500%	1,660,000	1,850,900
SugarHouse HSP Gaming LP/Finance Corp.			
Senior Secured[b]			
06/01/21	6.375%	1,470,000	1,418,550
Tunica-Biloxi Gaming Authority			
Senior Unsecured[b]			
11/15/15	9.000%	923,000	829,546
Total			16,677,914
Gas Pipelines 3.0%			
Access Midstream Partners LP/Finance Corp.			
04/15/21	5.875%	787,000	838,155
05/15/23	4.875%	1,388,000	1,339,420
Crestwood Midstream Partners LP/Corp.[b]			
03/01/22	6.125%	490,000	502,250
El Paso LLC			
Senior Secured			
09/15/20	6.500%	3,024,000	3,221,398
01/15/32	7.750%	3,244,000	3,292,835
Hiland Partners LP/Finance Corp.[b]			
10/01/20	7.250%	3,859,000	4,138,777
Kinder Morgan Energy Partners LP			
Senior Unsecured			
09/15/20	5.300%	650,000	717,028
02/15/23	3.450%	725,000	673,410

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,102,000	1,173,630
02/15/23	5.500%	1,174,000	1,182,805
07/15/23	4.500%	2,558,000	2,398,125
NiSource Finance Corp.			
02/15/23	3.850%	900,000	866,018
Regency Energy Partners LP/Finance Corp.			
09/01/20	5.750%	1,359,000	1,403,167
07/15/21	6.500%	1,813,000	1,921,780
11/01/23	4.500%	1,259,000	1,145,690
Sabine Pass Liquefaction LLC[b]			
Senior Secured			
02/01/21	5.625%	975,000	953,063
03/15/22	6.250%	447,000	443,648
04/15/23	5.625%	1,292,000	1,208,020
Southern Natural Gas Co. LLC			
Senior Unsecured[b]			
04/01/17	5.900%	4,160,000	4,662,029
Southern Star Central Corp.			
Senior Unsecured			
03/01/16	6.750%	1,785,000	1,796,156
TransCanada PipeLines Ltd.			
Senior Unsecured			
10/16/43	5.000%	360,000	354,760
Transcontinental Gas Pipe Line Co. LLC			
Senior Unsecured			
08/01/42	4.450%	1,190,000	1,058,729
Total			35,290,893
Health Care 2.7%			
Amsurg Corp.			
11/30/20	5.625%	419,000	435,760
Biomet, Inc.			
08/01/20	6.500%	1,706,000	1,791,300
10/01/20	6.500%	655,000	674,650
ConvaTec Finance International SA			
Senior Unsecured PIK[b]			
01/15/19	8.250%	1,033,000	1,057,534
ConvaTec Healthcare E SA			
Senior Unsecured[b]			
12/15/18	10.500%	2,150,000	2,416,062
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	1,848,000	1,871,100
Emdeon, Inc.			
12/31/19	11.000%	1,275,000	1,472,625
Fresenius Medical Care U.S. Finance II, Inc.[b]			
07/31/19	5.625%	386,000	416,880
01/31/22	5.875%	801,000	845,055
Fresenius Medical Care U.S. Finance, Inc.[b]			
09/15/18	6.500%	163,000	184,190

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
HCA Holdings, Inc.			
Senior Unsecured			
02/15/21	6.250%	621,000	649,721
HCA, Inc.			
02/15/22	7.500%	2,400,000	2,634,000
05/01/23	5.875%	1,340,000	1,323,250
Senior Secured			
02/15/20	6.500%	1,831,000	2,011,811
05/01/23	4.750%	795,000	747,300
Healthcare Technology Intermediate, Inc.			
Senior Unsecured PIK[b]			
09/01/18	7.375%	133,000	137,988
IMS Health, Inc.			
Senior Unsecured[b]			
11/01/20	6.000%	586,000	622,625
Kinetic Concepts, Inc./KCI U.S.A., Inc.			
Secured			
11/01/18	10.500%	505,000	580,750
LifePoint Hospitals, Inc.[b]			
12/01/21	5.500%	897,000	905,970
MPH Intermediate Holding Co. 2			
Senior Unsecured PIK[b]			
08/01/18	8.375%	754,000	784,160
Multiplan, Inc.[b]			
09/01/18	9.875%	2,093,000	2,302,300
Physio-Control International, Inc.			
Senior Secured[b]			
01/15/19	9.875%	951,000	1,065,120
STHI Holding Corp.			
Secured[b]			
03/15/18	8.000%	403,000	431,210
Tenet Healthcare Corp.			
Senior Secured			
04/01/21	4.500%	1,919,000	1,818,252
Senior Unsecured			
04/01/22	8.125%	2,000,000	2,155,000
Tenet Healthcare Corp.[b]			
Senior Secured			
10/01/20	6.000%	1,443,000	1,511,543
United Surgical Partners International, Inc.			
04/01/20	9.000%	680,000	761,600
Total			31,607,756
Home Construction 0.4%			
Brookfield Residential Properties, Inc. /U.S. Corp.[b]			
07/01/22	6.125%	373,000	374,865
Meritage Homes Corp.			
03/01/18	4.500%	575,000	572,125
04/01/22	7.000%	691,000	730,733
Meritage Homes Corp.[b]			
04/15/20	7.150%	367,000	396,360
Shea Homes LP/Funding Corp.			
Senior Secured			
05/15/19	8.625%	706,000	781,895
Taylor Morrison Communities, Inc./Monarch, Inc.[b]			
04/15/20	7.750%	180,000	198,000
04/15/20	7.750%	706,000	776,600
Woodside Homes Co. LLC/Finance, Inc.			
Senior Unsecured[b]			
12/15/21	6.750%	468,000	469,170
Total			4,299,748
Independent Energy 5.5%			
Afren PLC			
Senior Secured[b]			
12/09/20	6.625%	1,794,000	1,796,373
Antero Resources Finance Corp.[b]			
11/01/21	5.375%	649,000	655,490
Athlon Holdings LP/Finance Corp.[b]			
04/15/21	7.375%	1,330,000	1,396,500
Aurora U.S.A. Oil & Gas, Inc.[b]			
04/01/20	7.500%	1,899,000	1,955,970
Canadian Oil Sands Ltd.[b]			
04/01/22	4.500%	1,475,000	1,485,447
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	1,083,000	1,172,348
Chesapeake Energy Corp.			
08/15/20	6.625%	1,355,000	1,514,213
02/15/21	6.125%	2,851,000	3,057,697
03/15/23	5.750%	2,086,000	2,148,580
Comstock Resources, Inc.			
06/15/20	9.500%	2,302,000	2,578,240
Concho Resources, Inc.			
01/15/21	7.000%	875,000	962,500
01/15/22	6.500%	1,430,000	1,547,975
04/01/23	5.500%	1,141,000	1,175,230
Continental Resources, Inc.			
04/01/21	7.125%	1,598,000	1,811,732
09/15/22	5.000%	3,282,000	3,409,177
EP Energy LLC/Everest Acquisition Finance, Inc.			
09/01/22	7.750%	1,207,000	1,351,840
Senior Secured			
05/01/19	6.875%	1,175,000	1,264,594
EP Energy LLC/Finance, Inc.			
Senior Unsecured			
05/01/20	9.375%	931,000	1,074,141
Kodiak Oil & Gas Corp.			
12/01/19	8.125%	1,539,000	1,708,290

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
01/15/21	5.500%	2,222,000	2,216,445
02/01/22	5.500%	2,283,000	2,271,585
Laredo Petroleum, Inc.			
02/15/19	9.500%	2,975,000	3,324,562
05/01/22	7.375%	856,000	928,760
MEG Energy Corp.[b]			
01/30/23	6.375%	674,000	678,213
03/31/24	7.000%	905,000	916,313
Novatek Finance Ltd.[b] Senior Unsecured			
02/21/17	7.750% RUB	47,000,000	1,432,192
02/03/21	6.604%	2,000,000	2,177,205
Oasis Petroleum, Inc.			
02/01/19	7.250%	1,990,000	2,139,250
11/01/21	6.500%	1,254,000	1,341,780
01/15/23	6.875%	443,000	471,795
Oasis Petroleum, Inc.[b]			
03/15/22	6.875%	991,000	1,050,460
Plains Exploration & Production Co.			
11/15/20	6.500%	2,329,000	2,572,101
QEP Resources, Inc. Senior Unsecured			
03/01/21	6.875%	1,145,000	1,228,013
10/01/22	5.375%	1,697,000	1,637,605
05/01/23	5.250%	3,166,000	2,968,125
SM Energy Co. Senior Unsecured			
11/15/21	6.500%	621,000	658,260
01/01/23	6.500%	405,000	424,744
SM Energy Co.[b] Senior Unsecured			
01/15/24	5.000%	806,000	767,715
Whiting Petroleum Corp.			
10/01/18	6.500%	74,000	78,625
03/15/21	5.750%	1,204,000	1,246,140
Zhaikmunai LLP			
11/13/19	7.125%	1,961,000	2,051,598
Total			64,647,823
Integrated Energy 0.1%			
Lukoil International Finance BV[b]			
11/09/20	6.125%	1,200,000	1,299,512
Lodging 0.5%			
Choice Hotels International, Inc.			
07/01/22	5.750%	431,000	449,856
Hilton Worldwide Finance/Corp.[b]			
10/15/21	5.625%	3,279,000	3,401,962

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Playa Resorts Holding BV Senior Unsecured[b]			
08/15/20	8.000%	2,212,000	2,348,785
Total			6,200,603
Media Cable 1.1%			
CCO Holdings LLC/Capital Corp.			
09/30/22	5.250%	577,000	538,774
CSC Holdings, Inc. Senior Unsecured			
11/15/21	6.750%	2,753,000	2,973,240
Cequel Communications Holdings I LLC/Capital Corp. Senior Unsecured[b]			
09/15/20	6.375%	849,000	870,225
DISH DBS Corp.			
09/01/19	7.875%	2,212,000	2,532,740
06/01/21	6.750%	1,089,000	1,154,340
07/15/22	5.875%	1,475,000	1,475,000
Quebecor Media, Inc. Senior Unsecured			
01/15/23	5.750%	2,260,000	2,186,550
Time Warner Cable, Inc.			
09/15/42	4.500%	15,000	11,363
Videotron Ltd.			
07/15/22	5.000%	7,000	6,843
Virgin Media Secured Finance PLC Senior Secured[b]			
04/15/21	5.375%	1,420,000	1,423,550
WaveDivision Escrow LLC/Corp. Senior Unsecured[b]			
09/01/20	8.125%	27,000	28,620
Total			13,201,245
Media Non-Cable 3.3%			
AMC Networks, Inc.			
07/15/21	7.750%	2,826,000	3,186,315
12/15/22	4.750%	1,333,000	1,269,682
British Sky Broadcasting Group PLC[b]			
11/26/22	3.125%	2,735,000	2,546,383
Clear Channel Communications, Inc. Senior Secured			
03/01/21	9.000%	2,613,000	2,639,130
Clear Channel Worldwide Holdings, Inc.			
03/15/20	7.625%	2,299,000	2,416,824
11/15/22	6.500%	709,000	718,749
11/15/22	6.500%	2,647,000	2,703,249
DigitalGlobe, Inc.[b]			
02/01/21	5.250%	1,720,000	1,677,000

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gannett Co., Inc.[b]			
10/15/19	5.125%	730,000	760,113
Hughes Satellite Systems Corp.			
06/15/21	7.625%	605,000	674,575
Senior Secured			
06/15/19	6.500%	2,203,000	2,384,747
Intelsat Jackson Holdings SA			
Senior Unsecured			
04/01/21	7.500%	680,000	749,700
Intelsat Jackson Holdings SA[b]			
08/01/23	5.500%	833,000	792,391
Intelsat Luxembourg SA[b]			
06/01/21	7.750%	867,000	929,858
06/01/23	8.125%	1,235,000	1,321,450
Lamar Media Corp.			
05/01/23	5.000%	1,420,000	1,349,000
MDC Partners, Inc.[b]			
04/01/20	6.750%	1,402,000	1,466,842
NBCUniversal Media LLC			
04/01/21	4.375%	1,195,000	1,264,814
Nielsen Finance Co. SARL (The)[b]			
10/01/21	5.500%	1,175,000	1,198,500
Nielsen Finance LLC/Co.			
10/01/20	4.500%	2,207,000	2,146,307
Reed Elsevier Capital, Inc.			
10/15/22	3.125%	980,000	906,259
Starz LLC/Finance Corp.			
09/15/19	5.000%	237,000	242,333
Univision Communications, Inc.[b]			
05/15/21	8.500%	825,000	911,625
Senior Secured			
11/01/20	7.875%	1,930,000	2,132,650
09/15/22	6.750%	228,000	249,660
05/15/23	5.125%	2,557,000	2,553,804
Total			39,191,960
Metals 1.8%			
Alpha Natural Resources, Inc.			
04/15/18	9.750%	567,000	601,020
06/01/19	6.000%	115,000	99,475
06/01/21	6.250%	676,000	577,980
ArcelorMittal			
Senior Unsecured			
03/01/21	6.000%	975,000	1,033,500
02/25/22	6.750%	3,516,000	3,828,337
Arch Coal, Inc.			
06/15/19	9.875%	1,145,000	1,019,050
06/15/21	7.250%	69,000	52,785
Arch Coal, Inc.[b]			
Secured			
01/15/19	8.000%	1,494,000	1,490,265
CONSOL Energy, Inc.			
03/01/21	6.375%	62,000	64,015
Calcipar SA			
Senior Secured[b]			
05/01/18	6.875%	1,709,000	1,811,540
FMG Resources August 2006 Proprietary Ltd.[b]			
11/01/19	8.250%	325,000	365,219
FQM Akubra, Inc.[b]			
06/01/20	8.750%	2,245,000	2,435,825
06/01/21	7.500%	546,000	570,570
JMC Steel Group, Inc.			
Senior Notes[b]			
03/15/18	8.250%	1,719,000	1,736,190
Peabody Energy Corp.			
11/15/18	6.000%	438,000	466,470
Samarco Mineracao SA[b]			
Senior Unsecured			
11/01/22	4.125%	750,000	671,459
10/24/23	5.750%	2,800,000	2,772,000
Vale Overseas Ltd.			
01/11/22	4.375%	1,300,000	1,263,071
Total			20,858,771
Non-Captive Consumer 0.3%			
Provident Funding Associates LP/PFG Finance Corp.[b]			
06/15/21	6.750%	1,468,000	1,460,660
Springleaf Finance Corp.			
Senior Unsecured			
12/15/17	6.900%	948,000	1,035,690
10/01/21	7.750%	722,000	779,760
10/01/23	8.250%	498,000	540,330
Total			3,816,440
Non-Captive Diversified 1.1%			
Air Lease Corp.			
03/01/20	4.750%	838,000	870,472
CIT Group, Inc.			
Senior Unsecured			
05/15/20	5.375%	900,000	956,250
08/15/22	5.000%	435,000	424,125
CIT Group, Inc.[b]			
Senior Secured			
04/01/18	6.625%	1,415,000	1,591,875
Senior Unsecured			
02/15/19	5.500%	3,246,000	3,497,565

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
International Lease Finance Corp.			
Senior Unsecured			
04/15/18	3.875%	377,000	377,943
04/01/19	5.875%	359,000	382,335
05/15/19	6.250%	533,000	576,972
12/15/20	8.250%	2,026,000	2,370,420
04/15/21	4.625%	945,000	902,475
01/15/22	8.625%	1,094,000	1,292,837
Total			13,243,269
Oil Field Services 0.7%			
Atwood Oceanics, Inc.			
Senior Unsecured			
02/01/20	6.500%	3,286,000	3,507,805
Oil States International, Inc.			
06/01/19	6.500%	1,286,000	1,367,982
01/15/23	5.125%	709,000	799,398
Pacific Drilling SA			
Senior Secured[(b)]			
06/01/20	5.375%	2,053,000	2,063,265
Total			7,738,450
Other Financial Institutions 0.1%			
FTI Consulting, Inc.			
11/15/22	6.000%	328,000	332,100
Patriot Merger Corp.			
Senior Unsecured[(b)]			
07/15/21	9.000%	409,000	427,405
Total			759,505
Other Industry 0.2%			
Interline Brands, Inc.			
11/15/18	7.500%	1,397,000	1,480,820
Unifrax I LLC/Holding Co.[(b)]			
02/15/19	7.500%	560,000	579,600
Total			2,060,420
Packaging 0.7%			
Berry Plastics Corp.			
Secured			
01/15/21	9.750%	810,000	937,575
Beverage Packaging Holdings (Luxembourg) II SA[(b)]			
12/15/16	5.625%	346,000	352,920
06/15/17	6.000%	205,000	207,563
Plastipak Holdings, Inc.			
Senior Unsecured[(b)]			
10/01/21	6.500%	1,515,000	1,568,025
Reynolds Group Issuer, Inc. LLC			
Senior Secured			
10/15/20	5.750%	155,000	158,100

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Reynolds Group Issuer, Inc./LLC			
08/15/19	9.875%	2,358,000	2,623,275
02/15/21	8.250%	1,360,000	1,451,800
Senior Secured			
08/15/19	7.875%	836,000	923,780
Sealed Air Corp.[(b)]			
09/15/21	8.375%	384,000	435,840
Total			8,658,878
Paper 0.2%			
Graphic Packaging International, Inc.			
04/15/21	4.750%	1,934,000	1,909,825
Pharmaceuticals 0.6%			
Capsugel SA			
Senior Unsecured PIK[(b)]			
05/15/19	7.000%	395,000	400,475
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured[(b)]			
12/01/19	9.500%	435,000	489,375
Valeant Pharmaceuticals International, Inc.[(b)]			
12/01/21	5.625%	529,000	534,290
Senior Unsecured			
07/15/21	7.500%	2,472,000	2,713,020
Valeant Pharmaceuticals International[(b)]			
10/15/20	6.375%	1,657,000	1,746,064
Senior Unsecured			
08/15/18	6.750%	786,000	863,617
Total			6,746,841
Property & Casualty 0.7%			
HUB International Ltd.			
Senior Unsecured[(b)]			
10/01/21	7.875%	2,095,000	2,152,612
Liberty Mutual Group, Inc.[(b)]			
05/01/22	4.950%	3,310,000	3,422,580
06/15/23	4.250%	3,260,000	3,147,631
Total			8,722,823
REITs 0.1%			
CyrusOne LP/Finance Corp.			
11/15/22	6.375%	824,000	852,840
Restaurants 0.3%			
Yum! Brands, Inc.			
Senior Unsecured			
11/01/20	3.875%	575,000	581,139
11/01/21	3.750%	970,000	959,855
11/01/23	3.875%	2,420,000	2,340,839
Total			3,881,833

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Retailers 0.9%			
AutoNation, Inc.			
02/01/20	5.500%	88,000	94,600
Burlington Coat Factory Warehouse Corp.			
02/15/19	10.000%	1,005,000	1,131,881
Burlington Holdings LLC/Finance, Inc.			
Senior Unsecured PIK[b]			
02/15/18	9.000%	390,000	399,750
Claire's Stores, Inc.			
Senior Secured[b]			
03/15/20	6.125%	641,000	618,565
J. Crew Group, Inc.			
Senior Unsecured PIK[b]			
05/01/19	7.750%	688,000	703,480
Jo-Ann Stores, Inc.			
Senior Unsecured[b]			
03/15/19	8.125%	732,000	765,855
L Brands, Inc.			
02/15/22	5.625%	2,686,000	2,746,435
Michaels Stores, Inc.[b]			
12/15/20	5.875%	397,000	398,985
Neiman Marcus Group Ltd., Inc. PIK[b]			
10/15/21	8.750%	350,000	366,625
Neiman Marcus Group Ltd., Inc.[b]			
10/15/21	8.000%	421,000	439,945
Rite Aid Corp.			
06/15/21	6.750%	2,270,000	2,380,662
Senior Unsecured			
02/15/27	7.700%	359,000	370,668
Total			10,417,451
Technology 2.6%			
Alliance Data Systems Corp.[b]			
12/01/17	5.250%	828,000	859,050
04/01/20	6.375%	602,000	630,595
Ancestry.com, Inc.			
Senior Unsecured PIK[b]			
10/15/18	9.625%	702,000	726,570
Anixter, Inc.			
05/01/19	5.625%	302,000	317,855
Audatex North America, Inc.[b]			
06/15/21	6.000%	474,000	496,515
11/01/23	6.125%	474,000	488,220
Brocade Communications Systems, Inc.			
Senior Secured			
01/15/20	6.875%	864,000	926,640
CDW LLC/Finance Corp.			
04/01/19	8.500%	1,217,000	1,347,827

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Cardtronics, Inc.			
09/01/18	8.250%	1,143,000	1,228,725
DuPont Fabros Technology LP			
09/15/21	5.875%	480,000	495,600
Equinix, Inc.			
Senior Unsecured			
04/01/20	4.875%	398,000	396,010
07/15/21	7.000%	510,000	557,175
04/01/23	5.375%	1,870,000	1,827,925
First Data Corp.			
01/15/21	12.625%	2,147,000	2,520,041
First Data Corp.[b]			
08/15/21	11.750%	1,095,000	1,155,225
Secured			
01/15/21	8.250%	2,150,000	2,287,062
Senior Secured			
06/15/19	7.375%	1,433,000	1,533,310
08/15/20	8.875%	2,055,000	2,273,344
First Data Corp.[b][f]			
08/15/21	11.750%	754,000	795,470
Freescale Semiconductor, Inc.			
Senior Secured[b]			
01/15/22	6.000%	1,650,000	1,670,625
Interactive Data Corp.			
08/01/18	10.250%	1,525,000	1,671,781
NCR Corp.			
07/15/22	5.000%	1,130,000	1,074,913
NCR Escrow Corp.[b]			
Senior Unsecured			
12/15/21	5.875%	229,000	233,008
12/15/23	6.375%	1,435,000	1,463,700
NXP BV/Funding LLC[b]			
06/01/18	3.750%	1,156,000	1,164,670
Nuance Communications, Inc.[b]			
08/15/20	5.375%	2,498,000	2,423,060
VeriSign, Inc.			
05/01/23	4.625%	676,000	645,580
Total			31,210,496
Textile —%			
Quiksilver Inc./QS Wholesale Inc.			
08/01/20	10.000%	215,000	242,950
Quiksilver Inc./QS Wholesale Inc.[b]			
Senior Secured			
08/01/18	7.875%	154,000	167,090
Total			410,040

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

Portfolio of Investments *(continued)*
December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Transportation Services 0.5%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	471,000	513,390
03/15/20	9.750%	695,000	814,888
Concesionaria Mexiquense SA de CV (linked to Mexican Unidad de Inversion Index)[b]			
12/15/35	5.950% MXN	16,187,939	1,202,642
ERAC U.S.A. Finance LLC[b]			
10/01/20	5.250%	305,000	335,120
Hertz Corp. (The)			
04/15/19	6.750%	800,000	862,000
10/15/20	5.875%	365,000	378,231
01/15/21	7.375%	872,000	957,020
LBC Tank Terminals Holding Netherlands BV[b]			
05/15/23	6.875%	1,177,000	1,216,724
Total			6,280,015
Wireless 2.7%			
Crown Castle International Corp. Senior Unsecured			
01/15/23	5.250%	1,710,000	1,675,800
MetroPCS Wireless, Inc.[b]			
04/01/23	6.625%	681,000	701,430
NII International Telecom SCA[b]			
08/15/19	11.375%	3,422,000	2,857,370
SBA Communications Corp. Senior Unsecured			
10/01/19	5.625%	310,000	319,300
SBA Telecommunications, Inc.			
07/15/20	5.750%	1,908,000	1,984,320
Softbank Corp.[b]			
04/15/20	4.500%	650,000	633,750
Sprint Communications, Inc.[b]			
11/15/18	9.000%	3,677,000	4,421,592
03/01/20	7.000%	3,140,000	3,501,100
Sprint Corp.[b]			
09/15/21	7.250%	1,660,000	1,782,425
09/15/23	7.875%	2,125,000	2,284,375
06/15/24	7.125%	456,000	462,840
T-Mobile USA, Inc.			
04/28/20	6.542%	395,000	419,688
04/28/21	6.633%	920,000	968,300
01/15/22	6.125%	648,000	659,340
04/28/22	6.731%	1,087,000	1,133,197
04/28/23	6.836%	231,000	239,663
01/15/24	6.500%	648,000	656,100
United States Cellular Corp. Senior Unsecured			
12/15/33	6.700%	780,000	739,405

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
VimpelCom Holdings BV[b]			
02/13/18	9.000% RUB	35,700,000	1,086,644
03/01/22	7.504%	1,500,000	1,566,930
Wind Acquisition Finance SA Senior Secured[b]			
04/30/20	6.500%	3,436,000	3,659,340
Total			31,752,909
Wirelines 2.0%			
CenturyLink, Inc. Senior Unsecured			
06/15/21	6.450%	2,705,000	2,813,200
03/15/22	5.800%	2,595,000	2,562,562
12/01/23	6.750%	488,000	494,100
EarthLink Holdings Corp. Senior Secured			
06/01/20	7.375%	879,000	876,803
Frontier Communications Corp. Senior Unsecured			
10/01/18	8.125%	795,000	908,288
04/15/20	8.500%	769,000	861,280
07/01/21	9.250%	564,000	650,010
04/15/22	8.750%	449,000	498,390
04/15/24	7.625%	1,486,000	1,482,285
Level 3 Communications, Inc. Senior Unsecured			
02/01/19	11.875%	1,341,000	1,542,150
06/01/19	8.875%	269,000	293,883
Level 3 Financing, Inc.			
04/01/19	9.375%	623,000	696,981
07/01/19	8.125%	1,008,000	1,103,760
06/01/20	7.000%	656,000	694,540
07/15/20	8.625%	545,000	610,400
Level 3 Financing, Inc.[b]			
01/15/21	6.125%	654,000	660,540
Level 3 Financing, Inc.[b][g]			
01/15/18	3.846%	328,000	330,050
PAETEC Holding Corp.			
12/01/18	9.875%	1,845,000	2,061,787
Qtel International Finance Ltd.[b]			
10/19/25	5.000%	800,000	792,514
Telecom Italia Capital SA			
06/18/19	7.175%	1,782,000	2,000,295
Windstream Corp.			
09/01/18	8.125%	50,000	53,750
08/01/23	6.375%	267,000	249,645
Zayo Group LLC/Capital, Inc.			
07/01/20	10.125%	788,000	908,170
Total			23,145,383
Total Corporate Bonds & Notes (Cost: $509,944,170)			**526,160,512**

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

Portfolio of Investments *(continued)*
December 31, 2013

Residential Mortgage-Backed Securities — Agency 9.8%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Federal Home Loan Mortgage Corp.[g][h][i]			
CMO IO STRIPS Series 277 Class S6			
09/15/42	5.883%	4,655,079	981,819
CMO IO STRIPS Series 281 Class S1			
10/15/42	5.833%	6,540,934	1,305,831
CMO IO Series 2957 Class SW			
04/15/35	5.833%	3,310,723	556,969
CMO IO Series 3122 Class IS			
03/15/36	6.533%	3,070,222	520,832
CMO IO Series 318 Class S1			
11/15/43	5.783%	9,984,311	2,216,122
CMO IO Series 3550 Class EI			
07/15/39	6.233%	4,301,597	673,958
CMO IO Series 3761 Class KS			
06/15/40	5.833%	4,477,093	606,842
CMO IO Series 4091 Class SH			
08/15/42	6.383%	5,421,789	1,403,705
CMO IO Series 4093 Class SD			
01/15/38	6.533%	3,627,599	829,816
Federal Home Loan Mortgage Corp.[h]			
10/01/26	8.000%	45,725	49,625
Federal Home Loan Mortgage Corp.[h][i]			
CMO IO Series 304 Class C69			
12/15/42	4.000%	7,632,778	1,796,037
CMO IO Series 4120 Class AI			
11/15/39	3.500%	6,482,339	1,263,951
CMO IO Series 4121 Class IA			
01/15/41	3.500%	5,652,133	1,265,709
Federal National Mortgage Association[f][h]			
01/16/29 - 01/13/44	3.000%	19,000,000	19,104,805
01/16/29 - 01/13/44	3.500%	32,000,000	33,228,027
Federal National Mortgage Association[g][h][i]			
CMO IO Series 2006-5 Class N1			
08/25/34	2.072%	9,784,818	524,190
CMO IO Series 2006-5 Class N2			
02/25/35	2.075%	14,381,417	990,316
CMO IO Series 2010-135 Class MS			
12/25/40	5.785%	3,427,445	698,029
CMO IO Series 2012-122 Class SB			
11/25/42	5.985%	13,228,654	3,221,782
CMO IO Series 2012-80 Class AS			
02/25/39	5.885%	6,299,582	1,354,884
CMO IO Series 2012-87 Class SQ			
08/25/42	6.135%	4,302,286	1,002,432
CMO IO Series 2013-124 Class SB			
12/25/43	5.785%	9,985,782	2,290,489
Federal National Mortgage Association[h]			
12/01/42	3.500%	11,157,567	11,112,664
05/01/41 - 06/01/42	4.000%	6,003,814	6,182,755
06/01/34 - 05/01/40	5.000%	1,886,777	2,050,283

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Federal National Mortgage Association[h][i]			
CMO IO Series 2012-118 Class BI			
12/25/39	3.500%	10,042,998	2,003,273
CMO IO Series 2012-133 Class EI			
07/25/31	3.500%	3,753,867	637,314
CMO IO Series 2012-139 Class IL			
04/25/40	3.500%	5,609,312	1,136,769
CMO IO Series 2012-96 Class CI			
04/25/39	3.500%	8,363,922	1,420,360
CMO IO Series 2013-1 Class AI			
02/25/43	3.500%	3,380,166	862,941
Federal National Mortgage Association[h][j]			
06/01/27	3.000%	9,724,125	9,931,522
Government National Mortgage Association[g][h][i]			
CMO IO Series 2012-41 Class SA			
03/20/42	6.433%	9,099,106	2,116,811
CMO IO Series 2012-48 Class SA			
04/16/42	6.483%	1,810,821	359,990
Government National Mortgage Association[h][i]			
CMO IO Series 2012-94 Class BI			
05/20/37	4.000%	10,231,020	1,869,895
Total Residential Mortgage-Backed Securities — Agency (Cost: $115,977,266)			**115,570,747**

Residential Mortgage-Backed Securities — Non-Agency 6.5%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Apollo Residential Mortgage Securitization Trust			
CMO Series 2013-1 Class A[b][h]			
05/25/47	4.000%	2,735,484	2,797,032
BCAP LLC Trust[b][g][h]			
CMO Series 2010-RR7 Class 17A7			
03/26/36	4.996%	780,000	673,777
CMO Series 2012-RR11 Class 9A2			
07/26/37	4.000%	4,455,948	4,421,869
CMO Series 2013-RR3 Class 6A5			
03/26/36	2.494%	2,772,718	2,719,097
CMO Series 2013-RR5 Class 4A1			
09/26/36	3.000%	2,407,554	2,397,679
Series 2013-RR1 Class 10A1			
10/26/36	3.000%	1,432,069	1,406,520
BCAP LLC Trust[b][h]			
CMO Series 2010-RR7 Class 8A6			
05/26/35	5.500%	1,145,000	1,132,470
Bayview Opportunity Master Fund Trust IIB LP[b][g][h]			
CMO Series 2012-6NPL Class A			
01/28/33	2.981%	1,448,448	1,442,510
Series 2012-4NPL Class A			
07/28/32	3.475%	1,007,073	1,009,879
Series 2012-5NPL Class A			
10/28/32	2.981%	2,382,243	2,393,707

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

Portfolio of Investments *(continued)*

December 31, 2013

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

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Castle Peak Loan Trust			
CMO Series 2012-1A Class A1[(b)(h)]			
05/25/52	5.000%	1,139,209	1,139,209
Citigroup Mortgage Loan Trust, Inc.[(b)(e)(g)(h)]			
CMO Series 2013-12 Class 2A3			
09/25/35	4.750%	3,401,000	3,401,000
Citigroup Mortgage Loan Trust, Inc.[(b)(g)(h)]			
CMO Series 2009-4 Class 9A2			
03/25/36	2.618%	1,365,000	1,140,528
CMO Series 2010-6 Class 2A2			
09/25/35	2.671%	515,000	483,783
CMO Series 2010-6 Class 3A2			
07/25/36	2.612%	2,215,000	2,108,511
CMO Series 2012-3 Class 2A3			
04/25/37	2.862%	1,935,226	1,869,102
CMO Series 2013-2 Class 1A1			
11/25/37	5.916%	2,032,342	2,091,355
Citigroup Mortgage Loan Trust, Inc.[(b)(h)]			
CMO Series 2011-12 Class 3A3			
09/25/47	5.593%	2,833,000	2,724,961
CMO Series 2012-A Class A			
06/25/51	2.500%	2,291,066	2,150,820
Credit Suisse Mortgage Capital Certificates[(b)(g)(h)]			
CMO Series 2011-4R Class 4A7			
08/27/37	4.000%	3,880,000	3,853,989
CMO Series 2011-5R Class 3A1			
09/27/47	4.943%	1,920,067	1,857,162
CMO Series 2011-7R Class A1			
08/28/47	1.414%	519,815	518,774
CMO Series 2013-8R Class 3A1			
03/27/36	0.313%	3,555,607	3,342,513
Series 2012-11 Class 3A2			
06/29/47	1.164%	3,058,112	2,848,824
Credit Suisse Mortgage Capital Certificates[(b)(h)]			
CMO Series 2010-9R Class 10A5			
04/27/37	4.000%	4,000,000	3,925,324
CMO Series 2010-9R Class 7A5			
05/27/37	4.000%	3,000,000	2,978,493
Deutsche Mortgage Securities, Inc.			
CMO Series 2003-1 Class 1A7[(h)]			
04/25/33	5.500%	736,335	743,372
GCAT			
Series 2013-RP1 Class A1[(b)(g)(h)]			
06/25/18	3.500%	4,790,936	4,686,014
GS Mortgage Securities Corp.			
CMO Series 2013-1R Class A[(b)(e)(g)(h)]			
11/26/36	0.326%	5,500,000	5,066,600
JPMorgan Resecuritization Trust			
CMO Series 2010-5 Class 1A6[(b)(g)(h)]			
04/26/37	4.500%	615,000	619,313
Nomura Resecuritization Trust			
CMO Series 2011-2RA Class 2A13[(b)(g)(h)]			
07/26/35	2.705%	2,500,000	2,409,843
PennyMac Loan Trust			
Series 2012-NPL1 Class A[(b)(g)(h)]			
05/28/52	3.422%	1,316,849	1,310,570
RBSSP Resecuritization Trust			
CMO Series 2010-12 Class 3A4[(b)(g)(h)]			
06/27/32	4.000%	95,052	95,048
Residential Mortgage Asset Trust			
Series 2012-1A Class A1[(b)(g)(h)]			
08/26/52	2.734%	1,552,413	1,559,781
Springleaf Mortgage Loan Trust			
CMO Series 2012-3A Class B1[(b)(g)(h)]			
12/25/59	6.000%	1,500,000	1,532,225
Vericrest Opportunity Loan Transferee			
CMO Series 2013-NPL4 Class A1[(g)(h)]			
11/25/53	4.996%	1,938,796	1,936,729
Total Residential Mortgage-Backed Securities — Non-Agency (Cost: $76,477,160)			**76,788,383**

Commercial Mortgage-Backed Securities — Non-Agency 1.9%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aventura Mall Trust			
Series 2013-AVM Class E[(b)(g)(h)]			
12/05/32	3.743%	1,800,000	1,630,667
Banc of America Re-Remic Trust			
Series 2013-DSNY Class F[(b)(g)(h)]			
09/15/26	3.667%	3,984,000	3,980,793
Commercial Mortgage Pass-Through Certificates			
Series 2013-RIA4 Class A2[(b)(g)(h)]			
06/25/28	6.000%	3,350,000	3,267,315
GS Mortgage Securities Trust			
Series 2007-GG10 Class AM[(g)(h)]			
08/10/45	5.804%	2,800,000	2,844,923
Morgan Stanley Capital I, Inc.			
Series 2005-IQ10 Class A4A[(g)(h)]			
09/15/42	5.230%	463,314	487,528
ORES NPL LLC			
Series 2013-LV2 Class A[(b)(h)]			
09/25/25	3.081%	5,241,903	5,242,223
Rialto Real Estate Fund			
Series 2013-LT2 Class A[(b)(h)]			
05/22/28	2.833%	1,900,038	1,903,227
S2 Hospitality LLC			
Series 2012-LV1 Class A[(b)(h)]			
04/15/25	4.500%	10,089	10,089

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

Portfolio of Investments *(continued)*
December 31, 2013

Commercial Mortgage-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
VFC LLC Series 2013-1 Class A[b][h] 03/20/26	3.130%	3,142,040	3,160,631
Total Commercial Mortgage-Backed Securities — Non-Agency (Cost: $22,511,045)			**22,527,396**

Asset-Backed Securities — Non-Agency 0.1%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
American Credit Acceptance Receivables Trust Series 2012-3 Class A[b] 11/15/16	1.640%	786,567	786,553
GMAC Mortgage Corp Loan Trust Series 2004-HE5 Class A5 (FGIC)[g] 09/25/34	5.865%	198,709	204,088
Total Asset-Backed Securities — Non-Agency (Cost: $985,247)			**990,641**

Inflation-Indexed Bonds[a] 1.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United States 0.9%			
U.S. Treasury Inflation-Indexed Bond			
01/15/23	0.125%	8,195,580	7,740,340
02/15/43	0.625%	3,231,901	2,485,028
Total			10,225,368
Uruguay 0.8%			
Uruguay Government International Bond			
04/05/27	4.250%	87,621,472	4,144,022
Senior Unsecured 12/15/28	4.375% UYU	113,347,881	5,400,294
Total			9,544,316
Total Inflation-Indexed Bonds (Cost: $21,513,828)			**19,769,684**

U.S. Treasury Obligations 2.8%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
U.S. Treasury			
02/28/15	0.250%	25,870,000	25,886,169
05/31/17	0.625%	800,000	789,562
05/15/23	1.750%	485,000	437,144
02/15/43	3.125%	1,475,000	1,262,969
05/15/43	2.875%	6,265,000	5,077,587
Total U.S. Treasury Obligations (Cost: $33,741,988)			**33,453,431**

Foreign Government Obligations[a][k] 22.5%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Argentina 0.6%			
Argentina Boden Bonds 10/03/15	7.000%	2,595,000	2,582,025
Argentina Bonar Bonds 04/17/17	7.000%	2,436,000	2,198,490
Provincia de Buenos Aires Senior Unsecured 01/26/21	10.875%	500,000	436,250
Provincia de Buenos Aires[b] Senior Unsecured 01/26/21	10.875%	1,110,000	968,475
Provincia de Cordoba Senior Unsecured[b] 08/17/17	12.375%	880,000	819,500
Total			7,004,740
Australia 0.9%			
Treasury Corp. of Victoria Local Government Guaranteed			
11/15/16	5.750% AUD	6,950,000	6,651,123
06/15/20	6.000% AUD	3,600,000	3,565,815
Total			10,216,938
Bolivia —%			
Bolivian Government International Bond Senior Unsecured[b] 08/22/23	5.950%	417,000	409,246
Brazil 1.2%			
Banco Nacional de Desenvolvimento Economico e Social Senior Unsecured[b] 09/26/23	5.750%	1,200,000	1,180,009
Brazil Notas do Tesouro Nacional Senior Notes 01/01/17	10.000% BRL	4,100,000	1,643,728
Brazilian Government International Bond Senior Unsecured			
01/05/24	8.500% BRL	3,250,000	1,205,362
01/07/25	4.250%	1,000,000	952,500
01/20/34	8.250%	2,285,000	2,919,088
Morgan Stanley Senior Unsecured 10/22/20	11.500% BRL	3,415,000	1,375,127
Morgan Stanley[b] Senior Unsecured 05/03/17	10.090% BRL	545,000	219,455
Petrobras Global Finance BV 05/20/23	4.375%	500,000	445,446

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

Portfolio of Investments *(continued)*
December 31, 2013

Foreign Government Obligations[(a)(k)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Petrobras International Finance Co.			
03/15/19	7.875%	1,535,000	1,738,759
01/27/21	5.375%	2,600,000	2,581,292
Total			14,260,766
Colombia 1.0%			
Colombia Government International Bond Senior Unsecured			
05/21/24	8.125%	285,000	366,225
01/18/41	6.125%	2,070,000	2,207,721
Ecopetrol SA Senior Unsecured			
07/23/19	7.625%	1,200,000	1,422,000
Emgesa SA ESP Senior Unsecured			
01/25/21	8.750% COP	1,700,000,000	924,158
Empresa de Energia de Bogota SA ESP Senior Unsecured[(b)]			
11/10/21	6.125%	1,917,000	2,035,630
Empresas Publicas de Medellin ESP Senior Unsecured[(b)]			
02/01/21	8.375% COP	5,604,000,000	3,006,706
Transportadora de Gas Internacional SA ESP Senior Unsecured[(b)]			
03/20/22	5.700%	2,251,000	2,374,902
Total			12,337,342
Dominican Republic 0.7%			
Banco de Reservas de La Republica Dominicana Subordinated Notes[(b)]			
02/01/23	7.000%	1,400,000	1,288,000
Dominican Republic International Bond[(b)] Senior Unsecured			
05/06/21	7.500%	1,928,000	2,080,700
04/18/24	5.875%	700,000	667,523
04/20/27	8.625%	2,850,000	3,078,000
Dominican Republic International Bond[(b)(e)]			
07/05/19	15.000% DOP	58,000,000	1,466,979
Total			8,581,202
El Salvador —%			
El Salvador Government International Bond Senior Unsecured[(b)]			
02/01/41	7.625%	600,000	576,600
France 0.7%			
France Government Bond OAT			
04/25/17	3.750% EUR	1,230,000	1,862,370
10/25/18	4.250% EUR	730,000	1,148,596
04/25/19	4.250% EUR	2,250,000	3,557,557
04/25/29	5.500% EUR	850,000	1,525,527
Total			8,094,050

Foreign Government Obligations[(a)(k)] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Georgia 0.2%			
Georgian Railway JSC Senior Unsecured[(b)]			
07/11/22	7.750%	1,842,000	1,954,193
Germany 0.4%			
Bundesrepublik Deutschland			
01/04/19	3.750% EUR	2,930,000	4,583,547
Guatemala 0.5%			
Guatemala Government Bond[(b)] Senior Unsecured			
06/06/22	5.750%	3,560,000	3,675,700
02/13/28	4.875%	1,900,000	1,724,250
Total			5,399,950
Hungary 0.6%			
Hungary Government International Bond Senior Unsecured			
02/03/15	4.750%	80,000	82,000
02/19/18	4.125%	1,000,000	1,002,350
11/22/23	5.750%	2,792,000	2,805,960
MFB Magyar Fejlesztesi Bank Zrt.[(b)]			
10/21/20	6.250%	1,151,000	1,179,931
Magyar Export-Import Bank Zrt[(b)]			
02/12/18	5.500%	2,500,000	2,571,709
Total			7,641,950
Indonesia 2.1%			
Indonesia Government International Bond[(b)] Senior Unsecured			
04/20/15	7.250%	1,655,000	1,770,023
03/13/20	5.875%	5,630,000	5,953,725
05/05/21	4.875%	1,000,000	987,500
04/25/22	3.750%	1,400,000	1,261,750
Indonesia Treasury Bond Senior Unsecured			
06/15/15	9.500% IDR	6,476,000,000	544,633
07/15/17	10.000% IDR	4,979,000,000	437,759
09/15/19	11.500% IDR	30,600,000,000	2,873,936
07/15/22	10.250% IDR	10,680,000,000	963,218
09/15/24	10.000% IDR	4,500,000,000	400,452
05/15/27	7.000% IDR	4,480,000,000	311,060
Majapahit Holding BV[(b)]			
08/07/19	8.000%	1,000,000	1,116,250
06/29/37	7.875%	540,000	561,600
PT Pertamina Persero[(b)] Senior Unsecured			
05/03/22	4.875%	1,400,000	1,284,500
05/20/23	4.300%	2,212,000	1,924,440

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

Portfolio of Investments *(continued)*

December 31, 2013

Foreign Government Obligations[a][k] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
PT Perusahaan Listrik Negara			
Senior Unsecured[b]			
11/22/21	5.500%	4,777,000	4,593,329
Total			24,984,175
Italy 0.2%			
Italy Buoni Poliennali Del Tesoro			
09/01/22	5.500% EUR	500,000	771,286
Republic of Italy			
11/15/16	2.750% EUR	800,000	1,130,715
Total			1,902,001
Kazakhstan 0.5%			
KazMunayGas National Co. JSC[b]			
Senior Unsecured			
07/02/18	9.125%	1,875,000	2,273,437
04/09/21	6.375%	600,000	649,708
04/30/23	4.400%	1,750,000	1,607,748
04/30/43	5.750%	1,000,000	858,652
Total			5,389,545
Latvia 0.1%			
Republic of Latvia			
Senior Unsecured[b]			
06/16/21	5.250%	650,000	699,022
Lithuania 0.2%			
Lithuania Government International Bond[b]			
Senior Unsecured			
03/09/21	6.125%	600,000	679,130
02/01/22	6.625%	1,250,000	1,458,471
Total			2,137,601
Malaysia —%			
Petronas Capital Ltd.			
08/12/19	5.250%	75,000	82,204
Mexico 2.2%			
Comision Federal de Electricidad[b]			
Senior Unsecured			
01/15/24	4.875%	1,700,000	1,687,250
02/14/42	5.750%	300,000	279,750
Mexican Bonos			
06/16/16	6.250% MXN	14,640,000	1,177,435
12/15/16	7.250% MXN	5,000,000	412,140
12/13/18	8.500% MXN	44,135,000	3,821,533
06/11/20	8.000% MXN	28,940,000	2,476,483
06/10/21	6.500% MXN	15,250,000	1,198,329
06/09/22	6.500% MXN	84,200,000	6,515,955
06/03/27	7.500% MXN	14,720,000	1,202,188

Foreign Government Obligations[a][k] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Mexico Government International Bond			
Senior Unsecured			
01/11/40	6.050%	1,430,000	1,555,125
Pemex Finance Ltd.			
Senior Unsecured			
11/15/18	9.150%	310,000	364,835
Senior Unsecured (NPFGC)			
08/15/17	10.610%	201,563	232,015
Pemex Project Funding Master Trust			
03/01/18	5.750%	2,420,000	2,698,300
01/21/21	5.500%	1,000,000	1,075,000
Petroleos Mexicanos			
06/02/41	6.500%	1,000,000	1,045,000
Total			25,741,338
Morocco 0.1%			
Morocco Government International Bond			
Senior Unsecured[b]			
12/11/22	4.250%	1,045,000	968,364
Netherlands —%			
Netherlands Government Bond[b]			
07/15/16	4.000% EUR	230,000	344,969
New Zealand 0.4%			
New Zealand Government Bond			
Senior Unsecured			
03/15/19	5.000% NZD	2,000,000	1,703,306
05/15/21	6.000% NZD	3,555,000	3,186,467
Total			4,889,773
Panama 0.2%			
Ena Norte Trust			
Pass-Through Certificates[b]			
04/25/23	4.950%	2,567,795	2,466,776
Peru 0.5%			
Corporacion Financiera de Desarrollo SA			
Senior Unsecured[b]			
02/08/22	4.750%	2,300,000	2,269,080
Peruvian Government International Bond			
Senior Unsecured			
05/03/16	8.375%	510,000	589,815
07/21/25	7.350%	1,210,000	1,524,600
11/21/33	8.750%	205,000	291,613
11/18/50	5.625%	700,000	700,000
Peruvian Government International Bond[b]			
Senior Unsecured			
08/12/20	7.840% PEN	1,500,000	610,630
Total			5,985,738

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

Portfolio of Investments *(continued)*

December 31, 2013

Foreign Government Obligations(a)(k) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Philippines 0.2%			
Philippine Government International Bond			
Senior Unsecured			
01/15/21	4.950% PHP	35,000,000	833,996
Power Sector Assets & Liabilities Management Corp.(b)			
Government Guaranteed			
05/27/19	7.250%	720,000	855,000
12/02/24	7.390%	610,000	742,054
Total			2,431,050
Poland 0.6%			
Poland Government Bond			
10/24/15	6.250% PLN	4,680,000	1,641,731
10/25/19	5.500% PLN	7,090,000	2,539,248
Poland Government International Bond			
Senior Unsecured			
03/23/22	5.000%	2,250,000	2,404,688
Total			6,585,667
Qatar 0.1%			
Nakilat, Inc.			
Senior Secured(b)			
12/31/33	6.067%	180,000	188,100
Qatar Government International Bond			
Senior Unsecured(b)			
01/20/22	4.500%	600,000	635,100
Total			823,200
Republic of Namibia 0.2%			
Namibia International Bonds			
Senior Unsecured(b)			
11/03/21	5.500%	2,800,000	2,856,000
Republic of the Congo —%			
Republic of Congo			
Senior Unsecured(g)			
06/30/29	3.500%	605,150	535,558
Romania 0.4%			
Romanian Government International Bond(b)			
Senior Unsecured			
02/07/22	6.750%	1,800,000	2,037,672
08/22/23	4.375%	2,238,000	2,157,174
Total			4,194,846
Russian Federation 2.4%			
Gazprom Neft OAO Via GPN Capital SA			
Senior Unsecured(b)			
09/19/22	4.375%	2,200,000	2,015,364

Foreign Government Obligations(a)(k) *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gazprom OAO Via Gaz Capital SA(b)			
Senior Unsecured			
04/11/18	8.146%	3,115,000	3,667,912
03/07/22	6.510%	3,660,000	3,929,925
Rosneft International Finance Ltd.			
Senior Unsecured(b)			
03/06/22	4.199%	3,460,000	3,174,550
Russian Agricultural Bank OJSC Via RSHB Capital SA			
Senior Unsecured(b)			
07/25/18	5.100%	1,000,000	1,020,871
Russian Foreign Bond — Eurobond(b)			
Senior Unsecured			
03/10/18	7.850% RUB	20,000,000	626,737
Russian Foreign Bond — Eurobond(b)(g)			
Senior Unsecured			
03/31/30	7.500%	3,285,425	3,828,177
Russian Foreign Bond — Eurobond(g)			
Senior Unsecured			
03/31/30	7.500%	131,560	153,294
Russian Railways via RZD Capital PLC			
Senior Unsecured			
04/02/19	8.300% RUB	150,100,000	4,517,923
Sberbank of Russia Via SB Capital SA			
Senior Unsecured(b)			
02/07/22	6.125%	3,000,000	3,162,400
VTB Bank OJSC Via VTB Capital SA			
Senior Unsecured(b)			
04/12/17	6.000%	600,000	637,500
Vnesheconombank Via VEB Finance PLC			
Senior Unsecured(b)			
11/22/25	6.800%	2,190,000	2,288,550
Total			29,023,203
Serbia 0.2%			
Republic of Serbia(b)			
12/03/18	5.875%	2,416,000	2,450,725
Slovenia 0.2%			
Slovenia Government Bond(b)			
05/10/23	5.850%	2,300,000	2,337,507
South Africa 0.1%			
South Africa Government International Bond			
Senior Unsecured			
03/09/20	5.500%	430,000	457,950
Transnet SOC Ltd.			
Senior Unsecured(b)			
07/26/22	4.000%	700,000	615,262
Total			1,073,212

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

Portfolio of Investments *(continued)*
December 31, 2013

Foreign Government Obligations[a][k] *(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	1,953,886
Export-Import Bank of Korea[b]			
02/15/15	5.000% IDR	2,500,000,000	194,185
Total			2,148,071
Supra-National 0.2%			
Eurasian Development Bank Senior Unsecured			
10/05/17	8.000% RUB	73,100,000	2,211,380
Trinidad and Tobago 0.5%			
Petroleum Co. of Trinidad & Tobago Ltd. Senior Unsecured[b]			
08/14/19	9.750%	4,690,000	5,874,225
Turkey 1.4%			
Export Credit Bank of Turkey Senior Unsecured[b]			
04/24/19	5.875%	3,100,000	3,237,407
Turkey Government International Bond			
01/14/41	6.000%	1,700,000	1,492,600
Senior Unsecured			
03/30/21	5.625%	3,050,000	3,062,200
09/26/22	6.250%	250,000	259,625
03/23/23	3.250%	1,200,000	988,200
02/05/25	7.375%	7,190,000	7,761,605
Total			16,801,637
Ukraine —%			
National JSC Naftogaz of Ukraine Government Guaranteed			
09/30/14	9.500%	335,000	334,176
United Arab Emirates 0.3%			
Abu Dhabi National Energy Co.[b] Senior Unsecured			
12/13/21	5.875%	700,000	776,284
01/12/23	3.625%	1,400,000	1,302,000
Dolphin Energy Ltd. Senior Secured[b]			
12/15/21	5.500%	1,000,000	1,093,647
Total			3,171,931
United Kingdom 0.4%			
United Kingdom Gilt			
09/07/21	3.750% GBP	620,000	1,105,313
03/07/25	5.000% GBP	1,750,000	3,390,702
Total			4,496,015
Uruguay 0.1%			
Uruguay Government International Bond Senior Unsecured PIK			
01/15/33	7.875%	935,000	1,147,712
Venezuela 1.7%			
Petroleos de Venezuela SA			
04/12/17	5.250%	7,760,000	5,723,000
11/02/17	8.500%	7,620,700	6,344,233
11/17/21	9.000%	1,504,303	1,116,945
Senior Unsecured			
10/28/15	5.000%	1,200,000	990,000
10/28/16	5.125%	1,201,000	918,765
Venezuela Government International Bond Senior Unsecured			
05/07/23	9.000%	7,236,000	5,383,584
Total			20,476,527
Total Foreign Government Obligations (Cost: $267,157,978)			**265,624,672**

Municipal Bonds —%

Issue Description	Coupon Rate	Principal Amount ($)	Value ($)
California —%			
Cabazon Band Mission Indians Revenue Bonds Series 2004[b][c][l][m]			
10/01/11	13.000%	350,000	160,934
Total Municipal Bonds (Cost: $350,000)			**160,934**

Senior Loans 4.5%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Aerospace & Defense —%			
Doncasters U.S. Finance LLC Tranche B Term Loan[g][n]			
04/09/20	5.500%	397,000	400,803
Automotive —%			
Navistar, Inc. Tranche B Term Loan[g][n]			
08/17/17	5.750%	139,500	141,375

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

Portfolio of Investments *(continued)*
December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
ThermaSys Corp.			
Term Loan[g][n]			
05/03/19	5.250%	347,812	342,014
Total			483,389
Brokerage 0.1%			
Nuveen Investments, Inc.[g][n]			
1st Lien Tranche B Term Loan			
05/13/17	4.167%	450,000	447,844
Tranche B 2nd Lien Term Loan			
02/28/19	6.500%	200,000	197,600
Total			645,444
Building Materials —%			
Contech Engineered Solutions LLC			
Term Loan[g][n]			
04/29/19	6.250%	149,250	149,499
Roofing Supply Group LLC			
Term Loan[g][n]			
05/31/19	5.000%	221,323	222,293
Total			371,792
Chemicals 0.3%			
AZ Chem U.S., Inc.			
Term Loan[g][n]			
12/22/17	5.250%	93,906	94,329
Allnex & Cy SCA			
Tranche B1 Term Loan[g][n]			
10/04/19	4.500%	131,020	132,085
Allnex U.S.A, Inc.			
Tranche B2 Term Loan[g][n]			
10/04/19	4.500%	67,980	68,533
Allnex U.S.A., Inc.			
2nd Lien Term Loan[g][n]			
04/03/20	8.250%	100,000	102,438
Ascend Performance Materials Operations LLC			
Tranche B Term Loan[g][n]			
04/10/18	6.750%	296,231	283,271
Axalta Coating Systems Dutch Holding BBV/U.S. Holdings, Inc.			
Tranche B Term Loan[g][n]			
02/01/20	4.750%	769,187	773,995
HII Holding Corp.			
2nd Lien Term Loan[g][n]			
12/21/20	9.500%	500,000	503,750
Nexeo Solutions LLC			
Term Loan[g][n]			
09/08/17	5.000%	370,186	369,260
Omnova Solutions, Inc.			
Tranche B1 Term Loan[g][n]			
05/31/18	4.250%	340,351	341,416

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Oxea Finance & Cy SCA			
2nd Lien Term Loan[g][n]			
07/15/20	8.250%	175,000	177,954
Univar, Inc.			
Tranche B Term Loan[g][n]			
06/30/17	5.000%	756,398	749,461
Total			3,596,492
Construction Machinery —%			
Douglas Dynamics LLC			
Term Loan[g][n]			
04/18/18	5.750%	290,583	289,130
Consumer Cyclical Services 0.2%			
Acosta, Inc.			
Tranche B Term Loan[g][n]			
03/03/18	4.250%	317,223	318,888
IG Investments Holdings LLC			
1st Lien Tranche B Term Loan[g][n]			
10/31/19	5.250%	198,000	199,980
Monitronics International, Inc.			
Tranche B Term Loan[g][n]			
03/23/18	4.250%	395,994	398,964
Pre-Paid Legal Services, Inc.			
Term Loan[g][n]			
07/01/19	6.250%	158,064	158,954
Sabre, Inc.[g][n]			
Term Loan			
02/19/19	4.500%	99,750	99,875
Tranche B Term Loan			
02/19/19	5.250%	312,279	314,362
Tranche C Term Loan			
02/19/18	4.000%	42,500	42,568
Weight Watchers International, Inc.			
Tranche B2 Term Loan[g][n]			
04/02/20	3.750%	545,875	485,419
Total			2,019,010
Consumer Products 0.1%			
Affinion Group, Inc.			
Tranche B Term Loan[g][n]			
10/09/16	6.750%	613,514	603,956
Fender Musical Instruments Corp.			
Term Loan[g][n]			
04/03/19	5.750%	134,250	136,181
Party City Holdings, Inc.			
Term Loan[g][n]			
07/27/19	4.250%	543,139	545,007
Total			1,285,144

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

Portfolio of Investments *(continued)*
December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Diversified Manufacturing 0.2%			
Accudyne Industries LLC Term Loan(g)(n) 12/13/19	4.000%	536,291	536,849
Air Distribution Technologies, Inc. 2nd Lien Term Loan(g)(n) 05/11/20	9.250%	325,000	330,688
Allflex Holdings IiII, Inc. 1st Lien Term Loan(g)(n) 07/17/20	4.250%	423,938	425,315
Apex Tool Group LLC Term Loan(g)(n) 01/31/20	4.500%	521,062	522,886
IMG Worldwide, Inc. Tranche B Term Loan(g)(n) 06/16/16	5.500%	365,625	365,398
Ranpak Corp. 2nd Lien Term Loan(g)(n) 04/23/20	8.500%	100,000	102,500
Total			2,283,636
Electric 0.3%			
Calpine Corp.(g)(n) Term Loan 04/01/18	4.000%	267,925	269,471
04/01/18	4.000%	145,875	146,717
10/09/19	4.000%	159,986	160,914
Equipower Resources Holdings LLC(g)(n) 1st Lien Tranche B Term Loan 12/21/18	4.250%	121,979	122,321
1st Lien Tranche C Term Loan 12/31/19	4.250%	348,251	349,121
Essential Power LLC Term Loan(g)(n) 08/08/19	4.250%	190,439	182,822
FREIF North American Power I LLC(g)(n) Tranche B-1 Term Loan 03/29/19	4.750%	323,204	326,436
Tranche C-1 Term Loan 03/29/19	4.750%	51,277	51,790
LSP Madison Funding LLC Term Loan(g)(n) 06/28/19	5.500%	47,133	47,517
NRG Energy, Inc. Term Loan(g)(n) 07/01/18	2.750%	292,539	291,662
TPF Generation Holdings LLC Term Loan(g)(n) 12/31/17	4.750%	348,250	349,991

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Texas Competitive Electric Holdings Co. LLC Term Loan(g)(n) 10/10/14	3.730%	624,903	441,650
Topaz Power Holdings LLC Tranche B Term Loan(g)(n) 02/26/20	5.250%	247,500	246,881
Windsor Financing LLC Tranche B Term Loan(g)(n) 12/05/17	6.250%	116,689	119,606
Total			3,106,899
Entertainment 0.1%			
24 Hour Fitness Worldwide, Inc. Tranche B Term Loan(g)(n) 04/22/16	5.250%	748,067	754,455
Zuffa LLC Term Loan(g)(n) 02/25/20	4.500%	668,250	672,420
Total			1,426,875
Environmental 0.1%			
ADS Waste Holdings, Inc. Tranche B Term Loan(g)(n) 10/09/19	4.250%	346,500	348,038
Waste Industries U.S.A., Inc. Tranche B Term Loan(g)(n) 03/17/17	4.000%	247,500	247,656
Total			595,694
Food and Beverage 0.2%			
AdvancePierre Foods, Inc. 1st Lien Term Loan(g)(n) 07/10/17	5.750%	742,500	732,290
Aramark Corp.(g)(n) Tranche C Term Loan 07/26/16	3.747%	475,000	475,475
Tranche D Term Loan 09/09/19	4.000%	175,000	176,020
Arysta LifeScience SPC LLC(g)(n) 1st Lien Term Loan 05/29/20	4.500%	74,625	74,975
2nd Lien Term Loan 11/30/20	8.250%	175,000	177,844
Del Monte Foods Co. Term Loan(g)(n) 03/08/18	4.000%	759,835	761,590
Performance Food Group, Inc. Term Loan(g)(n) 11/14/19	6.250%	447,750	449,801
Total			2,847,995

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

Portfolio of Investments *(continued)*

December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Gaming 0.2%			
Affinity Gaming LLC Term Loan(g)(n) 11/09/17	4.250%	95,866	96,106
Caesars Entertainment Operating Co., Inc.(g)(n) Tranche B4 Term Loan 10/31/16	9.500%	296,907	298,656
Tranche B6 Term Loan 01/28/18	5.488%	219,557	209,356
Cannery Casino Resorts LLC 2nd Lien Term Loan(g)(n) 10/02/19	10.000%	100,000	91,875
Peppermill Casinos, Inc. Tranche B Term Loan(g)(n) 11/09/18	7.250%	396,000	404,910
ROC Finance LLC Tranche B Term Loan(g)(n) 06/20/19	5.000%	423,937	405,259
Scientific Games International, Inc. Term Loan(g)(n) 10/18/20	4.250%	375,000	375,094
Stockbridge/SBE Holdings Tranche B Term Loan(g)(n) 05/02/17	13.000%	104,167	114,583
Twin River Management Group, Inc. Term Loan(g)(n) 11/10/18	5.250%	220,556	222,540
Total			2,218,379
Gas Pipelines —%			
Philadelphia Energy Solutions Refining and Marketing LLC Term Loan(g)(n) 04/04/18	6.250%	248,125	217,315
Health Care 0.3%			
Alere, Inc. Tranche B Term Loan(g)(n) 06/30/17	4.250%	486,482	489,221
Alliance HealthCare Services, Inc. Term Loan(g)(n) 06/03/19	4.250%	223,875	221,198
Apria Healthcare Group, Inc. Term Loan(g)(n) 04/06/20	6.750%	174,125	174,487
CHS/Community Health Systems, Inc. Term Loan(g)(n) 01/25/17	3.737%	825,000	831,055
IASIS Healthcare LLC Tranche B2 Term Loan(g)(n) 05/03/18	4.500%	633,341	638,091
Onex Carestream Finance LP 1st Lien Term Loan(g)(n) 06/07/19	5.000%	339,837	343,830
Quintiles Transnational Corp. Term B-3 Term Loan(g)(n) 06/08/18	3.750%	460,500	459,924
inVentiv Health, Inc. Term Loan(g)(n) 08/04/16	7.500%	106,379	105,049
Total			3,262,855
Independent Energy 0.1%			
Samson Investment Co. 2nd Lien Tranche 1 Term Loan(g)(n) 09/25/18	5.000%	530,000	531,325
Lodging —%			
Seven Seas Cruises Tranche B1 Term Loan(g)(n) 12/21/18	4.750%	200,000	202,000
Media Cable 0.1%			
Encompass Digital Media, Inc. Tranche B1 Term Loan(g)(n) 08/10/17	6.750%	442,159	445,475
MCC Iowa LLC Tranche G Term Loan(g)(n) 01/20/20	4.000%	197,500	197,377
Mediacom Illinois LLC Tranche E Term Loan(g)(n) 10/23/17	4.500%	484,924	485,570
TWCC Holding Corp. 2nd Lien Term Loan(g)(n) 06/26/20	7.000%	250,000	256,720
Total			1,385,142
Media Non-Cable 0.3%			
Clear Channel Communications, Inc. Tranche D Term Loan(g)(n) 01/30/19	6.919%	417,100	397,809
Cumulus Media Holdings, Inc. Term Loan(g)(n) 12/23/20	4.250%	273,157	274,523
Getty Images, Inc. Term Loan(g)(n) 10/18/19	4.750%	742,500	691,787
Granite Broadcasting 1st Lien Tranche B Term Loan(g)(n) 05/23/18	6.750%	246,120	246,940

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

Portfolio of Investments *(continued)*
December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Radio One, Inc. Term Loan[g][n]			
03/31/16	7.500%	386,964	395,671
RentPath, Inc. Tranche B Term Loan[g][n]			
05/29/20	6.250%	946,497	918,102
Salem Communications Corp. Term Loan[g][n]			
03/13/20	4.500%	461,146	462,681
Univision Communications, Inc. Term Loan[g][n]			
03/01/20	4.000%	446,625	448,300
Van Wagner Communications LLC Term Loan[g][n]			
08/03/18	6.250%	147,015	148,669
Total			3,984,482
Metals 0.1%			
Essar Steel Algoma, Inc. Term Loan[g][n]			
09/19/14	9.250%	123,438	124,055
FMG Resources (August 2006) Pty Ltd. Term Loan[g][n]			
06/28/19	4.250%	736,539	745,518
Noranda Aluminum Acquisition Corp. Tranche B Term Loan[g][n]			
02/28/19	5.750%	99,242	92,874
Total			962,447
Non-Captive Consumer —%			
Springleaf Financial Funding Co. Term Loan[g][n]			
09/30/19	4.750%	125,000	126,312
Non-Captive Diversified —%			
iStar Financial, Inc. Term Loan[g][n]			
10/15/17	4.500%	229,884	231,105
Oil Field Services —%			
FTS International, Inc. Term Loan[g][n]			
05/06/16	8.500%	330,307	331,202
Other Financial Institutions 0.1%			
AlixPartners LLP 1st Lien Tranche B2 Term Loan[g][n]			
07/10/20	5.000%	637,190	640,975

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Other Industry 0.2%			
Harland Clarke Holdings Corp. Tranche B3 Term Loan[g][n]			
05/22/18	7.000%	172,812	173,861
Sensus U.S.A., Inc.[g][n]			
1st Lien Term Loan			
05/09/17	4.750%	997,443	998,690
2nd Lien Term Loan			
05/09/18	8.500%	350,000	348,579
TPF II LC LLC Term Loan[g][n]			
08/21/19	6.500%	298,500	302,978
WireCo WorldGroup, Inc. Term Loan[g][n]			
02/15/17	6.000%	246,875	248,418
Total			2,072,526
Packaging 0.1%			
BWAY Holding Co. Term Loan[g][n]			
08/06/17	4.500%	562,320	565,132
Paper —%			
Caraustar Industries, Inc. Term Loan[g][n]			
05/01/19	7.500%	357,107	366,928
Pharmaceuticals 0.2%			
Aptalis Pharma, Inc. Tranche B Term Loan[g][n]			
10/02/20	6.000%	274,313	278,885
Grifols, Inc. Tranche B Term Loan[g][n]			
06/01/17	4.250%	263,742	265,156
Par Pharmaceutical Companies, Inc. Tranche B1 Term Loan[g][n]			
09/30/19	4.250%	493,762	496,231
Patheon, Inc. Term Loan[g][n]			
12/14/18	7.250%	495,682	498,989
Valeant Pharmaceutical International, Inc.[g][n]			
Tranche C-2 Term Loan			
12/11/19	3.750%	271,563	273,260
Tranche D-2 Term Loan			
02/13/19	3.750%	147,508	148,328
Total			1,960,849

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

Portfolio of Investments *(continued)*
December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Property & Casualty 0.1%			
Alliant Holdings I, Inc. Term Loan[g][n] 12/20/19	4.250%	594,000	595,485
Asurion LLC Tranche B1 Term Loan[g][n] 05/24/19	4.500%	420,750	420,435
USI, Inc. Term Loan[g][n] 12/27/19	4.250%	297,750	298,774
Total			1,314,694
Retailers 0.5%			
Academy Ltd. Term Loan[g][n] 08/03/18	4.500%	662,474	665,786
BJ's Wholesale Club, Inc. 1st Lien Term Loan[g][n] 09/26/19	4.500%	970,259	975,236
Bass Pro Group LLC Term Loan[g][n] 11/20/19	3.750%	218,725	219,727
David's Bridal, Inc. Term Loan[g][n] 10/11/19	5.000%	495,000	496,549
J. Crew Group, Inc. Tranche B1 Term Loan[g][n] 03/07/18	4.000%	586,485	589,705
Jo-Ann Stores, Inc. Tranche B Term Loan[g][n] 03/16/18	4.000%	405,742	406,249
Neiman Marcus Group, Inc. (The) Term Loan[g][n] 10/25/20	5.000%	225,000	227,594
Orchard Supply Hardware LLC Tranche B1 Term Loan[g][m][n] 03/21/14	5.001%	125,493	87,846
PetCo Animal Supplies, Inc. Term Loan[g][n] 11/24/17	4.000%	520,972	523,009
Pilot Travel Centers LLC Tranche B Term Loan[g][n] 08/07/19	4.250%	400,979	402,234
Rite Aid Corp.[g][n] Tranche 1 2nd Lien Term Loan 08/21/20	5.750%	300,000	307,032
Tranche 2 Term Loan 06/21/21	4.875%	125,000	126,666
Tranche 6 Term Loan 02/21/20	4.000%	148,875	149,371

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Sports Authority, Inc. (The) Tranche B Term Loan[g][n] 11/16/17	7.500%	997,429	991,195
Total			6,168,199
Supermarkets 0.1%			
Albertson's LLC[f][g][n] Tranche B Term Loan 03/21/19	4.750%	850,000	852,125
Albertson's LLC[g][n] Tranche B-1 Term Loan 03/21/16	4.250%	58,402	58,607
Tranche B-2 Term Loan 03/21/19	4.750%	90,848	91,264
Sprouts Farmers Markets Holdings LLC Term Loan[g][n] 04/23/20	4.000%	203,464	203,804
Total			1,205,800
Technology 0.5%			
Aeroflex, Inc. Tranche B-1 Term Loan[g][n] 11/09/19	4.500%	881,299	887,909
Alcatel-Lucent U.S.A., Inc. Term Loan[g][n] 01/30/19	5.750%	544,500	546,406
Blue Coat Systems, Inc.[g][n] 2nd Lien Term Loan 06/26/20	9.500%	943,000	957,145
Term Loan 05/31/19	4.500%	349,125	349,890
Edwards Ltd. 1st Lien Term Loan[g][n] 03/26/20	5.500%	290,802	290,892
Greeneden U.S. Holdings II LLC Term Loan[g][n] 02/10/20	4.000%	141,786	140,722
Infogroup, Inc. Tranche B Term Loan[g][n] 05/26/18	8.000%	247,500	199,237
RP Crown Parent LLC 1st Lien Term Loan[g][n] 12/21/18	6.000%	297,750	298,578
Syniverse Holdings, Inc. Term Loan[g][n] 04/23/19	4.000%	383,931	384,291
Triple Point Group Holdings, Inc.[g][n] 1st Lien Term Loan 07/10/20	5.250%	892,762	794,559
2nd Lien Term Loan 07/10/21	9.250%	690,000	579,600

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

Portfolio of Investments *(continued)*
December 31, 2013

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Verint Systems, Inc. Term Loan[g][n] 09/06/19	4.000%	95,280	95,661
Total			5,524,890
Transportation Services —%			
Commercial Barge Line Co. 1st Lien Term Loan[g][n] 09/22/19	7.500%	173,688	173,253
Hertz Corp. (The) Letter of Credit[g][n] 03/11/18	3.750%	250,000	247,813
Total			421,066
Wireless —%			
Instant Web, Inc.[g][n] Delayed Draw Term Loan 08/07/14	3.622%	13,722	12,419
Term Loan 08/07/14	3.622%	131,628	119,123
Total			131,542
Wirelines —%			
Alaska Communications Systems Holdings, Inc. Term Loan[g][n] 10/21/16	6.250%	336,633	334,108
Total Senior Loans (Cost: $53,757,239)			**53,511,576**

Common Stocks —%

Issuer	Shares	Value ($)
Financials —%		
Real Estate Investment Trusts (REITs) —%		
Fairlane Management Corp.[d][e][o]	2,000	—
Total Financials		**—**
Total Common Stocks (Cost: $—)		**—**

Warrants —%

Issuer	Shares	Value ($)
Energy —%		
Energy Equipment & Services —%		
Green Field Energy Services, Inc.[b][c][e][o]	1,854	19
Total Warrants (Cost: $75,032)		**19**

Treasury Bills[a] 0.9%

Issuer	Effective Yield	Principal Amount ($)	Value ($)
Norway 0.9%			
Norway Treasury Bills 03/19/14	1.400% NOK	27,500,000	4,520,461
06/18/14	1.390% NOK	38,000,000	6,225,076
Total			10,745,537
Total Treasury Bills (Cost: $10,890,930)			**10,745,537**

Money Market Funds 7.6%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.096%[p][q]	90,454,018	90,454,018
Total Money Market Funds (Cost: $90,454,018)		**90,454,018**
Total Investments (Cost: $1,203,835,901)		**1,215,757,550**
Other Assets & Liabilities, Net		(33,317,579)
Net Assets		**1,182,439,971**

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

Portfolio of Investments *(continued)*

December 31, 2013

Investments in Derivatives

Forward Foreign Currency Exchange Contracts Open at December 31, 2013

Counterparty	Exchange Date	Currency to be Delivered	Currency to be Received	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Citigroup Global Markets Inc.	January 8, 2014	34,000 CHF	38,315 USD	199	—
Citigroup Global Markets Inc.	January 8, 2014	7,829,000 CHF	8,635,052 USD	—	(141,740)
HSBC Securities (USA), Inc.	January 8, 2014	4,276,000 EUR	5,860,386 USD	—	(22,091)
State Street Bank & Trust Company	January 8, 2014	18,600,000 EUR	25,180,308 USD	—	(407,641)
Barclays Bank PLC	January 8, 2014	8,941,000 GBP	14,674,354 USD	—	(130,987)
Standard Chartered Bank	January 8, 2014	2,820,000 GBP	4,611,758 USD	—	(57,861)
Credit Suisse	January 8, 2014	8,973,379 USD	930,061,000 JPY	—	(141,514)
State Street Bank & Trust Company	January 8, 2014	14,738,838 USD	90,114,000 NOK	115,595	—
Citigroup Global Markets Inc.	January 8, 2014	5,894,380 USD	37,880,000 SEK	—	(5,463)
State Street Bank & Trust Company	January 8, 2014	34,230 USD	221,000 SEK	127	—
Citigroup Global Markets Inc.	January 9, 2014	8,275,862,000 COP	4,238,598 USD	—	(48,862)
J.P. Morgan Securities, Inc.	January 9, 2014	1,030,000 SGD	818,103 USD	1,907	—
Credit Suisse	January 17, 2014	12,000,000 CHF	13,565,453 USD	111,674	—
Credit Suisse	January 17, 2014	956,000,000 JPY	9,336,074 USD	257,494	—
Barclays Bank PLC	January 17, 2014	35,618,000 RUB	1,082,186 USD	1,981	—
Total				488,977	(956,159)

Futures Contracts Outstanding at December 31, 2013

At December 31, 2013, securities totaling $2,394,861 were pledged as collateral to cover initial margin requirements on open futures contracts.

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
U.S. Treasury Note, 2-year	244	USD	53,634,250	April 2014	—	(78,398)
U.S. Treasury Note, 5-year	(1,368)	USD	(163,217,275)	March 2014	2,285,046	—
U.S. Treasury Note, 10-year	(998)	USD	(122,795,072)	March 2014	2,700,608	—
U.S. Treasury Long Bond, 20-year	747	USD	95,849,438	March 2014	—	(1,924,840)
U.S. Treasury Ultra Bond, 30-year	462	USD	62,947,500	March 2014	—	(1,411,959)
Total					4,985,654	(3,415,197)

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

Portfolio of Investments *(continued)*

December 31, 2013

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 December 31, 2013, the value of these securities amounted to $432,579,550 or 36.58% of net assets.

(c) Identifies issues considered by the Investment Manager to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2013 was $160,953, representing 0.01% of net assets. Information concerning such security holdings at December 31, 2013 is as follows:

Security Description	Acquisition Dates	Cost ($)
Cabazon Band Mission Indians Revenue Bonds Series 2004 10/01/11 13.000%	10/04/04	350,000
Green Field Energy Services, Inc.	11/09/11 - 12/14/11	75,032
Six Flags, Inc. 06/01/14 9.625%	05/07/10	—

(d) Negligible market value.

(e) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2013, the value of these securities amounted to $9,934,598, which represents 0.84% of net assets.

(f) Represents a security purchased on a when-issued or delayed delivery basis.

(g) Variable rate security.

(h) 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.

(i) Interest Only (IO) security. The actual effective yield of this security is different than the stated coupon rate.

(j) This security, or a portion of this security, has been pledged as collateral in connection with open futures contracts. These values are denoted within the Investments in Derivatives section of the Portfolio of Investments.

(k) Principal and interest may not be guaranteed by the government.

(l) 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 December 31, 2013, the value of these securities amounted to $160,934 or 0.01% of net assets.

(m) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2013, the value of these securities amounted to $248,780, which represents 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 December 31, 2013. 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) Non-income producing.

(p) 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 year ended December 31, 2013, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends — Affiliated Issuers ($)	Value ($)
Columbia Short-Term Cash Fund	61,678,259	400,216,343	(371,440,584)	90,454,018	72,325	90,454,018

(q) The rate shown is the seven-day current annualized yield at December 31, 2013.

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

Portfolio of Investments *(continued)*

December 31, 2013

Abbreviation Legend

CMO	Collateralized Mortgage Obligation
FGIC	Financial Guaranty Insurance Company
NPFGC	National Public Finance Guarantee Corporation
PIK	Payment-in-Kind
STRIPS	Separate Trading of Registered Interest and Principal Securities

Currency Legend

AUD	Australian Dollar
BRL	Brazilian Real
CHF	Swiss Franc
COP	Colombian Peso
DOP	Dominican Republic 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
SGD	Singapore Dollar
USD	US Dollar
UYU	Uruguay Pesos

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.).

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

Portfolio of Investments *(continued)*

December 31, 2013

Fair Value Measurements *(continued)*

> 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 may 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 overseeing 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 or are not readily available, including recommendations 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 following table is a summary of the inputs used to value the Fund's investments at December 31, 2013:

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				
Transportation Services	—	5,077,373	1,202,642	6,280,015
All Other Industries	—	519,880,497	—	519,880,497
Residential Mortgage-Backed Securities — Agency	—	113,280,258	2,290,489	115,570,747
Residential Mortgage-Backed Securities — Non-Agency	—	60,093,208	16,695,175	76,788,383
Commercial Mortgage-Backed Securities — Non-Agency	—	22,527,396	—	22,527,396
Asset-Backed Securities — Non-Agency	—	990,641	—	990,641
Inflation-Indexed Bonds	—	19,769,684	—	19,769,684

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

Portfolio of Investments *(continued)*

December 31, 2013

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 ($)	Total ($)
U.S. Treasury Obligations	33,453,431	—	—	33,453,431
Foreign Government Obligations	—	264,157,693	1,466,979	265,624,672
Municipal Bonds	—	160,934	—	160,934
Total Bonds	33,453,431	1,005,937,684	21,655,285	1,061,046,400
Senior Loans				
Diversified Manufacturing	—	1,850,449	433,187	2,283,636
Electric	—	2,924,077	182,822	3,106,899
Gaming	—	1,698,886	519,493	2,218,379
Gas Pipelines	—	—	217,315	217,315
Lodging	—	—	202,000	202,000
Paper	—	—	366,928	366,928
Retailers	—	6,080,353	87,846	6,168,199
All Other Industries	—	38,948,220	—	38,948,220
Total Senior Loans	—	51,501,985	2,009,591	53,511,576
Equity Securities				
Warrants				
Energy	—	19	—	19
Total Equity Securities	—	19	—	19
Short-Term Securities				
Treasury Bill	—	10,745,537	—	10,745,537
Total Short-Term Securities	—	10,745,537	—	10,745,537
Mutual Funds				
Money Market Funds	90,454,018	—	—	90,454,018
Total Mutual Funds	90,454,018	—	—	90,454,018
Investments in Securities	123,907,449	1,068,185,225	23,664,876	1,215,757,550
Derivatives				
Assets				
Forward Foreign Currency Exchange Contracts	—	488,977	—	488,977
Futures Contracts	4,985,654	—	—	4,985,654
Liabilities				
Forward Foreign Currency Exchange Contracts	—	(956,159)	—	(956,159)
Futures Contracts	(3,415,197)	—	—	(3,415,197)
Total	125,477,906	1,067,718,043	23,664,876	1,216,860,825

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

Portfolio of Investments *(continued)*

December 31, 2013

Fair Value Measurements *(continued)*

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

Derivative instruments are valued at unrealized appreciation (depreciation).

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 ($)	Residential Mortgage-Backed Securities — Agency ($)	Residential Mortgage-Backed Securities — Non-Agency ($)	Foreign Government Obligations ($)	Senior Loans($)	Total ($)
Balance as of December 31, 2012	—	—	29,066,288	—	2,882,129	31,948,417
Accrued discounts/premiums	(1,423)	(47,742)	(2,512)	(1,385)	1,986	(51,076)
Realized gain (loss)	—	—	14,948	—	37,549	52,497
Change in unrealized appreciation (depreciation)[a]	487	(55,519)	75,710	127	(7,002)	13,803
Sales	—	—	(9,018,463)	—	(2,044,289)	(11,062,752)
Purchases	1,203,578	2,393,750	14,255,526	1,468,237	1,532,922	20,854,013
Transfers into Level 3	—	—	—	—	1,308,837	1,308,837
Transfers out of Level 3	—	—	(17,696,322)	—	(1,702,541)	(19,398,863)
Balance as of December 31, 2013	1,202,642	2,290,489	16,695,175	1,466,979	2,009,591	23,664,876

(a) Change in unrealized appreciation (depreciation) relating to securities held at December 31, 2013 was $15,519, which is comprised of Corporate Bonds & Notes of $487, Residential Mortgage-Backed Securities — Agency of $(55,519), Residential Mortgage-Backed Securities — Non-Agency of $84,538, Foreign Government Obligations of $127 and Senior Loans of $(14,114).

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, residential mortgage backed securities, foreign government obligations 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.

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
December 31, 2013

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $1,113,381,883)	$1,125,303,532
Affiliated issuers (identified cost $90,454,018)	90,454,018
Total investments (identified cost $1,203,835,901)	1,215,757,550
Cash	626,576
Foreign currency (identified cost $3,691,745)	3,693,452
Unrealized appreciation on forward foreign currency exchange contracts	488,977
Receivable for:	
Investments sold	6,710,647
Capital shares sold	723,821
Dividends	5,619
Interest	14,174,287
Reclaims	212,413
Variation margin	314,401
Prepaid expenses	7,937
Trustees' deferred compensation plan	41,285
Total assets	1,242,756,965
Liabilities	
Unrealized depreciation on forward foreign currency exchange contracts	956,159
Payable for:	
Investments purchased	2,267,062
Investments purchased on a delayed delivery basis	55,532,627
Capital shares purchased	46,353
Variation margin	732,333
Investment management fees	539,304
Distribution and/or service fees	7,857
Transfer agent fees	61,553
Administration fees	68,129
Compensation of board members	1,251
Chief compliance officer expenses	161
Other expenses	62,920
Trustees' deferred compensation plan	41,285
Total liabilities	60,316,994
Net assets applicable to outstanding capital stock	**$1,182,439,971**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2013

Represented by	
Paid-in capital	$1,120,425,451
Undistributed net investment income	38,552,821
Accumulated net realized gain	10,434,455
Unrealized appreciation (depreciation) on:	
Investments	11,921,649
Foreign currency translations	2,320
Forward foreign currency exchange contracts	(467,182)
Futures contracts	1,570,457
Total — representing net assets applicable to outstanding capital stock	**$1,182,439,971**
Class 1	
Net assets	$1,147,222,206
Shares outstanding	130,753,413
Net asset value per share	$8.77
Class 2	
Net assets	$35,217,765
Shares outstanding	4,035,197
Net asset value per share	$8.73

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

Statement of Operations
Year Ended December 31, 2013

Net investment income	
Income:	
Dividends — affiliated issuers	$72,325
Interest	56,247,707
Foreign taxes withheld	(85,476)
Total income	56,234,556
Expenses:	
Investment management fees	5,874,451
Distribution and/or service fees	
Class 2	95,990
Transfer agent fees	
Class 1	646,787
Class 2	23,037
Administration fees	744,832
Compensation of board members	42,693
Custodian fees	78,916
Professional fees	62,114
Chief compliance officer expenses	612
Other	7,684
Total expenses	7,577,116
Net investment income	48,657,440
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	14,115,967
Foreign currency translations	55,805
Forward foreign currency exchange contracts	(6,411,902)
Futures contracts	3,657,697
Swap contracts	(9,099)
Net realized gain	11,408,468
Net change in unrealized appreciation (depreciation) on:	
Investments	(58,562,850)
Foreign currency translations	(115,040)
Forward sale commitments	15,781
Forward foreign currency exchange contracts	263,765
Futures contracts	1,825,255
Swap contracts	8,506
Foreign capital gains tax	51,074
Net change in unrealized appreciation (depreciation)	(56,513,509)
Net realized and unrealized loss	(45,105,041)
Net increase in net assets resulting from operations	**$3,552,399**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operations		
Net investment income	$48,657,440	$49,761,332
Net realized gain	11,408,468	33,358,405
Net change in unrealized appreciation (depreciation)	(56,513,509)	39,346,324
Net increase in net assets resulting from operations	3,552,399	122,466,061
Distributions to shareholders		
Net investment income		
Class 1	(47,080,549)	(44,227,829)
Class 2	(1,588,973)	(1,426,041)
Net realized gains		
Class 1	(26,703,402)	—
Class 2	(955,952)	—
Total distributions to shareholders	(76,328,876)	(45,653,870)
Increase (decrease) in net assets from capital stock activity	206,645,363	(103,685,110)
Total increase (decrease) in net assets	133,868,886	(26,872,919)
Net assets at beginning of year	1,048,571,085	1,075,444,004
Net assets at end of year	**$1,182,439,971**	**$1,048,571,085**
Undistributed net investment income	$38,552,821	$42,741,255

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	23,847,328	219,933,975	6,574,480	60,260,840
Distributions reinvested	8,510,260	73,783,951	4,880,221	44,227,829
Redemptions	(9,462,681)	(87,334,222)	(23,199,281)	(212,421,581)
Net increase (decrease)	22,894,907	206,383,704	(11,744,580)	(107,932,912)
Class 2 shares				
Subscriptions	803,339	7,438,696	1,239,710	11,286,103
Distributions reinvested	294,893	2,544,925	157,804	1,426,041
Redemptions	(1,085,197)	(9,721,962)	(928,934)	(8,464,342)
Net increase	13,035	261,659	468,580	4,247,802
Total net increase (decrease)	**22,907,942**	**206,645,363**	**(11,276,000)**	**(103,685,110)**

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 return assumes reinvestment of all dividends and distributions, if any. Total return does 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.

	Year Ended December 31,				
Class 1	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$9.37	$8.73	$8.83	$8.60	$8.01
Income from investment operations:					
Net investment income	0.40	0.42	0.45	0.47	0.51
Net realized and unrealized gain (loss)	(0.37)	0.63	0.13[(a)]	0.40	1.04
Total from investment operations	0.03	1.05	0.58	0.87	1.55
Less distributions to shareholders:					
Net investment income	(0.40)	(0.41)	(0.68)	(0.64)	(0.96)
Net realized gains	(0.23)	—	—	—	—
Total distributions to shareholders	(0.63)	(0.41)	(0.68)	(0.64)	(0.96)
Net asset value, end of period	$8.77	$9.37	$8.73	$8.83	$8.60
Total return	0.37%	12.25%	6.80%	10.43%	20.40%
Ratios to average net assets[(b)]					
Total gross expenses	0.67%	0.67%	0.68%	0.98%	0.90%
Total net expenses[(c)]	0.67%	0.65%	0.58%[(d)]	0.65%[(d)]	0.65%[(d)]
Net investment income	4.37%	4.63%	5.22%	5.34%	6.11%
Supplemental data					
Net assets, end of period (in thousands)	$1,147,222	$1,011,055	$1,044,575	$37,602	$39,774
Portfolio turnover	116%[(e)]	112%[(e)]	95%[(e)]	78%	50%[(f)]

Notes to Financial Highlights

(a) Calculation of the net gain (loss) per share (both realized and unrealized) does not correlate to the aggregate realized and unrealized gain (loss) presented in the Statement of Operations due to the timing of sales and repurchases of Fund shares in relation to fluctuations in the market value of the portfolio.

(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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

(e) Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 73%, 74% and 82% for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

(f) Excludes mortgage dollar rolls.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 2	**2013**	**2012**	**2011**	**2010**	**2009**
Per share data					
Net asset value, beginning of period	$9.33	$8.69	$8.79	$8.56	$7.98
Income from investment operations:					
Net investment income	0.37	0.40	0.43	0.44	0.49
Net realized and unrealized gain (loss)	(0.37)	0.62	0.13[a]	0.41	1.03
Total from investment operations	—	1.02	0.56	0.85	1.52
Less distributions to shareholders:					
Net investment income	(0.37)	(0.38)	(0.66)	(0.62)	(0.94)
Net realized gains	(0.23)	—	—	—	—
Total distributions to shareholders	(0.60)	(0.38)	(0.66)	(0.62)	(0.94)
Net asset value, end of period	$8.73	$9.33	$8.69	$8.79	$8.56
Total return	0.12%	11.96%	6.56%	10.21%	20.14%
Ratios to average net assets[b]					
Total gross expenses	0.92%	0.93%	1.08%	1.23%	1.15%
Total net expenses[c]	0.92%	0.90%	0.91%[d]	0.90%[d]	0.90%[d]
Net investment income	4.11%	4.36%	5.01%	5.09%	5.87%
Supplemental data					
Net assets, end of period (in thousands)	$35,218	$37,516	$30,869	$27,747	$30,755
Portfolio turnover	116%[e]	112%[e]	95%[e]	78%	50%[f]

Notes to Financial Highlights

(a) Calculation of the net gain (loss) per share (both realized and unrealized) does not correlate to the aggregate realized and unrealized gain (loss) presented in the Statement of Operations due to the timing of sales and repurchases of Fund shares in relation to fluctuations in the market value of the portfolio.

(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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

(e) Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 73%, 74% and 82% for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, respectively.

(f) Excludes mortgage dollar rolls.

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

Notes to Financial Statements
December 31, 2013

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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified Plans) and other qualified institutional investors (Qualified 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. Although all share classes generally have identical voting, dividend and liquidation rights, each share class votes separately when required by law. Different share classes pay different distribution amounts to the extent the expenses of such share classes differ, and distributions in liquidation will be proportional to the net asset value of each share class. Each share class has its own expense structure and sales charges, as applicable.

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.

Investments in 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.

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 option contracts, with no readily available market value are valued using quotations obtained from independent brokers as of the close of the NYSE.

Notes to Financial Statements *(continued)*

December 31, 2013

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 Translations

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 (making it difficult for the Fund to sell, including at favorable prices) 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 notional amounts of derivative instruments, if applicable, are not recorded in the financial statements.

A derivative instrument may suffer a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract. A Fund's risk of loss from counterparty credit risk on over-the-counter derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by the Fund and the amount of any initial margin held by the counterparty. With exchange traded or centrally cleared derivatives, there is minimal counterparty credit risk to the Fund since the exchange's clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the counterparty credit risk is limited to failure of the clearinghouse. However, credit risk still exists in exchange traded or centrally cleared derivatives with respect to initial and variation margin that is held in a broker's customer accounts. While brokers are required to segregate customer margin from their own assets, in the event that a broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the broker for all its clients, U.S. bankruptcy laws will typically allocate that shortfall on a pro-rata basis across all the broker's customers, potentially resulting in losses to the Fund.

In order to better define its contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is an agreement between a Fund and a counterparty that governs over-the-counter derivatives and forward foreign currency exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, the Fund may, under certain circumstances, offset with the counterparty certain derivative instrument's payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default (close-out netting) including the bankruptcy or insolvency of the counterparty. Note, however, that bankruptcy or insolvency laws of a particular jurisdiction may impose

Notes to Financial Statements (continued)

December 31, 2013

restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events.

Collateral (margin) requirements differ by type of derivative. Margin requirements are established by the exchange or clearinghouse for exchange traded and centrally cleared derivatives. Brokers can ask for margin in excess of the minimum in certain circumstances. Collateral terms are contract specific for over-the-counter derivatives. For over-the-counter derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any variation margin currently pledged by the Fund and/or the counterparty. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold (e.g. $500,000) before a transfer has to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance. The Fund attempts to mitigate counterparty risk by only entering into agreements with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Certain ISDA Master Agreements allow counterparties to over-the-counter derivatives to terminate derivative contracts prior to maturity in the event the Fund's net assets decline by a stated percentage over a specified time period or the Fund fails to meet the terms of the ISDA Master Agreement, which would cause the Fund to accelerate payment of any net liability owed to the counterparty. The Fund also has termination rights if the counterparty fails to meet the terms of the ISDA Master Agreement. In addition to considering counterparty credit risk, the Fund would consider terminating the derivative contracts based on whether termination would result in a net liability owed from the counterparty.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statement of Assets and Liabilities.

Forward Foreign Currency Exchange Contracts

Forward foreign currency exchange contracts are over-the-counter agreements between two parties to buy and sell a currency at a set price on a future date. These contracts are typically 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. These instruments may be used for other purposes in future periods.

The values of forward foreign currency exchange contracts fluctuate with changes in foreign currency exchange rates. The Fund will record a realized gain or loss when the forward foreign currency exchange contract expires or 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 are exchange traded and 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. These instruments may be used for other purposes in future periods. Upon entering into futures contracts, the Fund bears risks that it 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. The initial margin deposit must be maintained at an established level over the life of the contract. Cash deposited as initial margin is recorded in the Statement of Assets and Liabilities as margin deposits. Securities deposited as initial margin are designated in the Portfolio of Investments. 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 Contracts

Options are contracts which entitle the holder to purchase or sell securities or other identified assets at a specified price, or

Notes to Financial Statements *(continued)*

December 31, 2013

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. Option contracts can be either exchange traded or over-the-counter. The Fund purchased option contracts to manage exposure to movements in interest rates. These instruments may be used for other purposes in future periods. Completion of transactions for option contracts traded in the over-the-counter market depends upon the performance of the other party. Cash collateral may be collected or posted by the Fund to secure certain over-the-counter 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.

Options contracts purchased are recorded as investments. When the Fund writes an options contract, the premium received is recorded as an asset and an amount equivalent to the premium is recorded as a liability in the Statement of Assets and Liabilities and is subsequently adjusted to reflect the current fair value of the option written. The Fund will realize a gain or loss when the option contract is closed or 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.

For over-the-counter options purchased, the Fund bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by the Fund should the counterparty fail to perform under the contracts. 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 above the strike price. The risk in writing a put option contract is that the Fund may incur a loss if the market price of the security decreases below the strike price 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 over-the-counter options contracts, the transaction is also subject to counterparty credit risk. Option contracts written by the Fund do not typically give rise to counterparty credit risk, as options written generally obligate the Fund and not the counterparty to perform. 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.

Swap Contracts

Swap contracts are privately negotiated in the over-the-counter market and may be entered into as a bilateral contract or centrally cleared (centrally cleared swap contract). In a centrally cleared swap contract, immediately following execution of the swap contract, the swap contract is novated to a central counterparty (the CCP) and the Fund faces the CCP through a broker. Upon entering into a centrally cleared swap contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the size and risk profile of the particular swap contract. Securities deposited as initial margin are designated in the Portfolio of Investments and cash deposited is recorded in the Statements of Assets and Liabilities as margin deposits. Unlike a bilateral swap contract, for centrally cleared swap contacts, the Fund has minimal credit exposure to the counterparty as the CCP stands between the Fund and the counterparty. Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of centrally cleared swap contracts, if any, is recorded as a receivable or payable for variation margin in the Statements of Assets and Liabilities.

Credit Default Swap Contracts

The Fund entered into credit default swap contracts to increase or decrease its credit exposure to a single issuer of debt securities. Credit default swap contracts are agreements in which one party pays fixed periodic payments to counterparty in consideration for a guarantee from the counterparty to make a specific payment should a specified credit event(s) take place. Although specified events are contract specific, credit events are generally defined as bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium.

As the purchaser of a credit default swap contract, the Fund purchases protection by paying a periodic interest rate on the 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. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. The difference between the value of the obligation or cash delivered and the notional amount received will be recorded as a realized gain (loss).

Notes to Financial Statements *(continued)*

December 31, 2013

Offsetting of Derivative Assets and Derivative Liabilities

The following tables present the Fund's gross and net amount of assets and liabilities available for offset under netting arrangements as well as any related collateral received or pledged by the Fund as of December 31, 2013:

				Gross Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross Amounts of Recognized Assets ($)	Gross Amounts Offset in the Statement of Assets and Liabilities ($)	Net Amounts of Assets Presented in the Statement of Assets and Liabilities ($)	Financial Instruments ($)[a]	Cash Collateral Received ($)	Securities Collateral Received ($)	Net Amount ($)[b]
Asset Derivatives:							
Forward Foreign Currency Exchange Contracts	488,977	—	488,977	259,416	—	—	229,561

				Gross Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross Amounts of Recognized Liabilities ($)	Gross Amounts Offset in the Statement of Assets and Liabilities ($)	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities ($)	Financial Instruments ($)[c]	Cash Collateral Pledged ($)	Securities Collateral Pledged ($)	Net Amount ($)[d]
Liability Derivatives:							
Forward Foreign Currency Exchange Contracts	956,159	—	956,159	259,416	—	—	696,743

(a) Represents the amount of assets that could be offset by liabilities with the same counterparty under master netting or similar agreements that management elects not to offset on the Statement of Assets and Liabilities.

(b) Represents the net amount due from counterparties in the event of default.

(c) Represents the amount of liabilities that could be offset by assets with the same counterparty under master netting or similar agreements that management elects not to offset on the Statement of Assets and Liabilities.

(d) Represents the net amount due to counterparties in the event of default.

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 over the period in the Statement of Operations 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 December 31, 2013:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange risk	Unrealized appreciation on forward foreign currency exchange contracts	488,977
Interest rate risk	Net assets — unrealized appreciation on futures contracts	4,985,654*
Total		5,474,631

Liability Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange risk	Unrealized depreciation on forward foreign currency exchange contracts	956,159
Interest rate risk	Net assets — unrealized depreciation on futures contracts	3,415,197*
Total		4,371,356

*Includes cumulative appreciation (depreciation) as reported in the tables 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.

Notes to Financial Statements *(continued)*

December 31, 2013

The following table indicates the effect of derivative instruments in the Statement of Operations for the year ended December 31, 2013:

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 risk	—	—	—	(9,099)	(9,099)
Equity risk	—	—	(52,127)	—	(52,127)
Foreign exchange risk	(6,411,902)	—	—	—	(6,411,902)
Interest rate risk	—	3,657,697	(454,971)	—	3,202,726
Total	(6,411,902)	3,657,697	(507,098)	(9,099)	(3,270,402)

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 risk	—	—	—	8,506	8,506
Foreign exchange risk	263,765	—	—	—	263,765
Interest rate risk	—	1,825,255	143,674	—	1,968,929
Total	263,765	1,825,255	143,674	8,506	2,241,200

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2013:

Derivative Instrument	Contracts Opened
Forward Foreign Currency Exchange Contracts	456
Futures Contracts	22,327
Options Contracts	2,450

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 risk since the other party to the transaction may fail to deliver which could cause 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 but not identical securities (same type, coupon and maturity) on a specified future date. 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 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. These transactions may increase 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 the risk that the market value of the securities the Fund is obligated to repurchase may decline below the repurchase price, or that the counterparty may default on its obligations.

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.

Notes to Financial Statements *(continued)*

December 31, 2013

Investments in Loans

The Fund may invest in loan participations and assignments of all or a portion of a loan. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participations (Selling Participant), but not the borrower, and assumes the credit risk of the borrower, Selling Participant and any other persons interpositioned between the Fund and the borrower. In addition, the Fund may not directly benefit from the collateral supporting the loan that it has purchased from the Selling Participant. In contrast, when the Fund purchases an assignment of a loan, the Fund typically has direct rights against the borrower; provided, however, that the Fund's rights may be more limited than the lender from which it acquired the assignment and the Fund may be able to enforce their rights only through an administrative agent. Although certain loan participations or assignments are secured by collateral, the Fund could experience delays or limitations in realizing such collateral or have their interest subordinated to other indebtedness of the obligor. In the event that the administrator or collateral agent of a loan becomes insolvent, enters into receivership or bankruptcy, the Fund may incur costs and delays in realizing payment or may suffer a loss of principal and/or interest. The risk of loss is greater for unsecured or subordinated loans. In addition, loan participations and assignments are vulnerable to market conditions such that economic conditions or other events may reduce the demand for loan participations and assignments and certain loan participations and assignments which were liquid, when purchased, may become illiquid.

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.

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 premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted. The Fund classifies gains and losses realized on prepayments received on mortgage-backed securities as adjustments to interest income.

Corporate actions and dividend income are recorded on the ex-dividend date.

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.

Notes to Financial Statements *(continued)*

December 31, 2013

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 realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

Distributions to Subaccounts

Distributions to the subaccounts of Contracts, Qualified Plans and Qualified Investors are recorded at the close of business on the record date and are payable on the first business day following the record date. Dividends from net investment income, if any, are declared and distributed annually. Capital gains distributions, when available will be made annually. However, an additional capital gain distribution may be made during the fiscal year in order to comply with the Internal Revenue Code, as applicable to registered investment companies. 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 the next calculated net asset value after the distribution is paid.

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 investment 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 effective investment management fee rate for the year ended December 31, 2013 was 0.53% of the Fund's average daily net assets.

The Investment Manager has entered into a personnel-sharing arrangement with its affiliate, Threadneedle Investments (Threadneedle). Threadneedle, like the Investment Manager, is a wholly-owned subsidiary of Ameriprise Financial and is an SEC-registered investment adviser. Pursuant to this arrangement, certain employees of Threadneedle serve as "associated persons" of the Investment Manager and, in this capacity, subject to the oversight and supervision of the Investment Manager and consistent with the investment objectives, policies and limitations set forth in the Fund's prospectus and Statement of Additional Information (SAI), may provide research and related services, and discretionary investment management services (including acting as portfolio managers) to the Fund on behalf of the Investment Manager.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 effective administration fee rate for the year ended December 31, 2013 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 attributable to each share class. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket fees.

Notes to Financial Statements *(continued)*

December 31, 2013

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. 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) for the periods disclosed below, 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:

	May 1, 2013 through April 30, 2014	Prior to May 1, 2013
Class 1	0.72%	0.71%
Class 2	0.97	0.96

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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 December 31, 2013, these differences are primarily due to differing treatment for capital loss carryforwards, principal and/or interest of fixed income securities, deferral/reversal of wash sales losses, Trustees' deferred compensation, distribution reclassifications, foreign currency transactions, derivative investments and tax straddles. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$(4,176,352)
Accumulated net realized gain	4,176,352

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

Year Ended December 31,	2013	2012
Ordinary income	$53,591,072	$45,653,870
Long-term capital gains	22,737,804	—
Total	$76,328,876	$45,653,870

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

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

Undistributed ordinary income	$41,731,143
Undistributed accumulated long-term gain	13,264,133
Unrealized appreciation	10,840,149

At December 31, 2013, the cost of investments for federal income tax purposes was $1,204,917,401 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$32,526,120
Unrealized depreciation	(21,685,971)
Net unrealized appreciation	$10,840,149

The following capital loss carryforward, determined at December 31, 2013, 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	$968,916

For the year ended December 31, 2013, $2,933,566 of capital loss carryforward was utilized.

Notes to Financial Statements *(continued)*

December 31, 2013

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 but including mortgage dollar rolls, aggregated to $1,389,578,180 and $1,246,763,191, respectively, for the year ended December 31, 2013, of which $616,943,892 and $618,444,999, respectively, were U.S. government securities.

Note 6. Affiliated Money Market Fund

The Fund invests 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 — affiliated issuers" 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 December 31, 2013, affiliated shareholder account owned 96.3% 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 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. Effective December 10, 2013, the Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.075% per annum. Prior to December 10, 2013, the commitment fee was charged at the annual rate of 0.08% per annum. The commitment fee is included in other expenses in the Statement of Operations.

The Fund had no borrowings during the year ended December 31, 2013.

Note 9. Significant Risks

Derivatives Risk

Losses involving derivative instruments may be substantial, because a relatively small price movement in the underlying security(ies) instrument, commodity, currency or index may result in a substantial loss for the Fund. In addition to the potential for increased losses, the use of derivative instruments may lead to increased volatility within the Fund. Derivatives will typically increase the Fund's exposure to principal risks to which it is otherwise exposed, and may expose the Fund to additional risks, including correlation risk, counterparty risk, hedging risk, leverage risk and liquidity risk.

Low and Below Investment Grade (High-Yield) Securities Risk

Securities with the lowest investment grade rating, securities rated below investment grade (commonly called "high-yield" or "junk" bonds) and unrated securities of comparable quality expose the Fund to a greater risk of loss of principal and income than a fund that invests solely or primarily in investment grade securities. In addition, these investments have greater price fluctuations, are less liquid and are more likely to experience a default than higher-rated securities. High-yield securities are considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

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)*

December 31, 2013

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 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.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and the Shareholders of Columbia Variable Portfolio — Strategic Income Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio — Strategic Income Fund (the “Fund”, a series of Columbia Funds Variable Insurance Trust) at December 31, 2013, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, brokers, agent banks and transfer agent, and the application of alternative auditing procedures where such confirmations had not been received, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2014

Federal Income Tax Information
(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2013.

Tax Designations:

Capital Gain Dividend	$14,031,546

Capital Gain Dividend. The Fund designates as a capital gain dividend the amount reflected above, or if subsequently determined to be different, the net capital gain of such fiscal period. The Fund also designates as capital gain dividends, to the extent necessary to fully distribute such capital gains, earnings and profits distributed to shareholders on the redemption of shares.

Trustees and Officers

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Independent Trustees

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; Chairman (from 2003 to 2010) and CEO (from 2008 to 2010) of Crystal River Capital, Inc. (real estate investment trust); Oversees 52; Jackson Hewitt Tax Service Inc. (tax preparation services) from 2004 to 2011; Student Loan Corporation (student loan provider) from 2005 to 2010; Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Chimerix, Inc. (biopharmaceutical company) since August 1, 2013; Crystal River Capital, Inc. from 2005 to 2010; Parsons Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President — Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 52; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd. (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel — Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director of Marketing, Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 52; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (financial service provider); E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services); Genworth Financial, Inc. (financial and insurance products and services); and University of Oklahoma Foundation
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired. Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington from 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington from 1993 to 2011; Adjunct Professor of Statistics, University of Washington from 1980 to 2011; Associate Editor, Journal of Money, Credit and Banking from September 1993 to 2008; consultant on econometric and statistical matters. Oversees 52; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. General Manager — Global Education Industry from 1994 to 1997, President — Application Systems Division from 1991 to 1994, Chief Financial Officer — US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology). Oversees 52; Enesco Group, Inc. (producer of giftware and home and garden décor products) from 2001 to 2006

Interested Trustee

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	Chairman of the Board and President, Columbia Management Investment Advisers, LLC since May 2010 and February 2012 (previously President and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously, Chief Executive Officer, U.S. Asset Management & President, Annuities, from May 2010 to September 2012 and President — U.S. Asset Management and Chief Investment Officer from 2005 to April 2010); Director and Chief Executive Officer, Columbia Management Investment Distributors, Inc. since May 2010 and February 2012, respectively (previously Chairman of the Board and Chief Executive Officer from 2006 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006; President and Chief Executive Officer, Ameriprise Certificate Company, 2006 to August 2012; Oversees 183; Director, Ameriprise Certificate Company, 2006-January 2013

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 800.345.6611.

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the Funds' other officers are:

Officers

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Born 1964	President and Principal Executive Officer (2009)	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC, since May 2010; and President, Columbia Funds since 2009; previously, Managing Director, Columbia Management Advisors, LLC, from December 2004 to April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009; and senior officer of Columbia Funds and affiliated funds since 2003.
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Born 1969	Treasurer (2011) and Chief Financial Officer (2009)	Vice President, Columbia Management Investment Advisers, LLC, since May 2010; previously, Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; and senior officer of Columbia Funds and affiliated funds since 2002.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address and Year of Birth	Position and Year First Appointed to Position for any Fund in the Columbia Funds Complex or a Predecessor Thereof	Principal Occupation(s) During Past Five Years
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1959	Senior Vice President (2006), Chief Legal Officer (2006) and Assistant Secretary (2011)	Senior Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC, since June 2005; Senior Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc., since May 2010 (previously, Vice President and Chief Counsel — Asset Management, from 2005 to April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc., since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company, since 2005; Chief Counsel, RiverSource Distributors, Inc., since 2006; and senior officer of Columbia Funds and affiliated funds since 2006.
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 Born 1972	Chief Compliance Officer (2012)	Vice President — Asset Management Compliance, Ameriprise Financial, Inc., since May 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, from 2005 to April 2010.
Colin Moore 225 Franklin Street Boston, MA 02110 Born 1958	Senior Vice President (2010)	Executive Vice President and Global Chief Investment Officer, Ameriprise Financial, Inc., since July 2013; Director and Global Chief Investment Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, from 2007 to April 2010.
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Assistant Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since May 2010; Associate General Counsel, Bank of America from 2005 to April 2010.
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Born 1968	Vice President (2011) and Chief Accounting Officer (2008)	Vice President — Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; previously, Director of Fund Administration, Columbia Management Advisors, LLC, from 2006 to April 2010.
Paul B. Goucher 100 Park Avenue New York, NY 10017 Born 1968	Vice President (2011) and Assistant Secretary (2008)	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc., since November 2008 and January 2013, respectively (previously, Chief Counsel, from January 2010 to January 2013, and Group Counsel from November 2008 to January 2010); previously, Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, from July 2008 to November 2008.
Amy Johnson 5228 Ameriprise Financial Center Minneapolis, MN Born 1965	Vice President (2006)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC, since May 2010; previously, Chief Administrative Officer, from 2009 to April 2010, and Vice President — Asset Management and Trust Company Services, from 2006 to 2009.
Paul D. Pearson 5228 Ameriprise Financial Center Minneapolis, MN Born 1956	Vice President (2011) and Assistant Treasurer (1999)	Vice President — Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; previously, Vice President — Managed Assets, Investment Accounting, Ameriprise Financial, Inc. from 1998 to April 2010.
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Born 1970	Vice President and Secretary (2010)	Vice President and Chief Counsel, Ameriprise Financial, Inc., since January 2010 (previously, Vice President and Group Counsel or Counsel from 2004 to January 2010); officer of Columbia Funds and affiliated funds since 2007.
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Born 1957	Vice President (2006)	President and Director, Columbia Management Investment Services Corp., since May 2010; previously, President and Director, Columbia Management Services, Inc., from 2004 to April 2010; and Managing Director, Columbia Management Distributors, Inc., from 2007 to April 2010.

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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 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. **Before investing, please carefully consider the investment objectives, risks, charges and expenses of the Fund and the investment product through which the Fund is made available. For fund and other investment product 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.

C-1521 D (2/14)

Dreyfus Variable Investment Fund, Appreciation Portfolio

ANNUAL REPORT December 31, 2013

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.

Contents

THE FUND

FOR MORE INFORMATION

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Variable Investment Fund, Appreciation Portfolio, covering the 12-month period from January 1, 2013, through December 31, 2013. 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.

The year 2013 proved to be outstanding for U.S. equities. Large-cap stocks delivered their strongest calendar-year performance in well over a decade, and small- and midcap stocks fared even better in an environment of low short-term interest rates, rising corporate earnings, sustained economic growth, and low inflation. In our view, 2013 provided ample evidence of the value of patience and discipline in equity investing, as those who favored a long-term perspective over a focus on news headlines and short-term volatility reaped the rewards provided by rising markets.

Will stocks continue to rally in 2014? We believe that they can. We expect the domestic economy to continue to strengthen over the next year, particularly if U.S. fiscal policy is less restrictive and short-term interest rates remain near historical lows. Stronger growth could convince businesses and consumers to spend more freely, unleashing pent up demand as economic uncertainty wanes. However, we caution that gains in 2014 are unlikely to match those of the past year, and a highly selective approach to security selection could be key to greater relative investment success in the months ahead. As always, we urge you to speak with your financial adviser to identify the investment strategies that are right for you.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2013, through December 31, 2013, as provided by Fayez Sarofim, Portfolio Manager of Fayez Sarofim & Co., Sub-Investment Adviser

Fund and Market Performance Overview

For the 12-month period ended December 31, 2013, Dreyfus Variable Investment Fund, Appreciation Portfolio's Initial shares produced a total return of 21.11%, and its Service shares produced a total return of 20.83%.[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 32.37% for the same period.[2]

Stocks rallied strongly in 2013 as U.S. and global economic growth improved. The fund underperformed its benchmark, mainly due to its focus on higher quality, multinational companies.

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]

Recovering Economy Fueled Market's Gains

Stocks climbed sharply during 2013 in the midst of a sustained economic recovery that saw U.S. GDP accelerate from a 1.1% annualized rate during the first quarter of the year to 4.1% for the third quarter. Economic gains were fueled by falling unemployment, rebounding housing markets, low interest rates, and a massive, open-ended quantitative easing program from the Federal Reserve Board (the "Fed"). Improving conditions in Europe and Japan also contributed to positive economic sentiment.

After rallying early in the year, stocks encountered heightened volatility in late May 2013 when remarks by Fed Chairman Ben Bernanke were widely interpreted as a signal that monetary policymakers would soon begin to back away from quantitative easing. Consequently, equities lost value in June before stabilizing over the summer. Stocks resumed their advance in the fall, when the Fed unexpectedly refrained from tapering its bond purchasing program. Stocks continued to climb over the final two months of the year amid new releases of encouraging economic data. A modest reduction in the Fed's bond buying program in December had little impact on stock prices, enabling the S&P 500 Index to end the year near record highs.

Focus on Quality Undermined Relative Results

The fund's emphasis on high-quality, globally-dominant companies restrained performance compared to the benchmark in 2013. In addition, the market's advance was predominantly led by more economically sensitive market sectors, and the fund's focus on less cyclical companies hampered relative results. More specifically, the fund maintained overweighted exposure to the traditionally defensive consumer staples sector and focused on less cyclical companies in the consumer discretionary and information technology sectors. An overweighted position in the energy sector and a focus on large, integrated oil companies also hurt relative performance.

Our emphasis on high-quality securities proved more rewarding in the rebounding financials sector, but the benefit of these successful security selections was offset by an underweighted allocation to financial stocks. The fund also added value through lack of exposure to the telecommunications services and utilities sectors and an above-average dividend yield.

Positions that made the greatest absolute contributions to returns in 2013 included Coca-Cola, Johnson & Johnson, ExxonMobil, Chevron, and JPMorgan Chase & Co. Detractors from performance included *Rio Tinto*, *Intuitive Surgical*, *Statoil ASA*, International Business Machines, and Caterpillar. Despite their lagging market returns, the fund's holdings generally generated strong financial results and enhanced long-term shareholder value through disciplined capital redeployment, dividend increases, and share repurchases.

Global Growth Trends Could Support Additional Gains

We currently expect broad-based, moderate improvement in global economic growth in 2014 as consumer and business confidence strengthens, which may serve as a catalyst for higher stock prices. Moreover, if global growth accelerates and central banks' monetary policies become less accommodative, investor attention could shift to higher quality companies that can sustain consistent earnings growth. The industry-leading multinationals in which the fund invests currently derive more than half of their earnings from overseas markets and appear well positioned for stronger global growth. These companies typically have sustainable competitive advantages, ample financial resources, and long duration earnings growth, characteristics that should appeal to investors as the global economy moves to the next phase of its cycle.

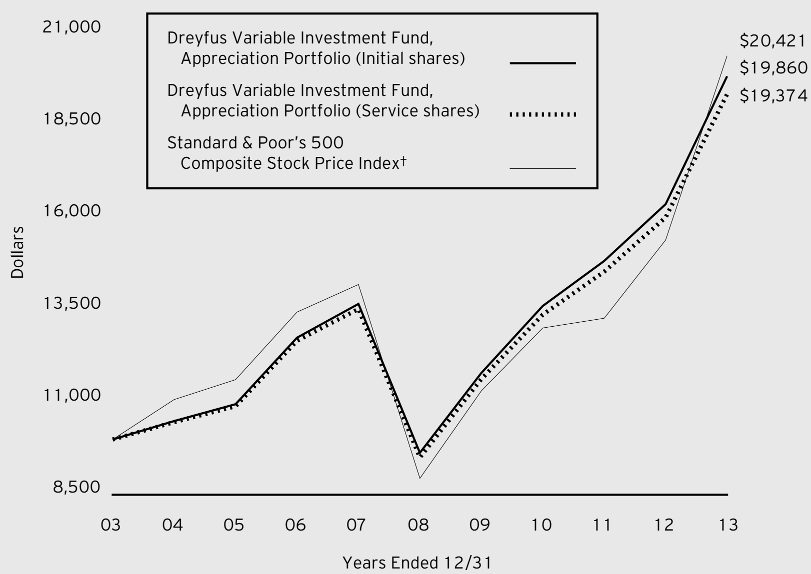
January 15, 2014

Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.
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. The investment objective and policies of Dreyfus Variable Investment Fund, Appreciation Portfolio made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

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.*



Comparison of change in value of $10,000 investment in Dreyfus Variable Investment Fund, Appreciation Portfolio Initial shares and Service shares and the Standard & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/13*

	1 Year	5 Years	10 Years
Initial shares	**21.11%**	**15.56%**	**7.10%**
Service shares	**20.83%**	**15.27%**	**6.84%**
Standard & Poor's 500 Composite Stock Price Index	**32.37%**	**17.93%**	**7.40%**

† *Source: Lipper Inc.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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.

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Variable Investment Fund, Appreciation Portfolio on 12/31/03 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses for Initial and Service shares. The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

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 July 1, 2013 to December 31, 2013. 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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.30	$ 5.64
Ending value (after expenses)	$1,133.00	$1,131.60

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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.08	$ 5.35
Ending value (after expenses)	$1,021.17	$1,019.91

† *Expenses are equal to the fund's annualized expense ratio of .80% for Initial shares and 1.05% for Service shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2013

Common Stocks–99.6%	Shares	Value ($)
Banks–.9%		
Wells Fargo & Co.	120,000	**5,448,000**
Capital Goods–2.5%		
Caterpillar	22,000	1,997,820
General Electric	124,800	3,498,144
United Technologies	89,000	10,128,200
		15,624,164
Consumer Durables & Apparel–1.7%		
Christian Dior	56,100	**10,600,268**
Consumer Services–2.6%		
McDonald's	165,200	**16,029,356**
Diversified Financials–6.3%		
BlackRock	31,000	9,810,570
Franklin Resources	183,000	10,564,590
JPMorgan Chase & Co.	267,300	15,631,704
State Street	40,000	2,935,600
		38,942,464
Energy–17.2%		
Chevron	195,900	24,469,869
ConocoPhillips	165,100	11,664,315
EOG Resources	20,000	3,356,800
Exxon Mobil	308,364	31,206,437
Imperial Oil	100,000	4,423,000
Occidental Petroleum	163,100	15,510,810
Phillips 66	92,550	7,138,382
Royal Dutch Shell, Cl. A, ADR	60,500	4,311,835
Total, ADR	64,400	3,945,788
		106,027,236
Food & Staples Retailing–2.0%		
Walgreen	124,300	7,139,792
Whole Foods Market	90,200	5,216,266
		12,356,058

Common Stocks (continued)	Shares		Value ($)
Food, Beverage & Tobacco—21.0%			
Altria Group	373,100		14,323,309
Coca-Cola	801,200		33,097,572
Diageo, ADR	25,000	a	3,310,500
Kraft Foods Group	56,666		3,055,431
Mondelez International, Cl. A	170,000		6,001,000
Nestle, ADR	234,400		17,249,496
PepsiCo	132,900		11,022,726
Philip Morris International	392,100		34,163,673
SABMiller	120,000		6,162,151
			128,385,858
Health Care Equipment & Services—1.2%			
Abbott Laboratories	191,800		**7,351,694**
Household & Personal Products—4.5%			
Estee Lauder, Cl. A	133,400		10,047,688
Procter & Gamble	215,000		17,503,150
			27,550,838
Insurance—.8%			
ACE	45,000		**4,658,850**
Materials—3.6%			
Air Products & Chemicals	18,000		2,012,040
Freeport-McMoRan Copper & Gold	200,000		7,548,000
Praxair	95,200		12,378,856
			21,938,896
Media—6.6%			
Comcast, Cl. A	146,000		7,586,890
McGraw-Hill Financial	84,100		6,576,620
News Corp., Cl. A	51,784	b	933,148
Time Warner Cable	45,000		6,097,500
Twenty-First Century Fox, Cl. A	283,136		9,960,724
Walt Disney	120,000		9,168,000
			40,322,882
Pharmaceuticals, Biotech & Life Sciences—9.4%			
AbbVie	191,800		10,128,958

Common Stocks (continued)	Shares	Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)		
Johnson & Johnson	192,900	17,667,711
Novartis, ADR	85,000	6,832,300
Novo Nordisk, ADR	56,300	10,401,988
Roche Holding, ADR	185,700	13,036,140
		58,067,097
Retailing—3.6%		
Target	179,700	11,369,619
Wal-Mart Stores	136,600	10,749,054
		22,118,673
Semiconductors & Semiconductor Equipment—2.8%		
Intel	239,500	6,217,420
Texas Instruments	233,300	10,244,203
Xilinx	20,000	918,400
		17,380,023
Software & Services—4.9%		
Automatic Data Processing	100,400	8,113,324
International Business Machines	77,000	14,442,890
Oracle	200,000	7,652,000
		30,208,214
Technology Hardware & Equipment—6.8%		
Apple	64,150	35,995,206
QUALCOMM	82,800	6,147,900
		42,143,106
Transportation—1.2%		
Canadian Pacific Railway	50,000	**7,566,000**
Total Common Stocks (cost $300,744,528)		**612,719,677**

Other Investment—.1%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $745,413)	745,413 c	**745,413**

Investment of Cash Collateral for Securities Loaned—.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $2,088,930)	2,088,930 [c]	**2,088,930**
Total Investments (cost $303,578,871)	**100.1%**	**615,554,020**
Liabilities, Less Cash and Receivables	**(.1%)**	**(429,517)**
Net Assets	**100.0%**	**615,124,503**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At December 31, 2013, the value of the fund's security on loan was $2,060,455 and the value of the collateral held by the fund was $2,088,930.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Food, Beverage & Tobacco	21.0	Semiconductors & Semiconductor Equipment	2.8
Energy	17.2	Consumer Services	2.6
Pharmaceuticals, Biotech & Life Sciences	9.4	Capital Goods	2.5
Technology Hardware & Equipment	6.8	Food & Staples Retailing	2.0
Media	6.6	Consumer Durables & Apparel	1.7
Diversified Financials	6.3	Health Care Equipment & Services	1.2
Software & Services	4.9	Transportation	1.2
Household & Personal Products	4.5	Banks	.9
Materials	3.6	Insurance	.8
Retailing	3.6	Money Market Investments	.5
			100.1

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $2,060,455)—Note 1(c):		
Unaffiliated issuers	300,744,528	612,719,677
Affiliated issuers	2,834,343	2,834,343
Cash		1,325,698
Dividends and securities lending income receivable		1,178,584
Receivable for investment securities sold		908,991
Prepaid expenses		5,437
		618,972,730
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		352,886
Due to Fayez Sarofim & Co.		111,755
Liability for securities on loan—Note 1(c)		2,088,930
Payable for shares of Beneficial Interest redeemed		1,245,315
Accrued expenses		49,341
		3,848,227
Net Assets ($)		**615,124,503**
Composition of Net Assets ($):		
Paid-in capital		287,840,040
Accumulated undistributed investment income—net		141,896
Accumulated net realized gain (loss) on investments		15,167,418
Accumulated net unrealized appreciation (depreciation) on investments		311,975,149
Net Assets ($)		**615,124,503**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	360,196,996	254,927,507
Shares Outstanding	7,511,552	5,345,500
Net Asset Value Per Share ($)	**47.95**	**47.69**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2013

Investment Income ($):	
Income:	
Cash dividends (net of $318,237 foreign taxes withheld at source):	
Unaffiliated issuers	16,388,987
Affiliated issuers	2,168
Income from securities lending—Note 1(c)	75,883
Total Income	**16,467,038**
Expenses:	
Investment advisory fee—Note 3(a)	3,184,136
Sub-investment advisory fee—Note 3(a)	1,300,563
Distribution fees—Note 3(b)	604,049
Professional fees	90,990
Prospectus and shareholders' reports	80,027
Trustees' fees and expenses—Note 3(c)	78,111
Custodian fees—Note 3(b)	46,638
Loan commitment fees—Note 2	5,510
Shareholder servicing costs—Note 3(b)	1,988
Interest expense—Note 2	1,531
Miscellaneous	32,688
Total Expenses	**5,426,231**
Less—reduction in fees due to earnings credits—Note 3(b)	(11)
Net Expenses	**5,426,220**
Investment Income—Net	**11,040,818**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments and foreign currency transactions	16,061,416
Net unrealized appreciation (depreciation) on investments	86,090,036
Net Realized and Unrealized Gain (Loss) on Investments	**102,151,452**
Net Increase in Net Assets Resulting from Operations	**113,192,270**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2013	2012
Operations ($):		
Investment income—net	11,040,818	10,714,528
Net realized gain (loss) on investments	16,061,416	3,173,613
Net unrealized appreciation (depreciation) on investments	86,090,036	39,110,502
Net Increase (Decrease) in Net Assets Resulting from Operations	**113,192,270**	**52,998,643**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(6,893,926)	(12,974,543)
Service Shares	(4,166,702)	(6,423,266)
Net realized gain on investments:		
Initial Shares	(845,058)	–
Service Shares	(570,306)	–
Total Dividends	**(12,475,992)**	**(19,397,809)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	21,784,228	55,289,006
Service Shares	49,511,523	75,211,364
Dividends reinvested:		
Initial Shares	7,738,984	12,974,543
Service Shares	4,737,008	6,423,266
Cost of shares redeemed:		
Initial Shares	(75,550,847)	(70,383,596)
Service Shares	(60,366,124)	(47,166,478)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(52,145,228)**	**32,348,105**
Total Increase (Decrease) in Net Assets	**48,571,050**	**65,948,939**
Net Assets ($):		
Beginning of Period	566,553,453	500,604,514
End of Period	**615,124,503**	**566,553,453**
Undistributed investment income—net	141,896	161,768

	Year Ended December 31,	
	2013	2012
Capital Share Transactions:		
Initial Shares		
Shares sold	495,214	1,377,683
Shares issued for dividends reinvested	175,615	319,206
Shares redeemed	(1,708,837)	(1,739,175)
Net Increase (Decrease) in Shares Outstanding	**(1,038,008)**	**(42,286)**
Service Shares		
Shares sold	1,130,343	1,876,463
Shares issued for dividends reinvested	108,119	158,878
Shares redeemed	(1,372,296)	(1,171,311)
Net Increase (Decrease) in Shares Outstanding	**(133,834)**	**864,030**

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.

	Year Ended December 31,				
Initial Shares	2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	40.47	37.99	35.44	31.40	28.88
Investment Operations:					
Investment income—net[a]	.86	.82	.73	.64	.63
Net realized and unrealized gain (loss) on investments	7.59	3.14	2.42	4.09	4.95
Total from Investment Operations	8.45	3.96	3.15	4.73	5.58
Distributions:					
Dividends from investment income—net	(.87)	(1.48)	(.60)	(.69)	(.78)
Dividends from net realized gain on investments	(.10)	–	–	–	(2.28)
Total Distributions	(.97)	(1.48)	(.60)	(.69)	(3.06)
Net asset value, end of period	47.95	40.47	37.99	35.44	31.40
Total Return (%)	21.11	10.44	9.01	15.32	22.56
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.81	.81	.80	.81	.80
Ratio of net expenses to average net assets	.81	.81	.80	.81	.80
Ratio of net investment income to average net assets	1.95	2.02	1.99	2.01	2.31
Portfolio Turnover Rate	7.71	3.05	4.24	11.90	1.49
Net Assets, end of period ($ x 1,000)	360,197	345,985	326,445	310,385	290,073

[a] *Based on average shares outstanding at each month end.*
See notes to financial statements.

	Year Ended December 31,				
Service Shares	2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	40.25	37.74	35.23	31.21	28.70
Investment Operations:					
Investment income—net[a]	.75	.72	.63	.58	.59
Net realized and unrealized gain (loss) on investments	7.55	3.10	2.42	4.05	4.89
Total from Investment Operations	8.30	3.82	3.05	4.63	5.48
Distributions:					
Dividends from investment income—net	(.76)	(1.31)	(.54)	(.61)	(.69)
Dividends from net realized gain on investments	(.10)	–	–	–	(2.28)
Total Distributions	(.86)	(1.31)	(.54)	(.61)	(2.97)
Net asset value, end of period	47.69	40.25	37.74	35.23	31.21
Total Return (%)	20.83	10.14	8.74	15.04	22.23
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.06	1.06	1.05	1.06	1.05
Ratio of net expenses to average net assets	1.06	1.06	1.05	1.06	1.05
Ratio of net investment income to average net assets	1.70	1.79	1.75	1.74	2.15
Portfolio Turnover Rate	7.71	3.05	4.24	11.90	1.49
Net Assets, end of period ($ x 1,000)	254,928	220,568	174,160	125,296	71,893

[a] *Based on average shares outstanding at each month end.*

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 (the "Board"). 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 within Level 2 or 3 of the fair value hierarchy 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.

Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange.

The following is a summary of the inputs used as of December 31, 2013 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 Common Stocks†	524,880,211	–	–	**524,880,211**
Equity Securities– Foreign Common Stocks†	87,839,466	–	–	**87,839,466**
Mutual Funds	2,834,343	–	–	**2,834,343**

† *See Statement of Investments for additional detailed categorizations.*

At December 31, 2012, $17,075,991 of exchange traded foreign equity securities were classified within Level 2 of the fair value hierarchy pursuant to the fund's fair valuation procedures.

(b) Foreign currency transactions: The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized on securities transactions between trade and settlement date, and 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 exchange gains and losses arise from changes in the value of assets and liabilities other than investments resulting from changes in exchange rates. Foreign currency gains and losses on foreign currency transactions are also included with net realized and unrealized gain or loss on investments.

(c) 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 or U.S. Government and Agency securities. The fund is entitled to receive all dividends, interest and distributions on securities loaned, in addition to income earned as a result of the lending transaction. Should a borrower fail to return the securities in a timely manner, The Bank of New York Mellon is required to replace the securities for the benefit of the fund or credit the fund with the market value of the unreturned securities and is subrogated to the fund's rights against the borrower and the collateral.

At December 31, 2013, the value of securities on loan was $2,060,455, as disclosed in the Statement of Assets and Liabilities. The value of related collateral exceeded the value of securities on loan. See the Statement of Investments for collateral information. During the period ended December 31, 2013, The Bank of New York Mellon earned $18,947 from lending portfolio securities, pursuant to the securities lending agreement.

(d) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" under the Act. Investments in affiliated investment companies during the period ended December 31, 2013 were as follows:

Affiliated Investment Company	Value 12/31/2012 ($)	Purchases ($)	Sales ($)	Value 12/31/2013 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	3,916,352	51,150,328	54,321,267	745,413	.1
Dreyfus Institutional Cash Advantage Fund	13,512,311	142,434,719	153,858,100	2,088,930	.4
Total	**17,428,663**	**193,585,047**	**208,179,367**	**2,834,343**	**.5**

(e) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net are normally declared and paid quarterly. 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.

(f) 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 December 31, 2013, 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 ended December 31, 2013, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2013, the components of accumulated earnings on tax basis were as follows: undistributed ordinary income $316,461, undistributed capital gains $15,735,325 and unrealized appreciation $311,232,677.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2013 and December 31, 2012 were as follows: ordinary income $11,060,628 and $19,397,809, and long-term capital gains $1,415,364 and $0, respectively.

During the period ended December 31, 2013, as a result of permanent book to tax differences, primarily due to the tax treatment for foreign currency exchange gains and losses, the fund decreased accumulated undistributed investment income-net by $62 and increased accumulated net realized gain (loss) on investments by the same amount. Net assets and net asset value per share were not affected by this classification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 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. Prior to October 9, 2013, the unsecured credit facility with Citibank, N.A. was $210 million. 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 December 31, 2013 was approximately $136,400 with a related weighted average annualized interest rate of 1.12%.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2013, Service shares were charged $604,049 pursuant to the Distribution Plan.

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.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing transfer agency and cash management services for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $1,846 for transfer agency services and $106 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were partially offset by earnings credits of $11.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets, geographic region and transaction activity. During the period ended December 31, 2013, the fund was charged $46,638 pursuant to the custody agreement.

The fund compensated The Bank of New York Mellon under a cash management agreement that was in effect until September 30, 2013 for performing certain cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $36 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations.

During the period ended December 31, 2013, the fund was charged $9,093 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 $273,606, Distribution Plan fees $53,005, custodian fees $23,666, Chief Compliance Officer fees $2,299 and transfer agency fees $310.

(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 December 31, 2013, amounted to $45,604,484 and $94,943,166, respectively.

At December 31, 2013, the cost of investments for federal income tax purposes was $304,321,343; accordingly, accumulated net unrealized appreciation on investments was $311,232,677, consisting of $314,172,283 gross unrealized appreciation and $2,939,606 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Dreyfus Variable Investment Fund, Appreciation Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Variable Investment Fund, Appreciation Portfolio (one of the series comprising Dreyfus Variable Investment Fund) as of December 31, 2013, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Variable Investment Fund, Appreciation Portfolio at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

New York, New York
February 12, 2014

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby reports 100% of the ordinary dividends paid during the fiscal year ended December 31, 2013 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2014 of the percentage applicable to the preparation of their 2013 income tax returns. Also, the fund hereby reports $.1022 per share as a long-term capital gain distribution paid on March 28, 2013.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (70)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)
• Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)

No. of Portfolios for which Board Member Serves: 141

Peggy C. Davis (70)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Shad Professor of Law, New York University School of Law (1983-present)

No. of Portfolios for which Board Member Serves: 56

David P. Feldman (74)
Board Member (1994)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• BBH Mutual Funds Group (4 registered mutual funds), Director (1992-present)

No. of Portfolios for which Board Member Serves: 42

Ehud Houminer (73)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Executive-in-Residence at the Columbia Business School, Columbia University (1992-present)

Other Public Company Board Memberships During Past 5 Years:
• Avnet Inc., an electronics distributor, Director (1993-2012)

No. of Portfolios for which Board Member Serves: 66

Lynn Martin (74)
Board Member (2012)

Principal Occupation During Past 5 Years:
- President of The Martin Hall Group LLC, a human resources consulting firm (2005-2012)

Other Public Company Board Memberships During Past 5 Years:
- AT&T Inc., a telecommunications company, Director (1999-2012)
- Ryder System, Inc., a supply chain and transportation management company, Director (1993-2012)
- The Proctor & Gamble Co., a consumer products company, Director (1994-2009)
- Constellation Energy Group Inc., Director (2003-2009)

No. of Portfolios for which Board Member Serves: 42

Robin A. Melvin (50)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Board Member, Illinois Mentoring Partnership, non-profit organization dedicated to increasing the quantity and quality of mentoring services in Illinois (2013-present)
- Director, Boisi Family Foundation, a private family foundation that supports youth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances (1995-2012)

No. of Portfolios for which Board Member Serves: 90

Dr. Martin Peretz (74)
Board Member (1990)

Principal Occupation During Past 5 Years:
- Editor-in-Chief Emeritus of The New Republic Magazine (2010-2011) (previously, Editor-in-Chief, 1974-2010)
- Director of TheStreet.com, a financial information service on the web (1996-2010)

No. of Portfolios for which Board Member Serves: 42

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

James F. Henry, Emeritus Board Member
Rosalind G. Jacobs, Emeritus Board Member
Dr. Paul A. Marks, Emeritus Board Member
Philip L. Toia, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009, Chairman of Dreyfus Transfer, Inc., an affiliate of the Manager and the transfer agent of the funds, since May 2011 and Executive Vice President of the Distributor since June 2007. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 68 investment companies (comprised of 141 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Chief Legal Officer of the Manager and Associate General Counsel and Managing Director of BNY Mellon since August 2012; from March 2005 to July 2012, Managing Director of Deutsche Bank, Deputy Global Head of Deutsche Asset Management Legal and Regional Head of Deutsche Asset Management Americas Legal. He is an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since August 2012.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 51 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 40 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 58 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 61 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (69 investment companies, comprised of 166 portfolios). He is 56 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 64 investment companies (comprised of 161 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Distributor since October 2011.

NOTES

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.

0112AR1213

The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT December 31, 2013

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.

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THE FUND

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A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the 12-month period from January 1, 2013, through December 31, 2013. 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.

The year 2013 proved to be outstanding for U.S. equities. Large-cap stocks delivered their strongest calendar-year performance in well over a decade, and small- and midcap stocks fared even better in an environment of low short-term interest rates, rising corporate earnings, sustained economic growth, and low inflation. In our view, 2013 provided ample evidence of the value of patience and discipline in equity investing, as those who favored a long-term perspective over a focus on news headlines and short-term volatility reaped the rewards provided by rising markets.

Will stocks continue to rally in 2014? We believe that they can. We expect the domestic economy to continue to strengthen over the next year, particularly if U.S. fiscal policy is less restrictive and short-term interest rates remain near historical lows. Stronger growth could convince businesses and consumers to spend more freely, unleashing pent up demand as economic uncertainty wanes. However, we caution that gains in 2014 are unlikely to match those of the past year, and a highly selective approach to security selection could be key to greater relative investment success in the months ahead. As always, we urge you to speak with your financial adviser to identify the investment strategies that are right for you.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2013, through December 31, 2013, as provided by Warren Chiang, C. Wesley Boggs, and Ronald Gala, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2013, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 34.34%, and the fund's Service shares returned 33.99%.[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 32.37% for the same period.[2]

U.S. stocks rallied sharply during 2013 in response to improving economic conditions. The fund produced higher returns than the S&P 500 Index, mainly due to successful security selections in the financials and health care 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 net 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.

Recovering Economy Fueled Market's Gains

Stocks climbed sharply during 2013 in a sustained economic recovery that saw U.S. GDP accelerate from a 1.1% annualized rate during the first quarter of the year to

4.1% for the third quarter. Economic gains were fueled by falling unemployment, rebounding housing markets, low interest rates, and a massive, open-ended quantitative easing program from the Federal Reserve Board (the "Fed").

After rallying early in the year, stocks encountered heightened volatility in late May 2013 when remarks by Fed Chairman Ben Bernanke were widely interpreted as a signal that monetary policymakers would soon back away from quantitative easing. Consequently, equities lost value in June before stabilizing over the summer. Stocks resumed their advance in the fall, when the Fed unexpectedly refrained from tapering its bond purchasing program. Stocks continued to climb over the final two months of the year amid new releases of encouraging economic data. A modest reduction in the Fed's bond buying program in mid-December had little impact on stock prices, enabling the S&P 500 Index to end the year near record highs.

Security Selection Strategy Produced Mixed Results

The fund achieved especially strong results in the financials sector, where we emphasized regional commercial banks, such as Comerica and KeyCorp, that gained value as lending volumes grew in the recovering economy. The fund further benefited from an overweighted position in wealth manager Waddell & Reed Financial, Cl. A, which benefited from growing assets under management in a rising stock market. The fund also successfully avoided weakness among real estate investment trusts.

In the health care sector, winners included bio-analytical measurement company Agilent Technologies, which reported solid earnings growth. Biopharmaceutical developer Biogen Idec achieved strong sales of a treatment for multiple sclerosis. Life sciences company Life Technologies was acquired at a premium to its stock price at the time.

The fund encountered more disappointing results in the information technology sector, where industry leaders with stable earnings lagged their more speculative counterparts. For example, enterprise software developer Oracle and consulting services giant International Business Machines fell short of sector averages at a time when less seasoned companies, such as social media providers, led 2013 performance.

Fund Signs on to U.N. Principles for Responsible Investing

In August 2013, the fund became a signatory of the United Nations Principles for Responsible Investing as part of an international network of investors working together to promote the development of a more sustainable global financial system that incorporates environmental, social, and corporate governance (ESG) issues into investment practices. In doing so, we are committed to evaluating the effectiveness and improving the content of the Principles over time. We believe this will enhance our ability to meet our commitments to shareholders and better align our investment activities with the broader interests of society.

Finding Opportunities Among Socially Responsible Companies

Despite richer valuations in some industry groups, in our view our investment process has continued to identify individual companies with attractive valuations, high levels of earnings quality, and sound ESG practices. We have found an ample number of opportunities in the information technology sector, but relatively few companies meet our social responsibility criteria in the energy, aerospace and defense, and financials sectors.

January 15, 2014

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.

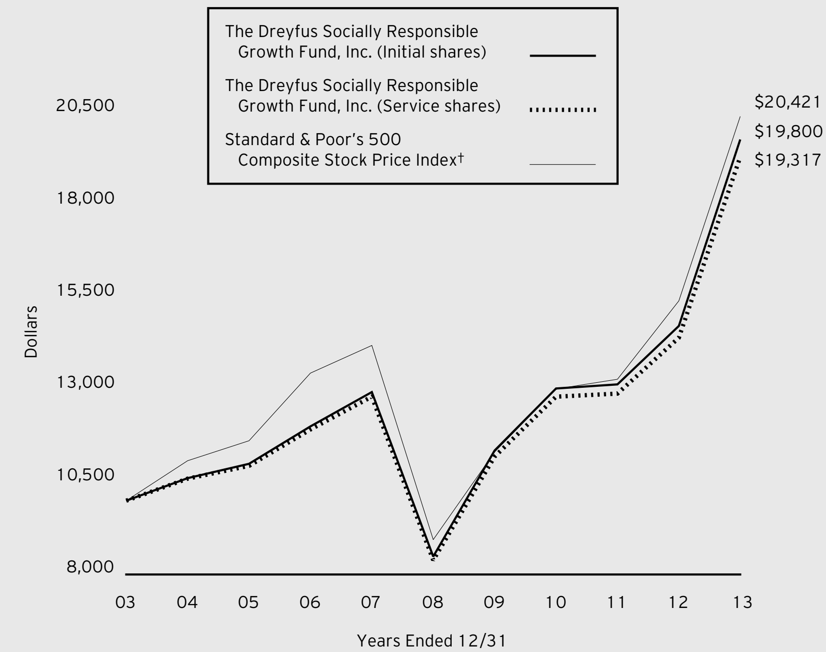
The fund's socially responsible investment criteria may limit the number of investment opportunities available to the fund, and as a result, at times, the fund may produce more modest gains than funds that are not subject to such special investment considerations.

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. The investment objective and policies of The Dreyfus Socially Responsible Growth Fund, Inc. made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

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.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. Initial shares and Service shares and the Standard & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/13*

	1 Year	5 Years	10 Years
Initial shares	**34.34%**	**18.44%**	**7.07%**
Service shares	**33.99%**	**18.15%**	**6.81%**
Standard & Poor's 500 Composite Stock Price Index	**32.37%**	**17.93%**	**7.40%**

† *Source: Lipper Inc.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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.

The above graph compares a $10,000 investment made in Initial and Service shares of The Dreyfus Socially Responsible Growth Fund, Inc. on 12/31/03 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses for Initial and Service shares. The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

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 July 1, 2013 to December 31, 2013. 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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.78	$ 6.14
Ending value (after expenses)	$1,155.40	$1,154.00

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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.48	$ 5.75
Ending value (after expenses)	$1,020.77	$1,019.51

† *Expenses are equal to the fund's annualized expense ratio of .88% for Initial shares and 1.13% for Service shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2013

Common Stocks—99.2%	Shares		Value ($)
Automobiles & Components—.6%			
Thor Industries	29,100		**1,607,193**
Banks—4.2%			
BB&T	44,750		1,670,070
Comerica	128,600		6,113,644
KeyCorp	175,750		2,358,565
Regions Financial	134,800		1,333,172
			11,475,451
Capital Goods—7.7%			
Allegion	7,333	a	324,045
Fluor	41,450		3,328,020
General Electric	77,750		2,179,333
Ingersoll-Rand	22,000		1,355,200
Jacobs Engineering Group	21,650	a	1,363,733
Masco	61,350		1,396,940
Parker Hannifin	42,100		5,415,744
Snap-on	28,550		3,126,796
			20,937,174
Commercial & Professional Services—1.6%			
Tyco International	109,050		**4,475,412**
Consumer Durables & Apparel—1.4%			
Hasbro	45,150		2,483,702
Michael Kors Holdings	16,200	a	1,315,278
			3,798,980
Consumer Services—1.9%			
Marriott International, Cl. A	107,450		**5,303,732**
Diversified Financials—4.7%			
American Express	62,450		5,666,089
State Street	18,500		1,357,715
T. Rowe Price Group	31,450		2,634,567
Waddell & Reed Financial, Cl. A	48,000		3,125,760
			12,784,131
Energy—9.7%			
Bristow Group	23,850		1,790,181
ConocoPhillips	70,150		4,956,097
Denbury Resources	189,850	a	3,119,236

Common Stocks (continued)	Shares	Value ($)
Energy (continued)		
Devon Energy	45,700	2,827,459
Hess	38,450	3,191,350
Marathon Petroleum	33,150	3,040,849
Noble Energy	19,000	1,294,090
Phillips 66	20,750	1,600,447
Pioneer Natural Resources	7,390	1,360,277
Spectra Energy	96,350	3,431,987
		26,611,973
Food & Staples Retailing—2.1%		
Kroger	47,150	1,863,839
Whole Foods Market	66,500	3,845,695
		5,709,534
Food, Beverage & Tobacco—3.6%		
Coca-Cola Enterprises	80,650	3,559,084
Hershey	43,750	4,253,812
PepsiCo	24,900	2,065,206
		9,878,102
Health Care Equipment & Services—4.5%		
AmerisourceBergen	47,600	3,346,756
Becton Dickinson & Co.	27,425	3,030,188
Edwards Lifesciences	36,500 [a]	2,400,240
Laboratory Corp. of America Holdings	12,700 [a]	1,160,399
Patterson	60,600	2,496,720
		12,434,303
Household & Personal Products—.9%		
Clorox	15,050	1,396,038
Procter & Gamble	12,325	1,003,378
		2,399,416
Insurance—1.5%		
Aflac	28,050	1,873,740
Marsh & McLennan	46,300	2,239,068
		4,112,808
Materials—5.6%		
Alcoa	124,750	1,326,092
Avery Dennison	56,650	2,843,263
Ball	82,650	4,269,699

Common Stocks (continued)	Shares		Value ($)
Materials (continued)			
Ecolab	12,600		1,313,802
International Flavors & Fragrances	31,500		2,708,370
Sigma-Aldrich	30,050		2,825,001
			15,286,227
Media—3.6%			
Discovery Communications, Cl. A	48,750	a,b	4,407,975
Scripps Networks Interactive, Cl. A	35,500		3,067,555
Time Warner Cable	17,950		2,432,225
			9,907,755
Pharmaceuticals, Biotech & Life Sciences—11.3%			
Agilent Technologies	86,450		4,944,076
Allergan	11,550		1,282,974
AstraZeneca, ADR	49,750		2,953,658
Biogen Idec	9,650	a	2,699,588
Bristol-Myers Squibb	51,700		2,747,855
Eli Lilly & Co.	43,700		2,228,700
Gilead Sciences	18,200	a	1,367,730
Life Technologies	75,450	a	5,719,110
Merck & Co.	54,400		2,722,720
Novartis, ADR	23,350		1,876,873
Waters	22,550	a	2,255,000
			30,798,284
Retailing—3.7%			
Bed Bath & Beyond	12,050	a,b	967,615
Gap	95,100		3,716,508
Nordstrom	25,600		1,582,080
O'Reilly Automotive	7,900	a	1,016,809
PetSmart	17,650		1,284,038
The TJX Companies	23,600		1,504,028
			10,071,078
Semiconductors & Semiconductor Equipment—3.2%			
Applied Materials	302,500		5,351,225
Intel	130,200		3,379,992
			8,731,217

Common Stocks (continued)	Shares	Value ($)
Software & Services—10.4%		
Accenture, Cl. A	18,850	1,549,847
CA	69,900	2,352,135
Google, Cl. A	1,240 [a]	1,389,680
International Business Machines	28,625	5,369,191
Intuit	48,650	3,712,968
Microsoft	192,650	7,210,890
Oracle	115,625	4,423,813
Symantec	108,650	2,561,967
		28,570,491
Technology Hardware & Equipment—11.9%		
Apple	14,700	8,248,317
Cisco Systems	196,675	4,415,354
EMC	151,825	3,818,399
Hewlett-Packard	102,100	2,856,758
Jabil Circuit	181,050	3,157,512
Motorola Solutions	55,400	3,739,500
QUALCOMM	18,900	1,403,325
Seagate Technology	30,600	1,718,496
TE Connectivity	26,650	1,468,681
Xerox	129,700	1,578,449
		32,404,791
Telecommunication Services—2.0%		
AT&T	75,750	2,663,370
Verizon Communications	57,000	2,800,980
		5,464,350
Transportation—2.2%		
Norfolk Southern	17,850	1,657,015
Southwest Airlines	162,800	3,067,152
Union Pacific	8,300	1,394,400
		6,118,567
Utilities—.9%		
Pinnacle West Capital	45,350	**2,399,922**
Total Common Stocks (cost $199,050,058)		**271,280,891**

Other Investment—.8%	Shares		Value ($)
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $2,281,098)	2,281,098	c	**2,281,098**
Total Investments (cost $201,331,156)	**100.0%**		**273,561,989**
Liabilities, Less Cash and Receivables	**(.0%)**		**(81,980)**
Net Assets	**100.0%**		**273,480,009**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2013, the value of the fund's securities on loan was $4,838,031 and the value of the collateral held by the fund was $4,936,033, consisting of U.S. Government and Agency securities.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Technology Hardware & Equipment	11.9	Semiconductors & Semiconductor Equipment	3.2
Pharmaceuticals, Biotech & Life Sciences	11.3	Transportation	2.2
Software & Services	10.4	Food & Staples Retailing	2.1
Energy	9.7	Telecommunication Services	2.0
Capital Goods	7.7	Consumer Services	1.9
Materials	5.6	Commercial & Professional Services	1.6
Diversified Financials	4.7	Insurance	1.5
Health Care Equipment & Services	4.5	Consumer Durables & Apparel	1.4
Banks	4.2	Household & Personal Products	.9
Retailing	3.7	Utilities	.9
Food, Beverage & Tobacco	3.6	Money Market Investment	.8
Media	3.6	Automobiles & Components	.6
			100.0

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $4,838,031)—Note 1(b):		
Unaffiliated issuers	199,050,058	271,280,891
Affiliated issuers	2,281,098	2,281,098
Cash		47,579
Dividends and securities lending income receivable		198,785
Prepaid expenses		4,281
		273,812,634
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		191,420
Payable for shares of Common Stock redeemed		103,969
Accrued expenses		37,236
		332,625
Net Assets ($)		**273,480,009**
Composition of Net Assets ($):		
Paid-in capital		179,248,915
Accumulated undistributed investment income—net		2,902,952
Accumulated net realized gain (loss) on investments		19,097,309
Accumulated net unrealized appreciation (depreciation) on investments		72,230,833
Net Assets ($)		**273,480,009**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	264,713,243	8,766,766
Shares Outstanding	6,004,321	200,331
Net Asset Value Per Share ($)	**44.09**	**43.76**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2013

Investment Income ($):	
Income:	
Cash dividends (net of $27,189 foreign taxes withheld at source):	
Unaffiliated issuers	5,006,672
Affiliated issuers	1,242
Income from securities lending—Note 1(b)	12,779
Total Income	**5,020,693**
Expenses:	
Management fee—Note 3(a)	1,839,941
Prospectus and shareholders' reports	127,415
Professional fees	89,743
Custodian fees—Note 3(c)	20,426
Distribution fees—Note 3(b)	19,188
Directors' fees and expenses—Note 3(d)	6,639
Shareholder servicing costs—Note 3(c)	3,962
Loan commitment fees—Note 2	1,982
Registration fees	4
Miscellaneous	6,639
Total Expenses	**2,115,939**
Less—reduction in fees due to earnings credits—Note 3(c)	(9)
Net Expenses	**2,115,930**
Investment Income—Net	**2,904,763**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	24,857,613
Net unrealized appreciation (depreciation) on investments	43,580,868
Net Realized and Unrealized Gain (Loss) on Investments	**68,438,481**
Net Increase in Net Assets Resulting from Operations	**71,343,244**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2013	2012
Operations ($):		
Investment income—net	2,904,763	2,983,799
Net realized gain (loss) on investments	24,857,613	5,162,418
Net unrealized appreciation (depreciation) on investments	43,580,868	16,937,445
Net Increase (Decrease) in Net Assets Resulting from Operations	**71,343,244**	**25,083,662**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(2,903,989)	(1,775,288)
Service Shares	(77,437)	(37,298)
Total Dividends	**(2,981,426)**	**(1,812,586)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	23,366,293	10,025,466
Service Shares	1,246,467	932,920
Dividends reinvested:		
Initial Shares	2,903,989	1,775,288
Service Shares	77,437	37,298
Cost of shares redeemed:		
Initial Shares	(35,165,859)	(35,033,427)
Service Shares	(1,245,153)	(1,254,125)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(8,816,826)**	**(23,516,580)**
Total Increase (Decrease) in Net Assets	**59,544,992**	**(245,504)**
Net Assets ($):		
Beginning of Period	213,935,017	214,180,521
End of Period	**273,480,009**	**213,935,017**
Undistributed investment income—net	2,902,952	2,979,615

	Year Ended December 31,	
	2013	2012
Capital Share Transactions:		
Initial Shares		
Shares sold	593,292	304,016
Shares issued for dividends reinvested	79,846	51,894
Shares redeemed	(906,877)	(1,073,072)
Net Increase (Decrease) in Shares Outstanding	**(233,739)**	**(717,162)**
Service Shares		
Shares sold	31,743	28,853
Shares issued for dividends reinvested	2,140	1,096
Shares redeemed	(32,040)	(39,083)
Net Increase (Decrease) in Shares Outstanding	**1,843**	**(9,134)**

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.

	Year Ended December 31,				
Initial Shares	2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	33.24	29.91	29.90	26.26	19.86
Investment Operations:					
Investment income—net [a]	.46	.44	.24	.25	.21
Net realized and unrealized gain (loss) on investments	10.87	3.15	.04	3.62	6.40
Total from Investment Operations	11.33	3.59	.28	3.87	6.61
Distributions:					
Dividends from investment income—net	(.48)	(.26)	(.27)	(.23)	(.21)
Net asset value, end of period	44.09	33.24	29.91	29.90	26.26
Total Return (%)	34.34	11.98	.90	14.82	33.75
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.86	.85	.85	.89	.89
Ratio of net expenses to average net assets	.86	.85	.85	.89	.89
Ratio of net investment income to average net assets	1.19	1.34	.80	.93	.97
Portfolio Turnover Rate	38.81	48.84	67.88	32.75	34.00
Net Assets, end of period ($ x 1,000)	264,713	207,383	208,013	227,893	222,600

[a] *Based on average shares outstanding at each month end.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	33.01	29.70	29.71	26.10	19.71
Investment Operations:					
Investment income—net[a]	.36	.36	.17	.18	.16
Net realized and unrealized gain (loss) on investments	10.78	3.13	.02	3.60	6.37
Total from Investment Operations	11.14	3.49	.19	3.78	6.53
Distributions:					
Dividends from investment income—net	(.39)	(.18)	(.20)	(.17)	(.14)
Net asset value, end of period	43.76	33.01	29.70	29.71	26.10
Total Return (%)	33.99	11.70	.65	14.54	33.44
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.11	1.10	1.10	1.14	1.14
Ratio of net expenses to average net assets	1.11	1.10	1.10	1.14	1.14
Ratio of net investment income to average net assets	.93	1.09	.55	.68	.72
Portfolio Turnover Rate	38.81	48.84	67.88	32.75	34.00
Net Assets, end of period ($ x 1,000)	8,767	6,552	6,167	6,494	6,070

[a] *Based on average shares outstanding at each month end.*

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 150 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial and Service. Initial shares are subject to a Shareholder Services Plan fee and Service shares are subject to a Distribution Plan 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 (the "Board"). 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 within Level 2 or 3 of the fair value hierarchy 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 December 31, 2013 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 Common Stocks†	265,135,082	–	–	**265,135,082**
Equity Securities– Foreign Common Stocks†	6,145,809	–	–	**6,145,809**
Mutual Funds	2,281,098	–	–	**2,281,098**

† *See Statement of Investments for additional detailed categorizations.*

At December 31, 2013, there were no transfers 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 the Manager or U.S. Government and Agency securities. The fund is entitled to receive all dividends, interest and distributions on securities loaned, in addition to income earned as a result of the lending transaction. Should a borrower fail to return the securities in a timely manner, The Bank of New York Mellon is required to replace the securities for the benefit of the fund or credit the fund with the market value of the unreturned securities and is subrogated to the fund's rights against the borrower and the collateral. At December 31, 2013, the value of securities on loan was $4,838,031 as disclosed in the Statement of Assets and Liabilities. The value of related collateral exceeded the value of securities on loan. See the Statement of Investments for collateral information. During the period ended December 31, 2013, The Bank of New York Mellon earned $2,970 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" under the Act. Investments in affiliated investment companies during the period ended December 31, 2013 were as follows:

Affiliated Investment Company	Value 12/31/2012 ($)	Purchases ($)	Sales ($)	Value 12/31/2013 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	1,964,219	19,341,451	19,024,572	2,281,098	.8
Dreyfus Institutional Cash Advantage Fund	8,465,115	27,977,291	36,442,406	-	-
Total	**10,429,334**	**47,318,742**	**55,466,978**	**2,281,098**	**.8**

(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 December 31, 2013, 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 ended December 31, 2013, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2013, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $3,656,186, undistributed capital gains $18,366,366 and unrealized appreciation $72,208,542.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2013 and December 31, 2012 were as follows: ordinary income $2,981,426 and $1,812,586, respectively.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 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. Prior to October 9, 2013, the unsecured credit facility with Citibank, N.A. was $210 million. 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 December 31, 2013, the fund did not borrow under the Facilities.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2013, Service shares were charged $19,188 pursuant to the Distribution 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 December 31, 2013, Initial shares were charged $2,358 pursuant to the Shareholder Services Plan.

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.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing transfer agency and cash management services for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $1,483 for transfer agency services and $90 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were partially offset by earnings credits of $9.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets, geographic region and transaction activity. During the period ended December 31, 2013, the fund was charged $20,426 pursuant to the custody agreement.

The fund compensated The Bank of New York Mellon under a cash management agreement that was in effect until September 30, 2013 for performing certain cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $31 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations.

During the period ended December 31, 2013, the fund was charged $9,093 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 $170,443, Distribution Plan fees $1,812, Shareholder Services Plan fees $7,186, custodian fees $9,094, Chief Compliance Officer fees $2,299 and transfer agency fees $586.

(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 December 31, 2013, amounted to $94,079,991 and $102,575,673, respectively.

At December 31, 2013, the cost of investments for federal income tax purposes was $201,353,447; accordingly, accumulated net unrealized appreciation on investments was $72,208,542, consisting of $73,337,372 gross unrealized appreciation and $1,128,830 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
The Dreyfus Socially Responsible Growth Fund, Inc.

We have audited the accompanying statement of assets and liabilities of The Dreyfus Socially Responsible Growth Fund, Inc., including the statement of investments, as of December 31, 2013, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Dreyfus Socially Responsible Growth Fund, Inc., at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
February 12, 2014

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby reports 100% of the ordinary dividends paid during the fiscal year ended December 31, 2013 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2014 of the percentage applicable to the preparation of their 2013 income tax returns.

PROXY RESULTS (Unaudited)

The fund held a special meeting of shareholders on December 6, 2013. The proposal considered at the meeting, and the results, are as follows:

	Shares	
	Votes For	Authority Withheld
To elect additional Board Members:		
Gordon J. Davis†	4,890,487	247,185
Isabel P. Dunst†	4,930,760	206,912
Robin A. Melvin†	4,954,703	182,969
Roslyn M. Watson†	4,913,499	224,173

† *Each of the above Board Members were duly elected by shareholders at the fund's December 6, 2013 shareholder meeting. Gordon J. Davis was an existing Board Member previously having been elected by the fund's Board. In addition, Joseph S. DiMartino, Whitney I. Gerard, Nathan Leventhal and Benaree Pratt Wiley continue as Board Members of the fund.*

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Directors held on July 17-18, 2013, 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"). The Board members, a majority of whom are not "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 Dreyfus representatives. In considering the renewal of the Agreement, 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 provided to them at the meeting and in previous presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex. 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 (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or Dreyfus) and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to 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. 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 ("Performance Group 1") and with a broader group of funds ("Performance Universe 1"), with each group consisting of funds from the same Lipper Category as that of the fund, all for various periods ended May 31, 2013, (2) the fund's performance with the performance of a group of social criteria funds from different Lipper categories included at the request of Dreyfus ("Performance Group 2") and with a broader group of funds ("Performance Universe 2"), all for various periods ended May 31, 2013, and (3) the fund's actual and contractual management fees and total expenses with those of groups of comparable funds identical to Performance Group 1 ("Expense Group 1") and Performance Group 2 ("Expense Group 2") and with broader groups of funds that included the Performance Group 1 funds ("Expense Universe 1") and the Performance Group 2 funds ("Expense Universe 2"), 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 Groups and Performance Universes and the Expense Groups and Expense Universes.

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 generally was above the Performance Group or Performance Universe medians in most of the 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 funds in each Expense Group and each Expense Universe and discussed the results of the comparisons. The Board noted that the fund's contractual management fee was at the Expense Group 1 median and above the Expense Group 2 median, the fund's actual management fee was above the medians of the Expense Groups and Expense Universes and the fund's total expenses were above the Expense Group 1 and Expense Universe 1 medians and below the Expense Group 2 and Expense Universe 2 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 Dreyfus-affiliated primary employer of the fund's primary portfolio manager(s) 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.

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 aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, 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 also 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 considered on the advice of its counsel the profitability analysis (1) as part of its evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, 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 from acting as investment adviser 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 Agreement. 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 are adequate and appropriate.
- The Board generally was satisfied with the fund's overall performance.
- The Board concluded that the fee paid to Dreyfus was 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.

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of the fund and the services provided to the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, 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 Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (70)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
- Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
- CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)
- Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)

No. of Portfolios for which Board Member Serves: 141

Whitney I. Gerard (79)
Board Member (2003)

Principal Occupation During Past 5 Years:
- Partner in the law firm of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 23

Nathan Leventhal (70)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Chairman of the Avery-Fisher Artist Program (1997-present)
- Commissioner, NYC Planning Commission (2007-2011)

Other Public Company Board Memberships During Past 5 Years:
- Movado Group, Inc., Director (2003-present)

No. of Portfolios for which Board Member Serves: 39

Robin A. Melvin (50)†
Board Member (2014)

Principal Occupation During Past 5 Years:

- Board Member, Illinois Mentoring Partnership, non-profit organization dedicated to increasing the quantity and quality of mentoring services in Illinois (2013-present)
- Director, Boisi Family Foundation, a private family foundation that supports youth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances (1995-2012)

No. of Portfolios for which Board Member Serves: 90

Roslyn M. Watson (64)†
Board Member (2014)

Principal Occupation During Past 5 Years:

- Principal, Watson Ventures, Inc., a real estate investment company (1993-present)

No. of Portfolios for which Board Member Serves: 36

Benaree Pratt Wiley (67)
Board Member (2009)

Principal Occupation During Past 5 Years:

- Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)

Other Public Company Board Memberships During Past 5 Years:

- CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (2008-present)

No. of Portfolios for which Board Member Serves: 61

Gordon J. Davis (72)
Board Member (2012)

Principal Occupation During Past 5 Years:
• Partner in the law firm of Venable LLP (2012-present)
• Partner in the law firm of Dewey & LeBoeuf LLP (1994-2012)

Other Public Company Board Memberships During Past 5 Years:
• Consolidated Edison, Inc., a utility company, Director (1997-present)
• The Phoenix Companies, Inc., a life insurance company, Director (2000-present)

No. of Portfolios for which Board Member Serves: 49

Gordon J. Davis is deemed to be an "interested person" (as defined in the Act) of the fund as a result of his affiliation with Venable LLP, which provides legal services to the fund.

Isabel P. Dunst (66)†
Board Member (2014)

Principal Occupation During Past 5 Years:
• Partner, Hogan Lovells LLP

No. of Portfolios for which Board Member Serves: 10

Isabel P. Dunst is deemed to be an "interested person" (as defined in the Act) of the fund as a result of her affiliation with Hogan Lovells LLP, which provides legal services to BNY Mellon and certain of its affiliates.

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† *Isabel P. Dunst, Robin A. Melvin and Roslyn M. Watson were elected as Board Members on December 6, 2013, effective January 1, 2014.*

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

Clifford L. Alexander, Jr., Emeritus Board Member
David W. Burke, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member
George L. Perry, Emeritus Board Member, effective January 23, 2014

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009, Chairman of Dreyfus Transfer, Inc., an affiliate of the Manager and the transfer agent of the funds, since May 2011 and Executive Vice President of the Distributor since June 2007. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 68 investment companies (comprised of 141 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Chief Legal Officer of the Manager and Associate General Counsel and Managing Director of BNY Mellon since August 2012; from March 2005 to July 2012, Managing Director of Deutsche Bank, Deputy Global Head of Deutsche Asset Management Legal and Regional Head of Deutsche Asset Management Americas Legal. He is an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since August 2012.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 51 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 40 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 58 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 61 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (69 investment companies, comprised of 166 portfolios). He is 56 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 64 investment companies (comprised of 161 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Distributor since October 2011.

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.

Printed on recycled paper.
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Vegetable-based ink.

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Dreyfus
Stock Index Fund, Inc.

ANNUAL REPORT December 31, 2013

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.

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THE FUND

FOR MORE INFORMATION

Dreyfus
Stock Index Fund, Inc.

The Fund

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Stock Index Fund, Inc., covering the 12-month period from January 1, 2013, through December 31, 2013. 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.

The year 2013 proved to be outstanding for U.S. equities. Large-cap stocks delivered their strongest calendar-year performance in well over a decade, and small- and midcap stocks fared even better in an environment of low short-term interest rates, rising corporate earnings, sustained economic growth, and low inflation. In our view, 2013 provided ample evidence of the value of patience and discipline in equity investing, as those who favored a long-term perspective over a focus on news headlines and short-term volatility reaped the rewards provided by rising markets.

Will stocks continue to rally in 2014? We believe that they can. We expect the domestic economy to continue to strengthen over the next year, particularly if U.S. fiscal policy is less restrictive and short-term interest rates remain near historical lows. Stronger growth could convince businesses and consumers to spend more freely, unleashing pent up demand as economic uncertainty wanes. However, we caution that gains in 2014 are unlikely to match those of the past year, and a highly selective approach to security selection could be key to greater relative investment success in the months ahead. As always, we urge you to speak with your financial adviser to identify the investment strategies that are right for you.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2013, through December 31, 2013, as provided by Thomas J. Durante, Richard A. Brown and Karen Q. Wong, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2013, Dreyfus Stock Index Fund's Initial shares produced a total return of 32.02%, and its Service shares produced a total return of 31.71%.[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 32.37% for the same period.[2,3]

U.S. stocks responded positively during the reporting period to a recovering economy. 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.

Recovering U.S. and Global Economies Fueled Market Gains

The year 2013 began in the midst of a sustained stock market rally driven by improved U.S. employment and housing markets. Investors were particularly encouraged by a new, open-ended round of quantitative easing from the Federal Reserve Board (the "Fed"). Improving conditions in overseas markets also contributed to improved investor sentiment.

Economic data continued to improve, and stocks rallied, through the spring of 2013. However, in late May remarks by Fed chairman Ben Bernanke were widely interpreted as a signal that U.S. monetary policymakers would back away from quantitative easing sooner than expected, sparking market declines in June. The S&P 500 Index generally stabilized over the summer, and stocks advanced strongly in September when the Fed refrained from tapering its bond purchasing program. Even a 16-day federal government shutdown in October failed to derail the rally.

Stocks continued to climb over the final two months of the year amid new releases of encouraging economic data. A modest reduction in the Fed's bond buying program in mid-December had little impact on stock prices, enabling the S&P 500 Index to end the year near record highs.

Financials Sector Led the Market's Advance

All of the economic sectors represented in the S&P 500 Index produced double-digit gains over the reporting period. The financials sector led the rally as large, diversified financial institutions rebounded from previously depressed levels. Big banks particularly benefited from widening net interest margins and greater mortgage refinancing activity as long-term interest rates moved higher. In the insurance industry, financial results were bolstered by higher premiums at a time when relatively few domestic natural disasters kept claims low. Capital markets-oriented companies advanced along with the financial markets. However, real estate investment trusts lagged sector averages substantially when investors turned away from income-oriented stocks and toward more growth-oriented alternatives.

In the health care sector, large pharmaceutical companies fared well as concerns regarding patent expirations waned and overseas sales improved. Biotechnology firms gained considerable value, on average, due to positive developments regarding new products. The information technology sector was bolstered in 2013 as major Internet portals experienced rising advertising sales, payment processors benefited from greater transaction volumes amid higher consumer spending, and producers of gaming consuls encountered robust demand for new products. In the consumer discretionary sector, media companies advanced strongly due to more robust spending by consumers on activities such as movies and visits to theme parks. Specialty retailers also gained value, including home improvement chains benefiting from recovering housing markets.

The fund received less favorable contributions from the materials sector, where metals-and-mining companies struggled with lower commodity prices and waning demand in the emerging markets. In addition, coal producers in the energy sector were hurt by intensifying competition from lower cost natural gas. The utilities and telecommunications services sectors lagged market averages as investors favored industry groups that were more leveraged to the recovering economy.

Replicating the Performance of the S&P 500 Index

Although we do not actively manage the fund's investments in response to macroeconomic trends, it is worth noting that recent evidence of sustained domestic and global growth has the potential to fuel further gains in U.S. equity markets. As always, we have continued to monitor the factors considered by the fund's investment model in light of current market conditions.

January 15, 2014

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.

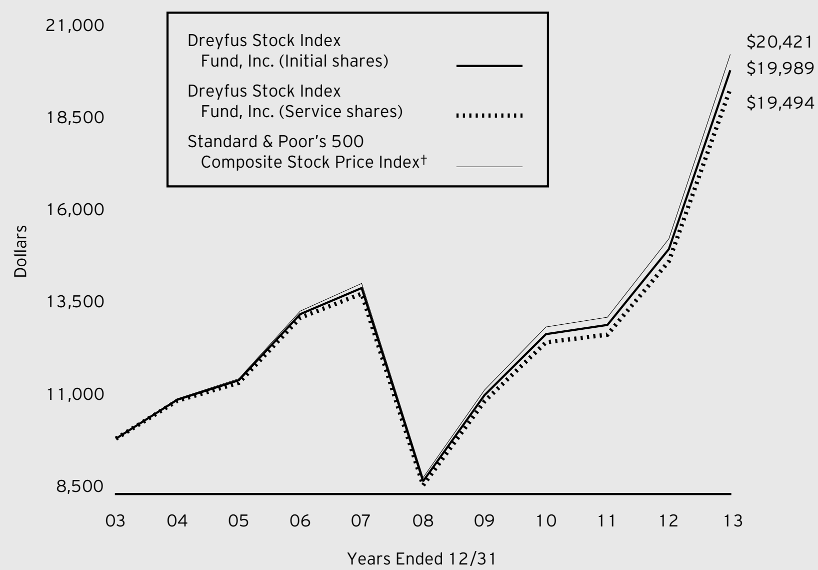
The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Stock Index Fund, Inc. made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

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.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in Dreyfus Stock Index Fund, Inc. Initial shares and Service shares and the Standard & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/13*

	1 Year	5 Years	10 Years
Initial shares	**32.02%**	**17.70%**	**7.17%**
Service shares	**31.71%**	**17.41%**	**6.90%**
Standard & Poor's 500 Composite Stock Price Index	**32.37%**	**17.93%**	**7.40%**

† *Source: Lipper Inc.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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.

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Stock Index Fund, Inc. on 12/31/03 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses for Initial and Service shares (after any expense reimbursements). The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

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 July 1, 2013 to December 31, 2013. 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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.53	$ 2.89
Ending value (after expenses)	$1,161.50	$1,160.20

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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.43	$ 2.70
Ending value (after expenses)	$1,023.79	$1,022.53

† *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 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2013

Common Stocks—99.0%	Shares		Value ($)
Automobiles & Components—1.2%			
BorgWarner	28,222		1,577,892
Delphi Automotive	34,581		2,079,356
Ford Motor	480,997		7,421,784
General Motors	140,272	a	5,732,917
Goodyear Tire & Rubber	30,040		716,454
Harley-Davidson	27,285		1,889,213
Johnson Controls	84,186		4,318,742
			23,736,358
Banks—2.8%			
BB&T	87,473		3,264,492
Comerica	23,003		1,093,563
Fifth Third Bancorp	109,191		2,296,287
Hudson City Bancorp	55,868		526,835
Huntington Bancshares	101,038		975,017
KeyCorp	110,654		1,484,977
M&T Bank	16,254		1,892,291
People's United Financial	37,482		566,728
PNC Financial Services Group	64,766		5,024,546
Regions Financial	169,996		1,681,260
SunTrust Banks	64,753		2,383,558
U.S. Bancorp	222,846		9,002,978
Wells Fargo & Co.	586,110		26,609,394
Zions Bancorporation	22,310		668,408
			57,470,334
Capital Goods—8.2%			
3M	78,085		10,951,421
Allegion	11,033	a	487,548
AMETEK	30,241		1,592,793
Boeing	84,417		11,522,076
Caterpillar	77,577		7,044,767
Cummins	21,437		3,021,974
Danaher	73,700		5,689,640
Deere & Co.	47,092		4,300,912
Dover	20,864		2,014,211
Eaton	57,712		4,393,037
Emerson Electric	86,157		6,046,498

Common Stocks (continued)	Shares	Value ($)
Capital Goods (continued)		
Fastenal	33,080	1,571,631
Flowserve	16,704	1,316,776
Fluor	20,203	1,622,099
General Dynamics	40,656	3,884,681
General Electric	1,237,353	34,683,005
Honeywell International	95,733	8,747,124
Illinois Tool Works	49,640	4,173,731
Ingersoll-Rand	33,100	2,038,960
Jacobs Engineering Group	16,793 [a]	1,057,791
Joy Global	13,364 [b]	781,660
L-3 Communications Holdings	11,026	1,178,238
Lockheed Martin	32,740	4,867,128
Masco	43,787	997,030
Northrop Grumman	27,169	3,113,839
PACCAR	42,858	2,535,908
Pall	13,234	1,129,522
Parker Hannifin	18,598	2,392,447
Pentair	24,339	1,890,410
Precision Castparts	17,675	4,759,878
Quanta Services	25,620 [a]	808,567
Raytheon	38,788	3,518,072
Rockwell Automation	17,134	2,024,553
Rockwell Collins	16,952	1,253,092
Roper Industries	12,120	1,680,802
Snap-on	7,385	808,805
Stanley Black & Decker	19,156	1,545,698
Textron	33,304	1,224,255
United Technologies	103,076	11,730,049
W.W. Grainger	7,733	1,975,163
Xylem	22,600	781,960
		167,157,751
Commercial & Professional Services—.7%		
ADT	24,201 [a]	979,414
Cintas	12,433	740,882
Dun & Bradstreet	4,906	602,211
Equifax	15,447	1,067,233

Common Stocks (continued)	Shares	Value ($)
Commercial & Professional Services (continued)		
Iron Mountain	20,420	619,747
Nielsen Holdings	31,167	1,430,254
Pitney Bowes	23,747	553,305
Republic Services	33,989	1,128,435
Robert Half International	16,902	709,715
Stericycle	10,429 [a]	1,211,537
Tyco International	58,100	2,384,424
Waste Management	52,782	2,368,328
		13,795,485
Consumer Durables & Apparel—1.4%		
Coach	35,036	1,966,571
D.R. Horton	35,504	792,449
Fossil Group	6,320 [a]	758,021
Garmin	14,662 [b]	677,678
Harman International Industries	8,150	667,077
Hasbro	14,686	807,877
Leggett & Platt	16,779	519,142
Lennar, Cl. A	20,220	799,903
Mattel	41,761	1,986,988
Michael Kors Holdings	22,213 [a]	1,803,473
Mohawk Industries	7,451 [a]	1,109,454
Newell Rubbermaid	34,851	1,129,521
NIKE, Cl. B	91,100	7,164,104
PulteGroup	44,106	898,439
PVH	10,195	1,386,724
Ralph Lauren	7,369	1,301,144
VF	42,664	2,659,674
Whirlpool	9,762	1,531,267
		27,959,506
Consumer Services—1.8%		
Carnival	53,508 [b]	2,149,416
Chipotle Mexican Grill	3,776 [a]	2,011,777
Darden Restaurants	16,603	902,705
H&R Block	35,043	1,017,649
International Game Technology	30,741	558,257
Marriott International, Cl. A	26,920	1,328,771

Common Stocks (continued)	Shares		Value ($)
Consumer Services (continued)			
McDonald's	121,504		11,789,533
Starbucks	92,685		7,265,577
Starwood Hotels & Resorts Worldwide	23,835	c	1,893,691
Wyndham Worldwide	16,099		1,186,335
Wynn Resorts	9,924		1,927,340
Yum! Brands	55,099		4,166,035
			36,197,086
Diversified Financials—8.3%			
American Express	112,448		10,202,407
Ameriprise Financial	23,563		2,710,923
Bank of America	1,303,756		20,299,481
Bank of New York Mellon	139,758		4,883,145
Berkshire Hathaway, Cl. B	220,083	a	26,093,040
BlackRock	15,505		4,906,867
Capital One Financial	70,564		5,405,908
Charles Schwab	140,934		3,664,284
Citigroup	370,707		19,317,542
CME Group	38,335		3,007,764
Discover Financial Services	59,103		3,306,813
E*TRADE Financial	31,226	a	613,279
Franklin Resources	50,018		2,887,539
Goldman Sachs Group	51,433		9,117,014
IntercontinentalExchange Group	13,978		3,143,932
Invesco	54,989		2,001,600
JPMorgan Chase & Co.	459,644		26,879,981
Legg Mason	12,995	b	565,023
Leucadia National	39,171		1,110,106
McGraw-Hill Financial	33,719		2,636,826
Moody's	23,359		1,832,981
Morgan Stanley	168,681		5,289,836
NASDAQ OMX Group	14,054		559,349
Northern Trust	28,217		1,746,350
SLM	53,064		1,394,522
State Street	53,345		3,914,990
T. Rowe Price Group	32,356		2,710,462
			170,201,964

Common Stocks (continued)	Shares		Value ($)
Energy—10.2%			
Anadarko Petroleum	61,945		4,913,477
Apache	48,545		4,171,957
Baker Hughes	53,734		2,969,341
Cabot Oil & Gas	51,819		2,008,504
Cameron International	29,360	a	1,747,801
Chesapeake Energy	60,844		1,651,306
Chevron	235,171		29,375,210
ConocoPhillips	149,554		10,565,990
CONSOL Energy	27,986		1,064,587
Denbury Resources	43,163	a	709,168
Devon Energy	47,190		2,919,645
Diamond Offshore Drilling	8,837		503,002
Ensco, Cl. A	28,978		1,656,962
EOG Resources	33,569		5,634,221
EQT	18,739		1,682,387
Exxon Mobil	534,426		54,083,911
FMC Technologies	29,624	a	1,546,669
Halliburton	104,193		5,287,795
Helmerich & Payne	13,535		1,138,023
Hess	35,099		2,913,217
Kinder Morgan	81,622		2,938,392
Marathon Oil	85,260		3,009,678
Marathon Petroleum	36,842		3,379,517
Murphy Oil	22,147		1,436,897
Nabors Industries	30,637		520,523
National Oilwell Varco	52,044		4,139,059
Newfield Exploration	18,177	a	447,700
Noble	30,749		1,152,165
Noble Energy	43,567		2,967,348
Occidental Petroleum	98,362		9,354,226
Peabody Energy	32,748		639,568
Phillips 66	73,376		5,659,491
Pioneer Natural Resources	17,577		3,235,398
QEP Resources	21,261		651,650
Range Resources	20,277		1,709,554
Rowan, Cl. A	16,543	a	584,960

Common Stocks (continued)	Shares		Value ($)
Energy (continued)			
Schlumberger	160,877		14,496,626
Southwestern Energy	43,743	a	1,720,412
Spectra Energy	81,199		2,892,308
Tesoro	16,896		988,416
Transocean	41,986		2,074,948
Valero Energy	66,709		3,362,134
Williams	82,901		3,197,492
WPX Energy	23,198	a	472,775
			207,574,410
Food & Staples Retailing—2.3%			
Costco Wholesale	53,845		6,408,093
CVS Caremark	145,290		10,398,405
Kroger	64,730		2,558,777
Safeway	29,233		952,119
Sysco	72,098		2,602,738
Wal-Mart Stores	197,671		15,554,731
Walgreen	106,123		6,095,705
Whole Foods Market	45,081		2,607,034
			47,177,602
Food, Beverage & Tobacco—5.2%			
Altria Group	244,081		9,370,270
Archer-Daniels-Midland	79,894		3,467,400
Beam	19,942		1,357,253
Brown-Forman, Cl. B	20,308		1,534,676
Campbell Soup	23,038		997,085
Coca-Cola	464,145		19,173,830
Coca-Cola Enterprises	30,223		1,333,741
ConAgra Foods	51,603		1,739,021
Constellation Brands, Cl. A	20,730	a	1,458,977
Dr. Pepper Snapple Group	25,305		1,232,860
General Mills	78,253		3,905,607
Hershey	18,707		1,818,882
Hormel Foods	16,575		748,693
J.M. Smucker	13,099		1,357,318
Kellogg	31,930		1,949,965
Kraft Foods Group	72,420		3,904,886

Common Stocks (continued)	Shares		Value ($)
Food, Beverage & Tobacco (continued)			
Lorillard	45,814		2,321,854
McCormick & Co.	16,485		1,136,146
Mead Johnson Nutrition	25,268		2,116,448
Molson Coors Brewing, Cl. B	19,076		1,071,117
Mondelez International, Cl. A	214,644		7,576,933
Monster Beverage	16,972	[a]	1,150,192
PepsiCo	187,373		15,540,717
Philip Morris International	195,780		17,058,311
Reynolds American	38,705		1,934,863
Tyson Foods, Cl. A	34,391		1,150,723
			106,407,768
Health Care Equipment & Services—4.1%			
Abbott Laboratories	188,518		7,225,895
Aetna	44,567		3,056,851
AmerisourceBergen	28,664		2,015,366
Baxter International	66,019		4,591,621
Becton Dickinson & Co.	23,502		2,596,736
Boston Scientific	161,081	[a]	1,936,194
C.R. Bard	9,324		1,248,857
Cardinal Health	41,379		2,764,531
CareFusion	25,911	[a]	1,031,776
Cerner	36,496	[a]	2,034,287
Cigna	34,104		2,983,418
Covidien	56,753		3,864,879
DaVita HealthCare Partners	21,732	[a]	1,377,157
DENTSPLY International	17,849		865,320
Edwards Lifesciences	13,667	[a]	898,742
Express Scripts Holding	98,621	[a]	6,927,139
Humana	19,124		1,973,979
Intuitive Surgical	4,659	[a]	1,789,429
Laboratory Corp. of America Holdings	10,389	[a]	949,243
McKesson	28,144		4,542,442
Medtronic	121,709		6,984,880
Patterson	9,719		400,423
Quest Diagnostics	18,408		985,564
St. Jude Medical	35,241		2,183,180

Common Stocks (continued)	Shares		Value ($)
Health Care Equipment & Services (continued)			
Stryker	36,123		2,714,282
Tenet Healthcare	13,053	a	549,792
UnitedHealth Group	123,215		9,278,090
Varian Medical Systems	13,048	a	1,013,699
WellPoint	35,849		3,312,089
Zimmer Holdings	21,102		1,966,495
			84,062,356
Household & Personal Products—2.1%			
Avon Products	51,516		887,106
Clorox	15,496	b	1,437,409
Colgate-Palmolive	107,153		6,987,447
Estee Lauder, Cl. A	30,966		2,332,359
Kimberly-Clark	47,085		4,918,499
Procter & Gamble	332,372		27,058,405
			43,621,225
Insurance—3.0%			
ACE	42,000		4,348,260
Aflac	57,192		3,820,426
Allstate	55,668		3,036,133
American International Group	179,670		9,172,153
Aon	37,144		3,116,010
Assurant	9,468		628,391
Chubb	30,521		2,949,244
Cincinnati Financial	17,995		942,398
Genworth Financial, Cl. A	59,781	a	928,399
Hartford Financial Services Group	55,174		1,998,954
Lincoln National	32,256		1,665,055
Loews	36,853		1,777,789
Marsh & McLennan	66,592		3,220,389
MetLife	136,695		7,370,594
Principal Financial Group	33,718		1,662,635
Progressive	66,527		1,814,191
Prudential Financial	56,367		5,198,165
Torchmark	10,710		836,987
Travelers	44,558		4,034,281
Unum Group	32,321		1,133,821

Common Stocks (continued)	Shares		Value ($)
Insurance (continued)			
XL Group	34,906		1,111,407
			60,765,682
Materials—3.5%			
Air Products & Chemicals	25,932		2,898,679
Airgas	8,359		934,954
Alcoa	129,657		1,378,254
Allegheny Technologies	13,887		494,794
Avery Dennison	11,844		594,450
Ball	17,464		902,190
Bemis	12,383		507,208
CF Industries Holdings	6,989		1,628,717
Cliffs Natural Resources	19,020	b	498,514
Dow Chemical	147,820		6,563,208
E.I. du Pont de Nemours & Co.	112,910		7,335,763
Eastman Chemical	19,155		1,545,808
Ecolab	33,186		3,460,304
FMC	16,933		1,277,764
Freeport-McMoRan Copper & Gold	127,765		4,821,851
International Flavors & Fragrances	10,335		888,603
International Paper	55,131		2,703,073
LyondellBasell Industries, Cl. A	53,465		4,292,170
MeadWestvaco	22,877		844,848
Monsanto	64,357		7,500,808
Mosaic	42,526		2,010,204
Newmont Mining	61,947		1,426,639
Nucor	39,604		2,114,062
Owens-Illinois	19,489	a	697,316
PPG Industries	17,523		3,323,412
Praxair	36,296		4,719,569
Sealed Air	23,167		788,836
Sherwin-Williams	10,708		1,964,918
Sigma-Aldrich	14,655		1,377,717
United States Steel	16,995	b	501,353
Vulcan Materials	15,901		944,837
			70,940,823

Common Stocks (continued)	Shares		Value ($)
Media—3.7%			
Cablevision Systems (NY Group), Cl. A	26,917		482,622
CBS, Cl. B	67,851		4,324,823
Comcast, Cl. A	318,426		16,547,007
DIRECTV	59,806	[a]	4,131,997
Discovery Communications, Cl. A	27,850	[a,b]	2,518,197
Gannett	29,194		863,559
Graham Holdings	514		340,946
Interpublic Group of Cos.	49,303		872,663
News Corp., Cl. A	62,676	[a]	1,129,422
Omnicom Group	31,493		2,342,134
Scripps Networks Interactive, Cl. A	13,652		1,179,669
Time Warner	110,727		7,719,886
Time Warner Cable	34,779		4,712,555
Twenty-First Century Fox, Cl. A	240,169		8,449,145
Viacom, Cl. B	49,345		4,309,792
Walt Disney	199,651		15,253,336
			75,177,753
Pharmaceuticals, Biotech & Life Sciences—8.7%			
AbbVie	194,193		10,255,332
Actavis	21,132	[a]	3,550,176
Agilent Technologies	40,001		2,287,657
Alexion Pharmaceuticals	23,787	[a]	3,165,098
Allergan	36,485		4,052,754
Amgen	92,061		10,509,684
Biogen Idec	28,910	[a]	8,087,572
Bristol-Myers Squibb	201,016		10,684,000
Celgene	50,271	[a]	8,493,788
Eli Lilly & Co.	120,800		6,160,800
Forest Laboratories	29,085	[a]	1,745,973
Gilead Sciences	187,309	[a]	14,076,271
Hospira	21,233	[a]	876,498
Johnson & Johnson	345,043		31,602,488
Life Technologies	21,091	[a]	1,598,698
Merck & Co.	357,081		17,871,904

Common Stocks (continued)	Shares		Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)			
Mylan	46,686	a	2,026,172
PerkinElmer	13,073		539,000
Perrigo Company	16,320		2,504,467
Pfizer	792,366		24,270,171
Regeneron Pharmaceuticals	9,543	a	2,626,615
Thermo Fisher Scientific	43,975		4,896,616
Vertex Pharmaceuticals	28,828	a	2,141,920
Waters	10,309	a	1,030,900
Zoetis	60,341		1,972,547
			177,027,101
Real Estate—1.8%			
American Tower	48,568	c	3,876,698
Apartment Investment & Management, Cl. A	16,786	c	434,925
AvalonBay Communities	14,656	c	1,732,779
Boston Properties	18,925	c	1,899,502
CBRE Group, Cl. A	33,194	a	873,002
Equity Residential	41,895	c	2,173,094
General Growth Properties	64,439	c	1,293,291
HCP	56,690	c	2,058,981
Health Care	35,096	c	1,880,093
Host Hotels & Resorts	93,695	c	1,821,431
Kimco Realty	50,677	c	1,000,871
Macerich	16,615	c	978,457
Plum Creek Timber	20,903	c	972,199
Prologis	60,289	c	2,227,679
Public Storage	17,508	c	2,635,304
Simon Property Group	37,804	c	5,752,257
Ventas	36,499	c	2,090,663
Vornado Realty Trust	21,120	c	1,875,245
Weyerhaeuser	70,443	c	2,223,886
			37,800,357
Retailing—4.4%			
Amazon.com	45,313	a	18,070,371
AutoNation	8,010	a	398,017

Common Stocks (continued)	Shares		Value ($)
Retailing (continued)			
AutoZone	4,199	a	2,006,870
Bed Bath & Beyond	26,858	a	2,156,697
Best Buy	32,803		1,308,184
CarMax	26,759	a	1,258,208
Dollar General	36,431	a	2,197,518
Dollar Tree	25,468	a	1,436,905
Expedia	12,194		849,434
Family Dollar Stores	11,720		761,448
GameStop, Cl. A	14,004		689,837
Gap	32,695		1,277,721
Genuine Parts	19,285		1,604,319
Home Depot	172,020		14,164,127
Kohl's	24,841		1,409,727
L Brands	29,794		1,842,759
Lowe's	127,430		6,314,157
Macy's	44,570		2,380,038
Netflix	7,365	a	2,711,572
Nordstrom	18,051		1,115,552
O'Reilly Automotive	13,242	a	1,704,378
PetSmart	13,173		958,336
priceline.com	6,294	a	7,316,146
Ross Stores	26,580		1,991,639
Staples	79,077	b	1,256,534
Target	77,721		4,917,408
The TJX Companies	86,606		5,519,400
Tiffany & Co	13,772		1,277,766
TripAdvisor	13,824	a	1,145,042
Urban Outfitters	13,780	a	511,238
			90,551,348
Semiconductors & Semiconductor Equipment—2.0%			
Altera	39,767		1,293,621
Analog Devices	37,516		1,910,690
Applied Materials	149,813		2,650,192

Common Stocks (continued)	Shares		Value ($)
Semiconductors & Semiconductor Equipment (continued)			
Broadcom, Cl. A	66,587		1,974,305
First Solar	7,628	a	416,794
Intel	607,342		15,766,598
KLA-Tencor	20,165		1,299,836
Lam Research	19,918	a	1,084,535
Linear Technology	28,337		1,290,750
LSI	64,636		712,289
Microchip Technology	23,926	b	1,070,689
Micron Technology	127,147	a	2,766,719
NVIDIA	73,219	b	1,172,968
Texas Instruments	135,039		5,929,562
Xilinx	32,510		1,492,859
			40,832,407
Software & Services—10.1%			
Accenture, Cl. A	77,806		6,397,209
Adobe Systems	57,360	a	3,434,717
Akamai Technologies	21,323	a	1,006,019
Alliance Data Systems	5,949	a	1,564,171
Autodesk	27,611	a	1,389,662
Automatic Data Processing	59,446		4,803,831
CA	38,926		1,309,860
Citrix Systems	23,210	a	1,468,032
Cognizant Technology Solutions, Cl. A	36,743	a	3,710,308
Computer Sciences	18,152		1,014,334
eBay	142,104	a	7,800,089
Electronic Arts	36,670	a	841,210
Facebook, Cl. A	202,991	a	11,095,488
Fidelity National Information Services	35,107		1,884,544
Fiserv	31,760	a	1,875,428
Google, Cl. A	34,325	a	38,468,371
International Business Machines	124,780		23,404,985
Intuit	34,863		2,660,744
MasterCard, Cl. A	12,637		10,557,708

Common Stocks (continued)	Shares		Value ($)
Software & Services (continued)			
Microsoft	929,076		34,775,315
Oracle	428,767		16,404,625
Paychex	40,308	b	1,835,223
Red Hat	24,001	a	1,345,016
salesforce.com	67,393	a	3,719,420
Symantec	86,002		2,027,927
Teradata	19,863	a	903,568
Total System Services	20,172		671,324
VeriSign	15,902	a	950,622
Visa, Cl. A	62,202		13,851,141
Western Union	65,960		1,137,810
Yahoo!	114,783	a	4,641,825
			206,950,526
Technology Hardware & Equipment—6.3%			
Amphenol, Cl. A	19,057		1,699,503
Apple	110,077		61,765,305
Cisco Systems	653,111		14,662,342
Corning	179,327		3,195,607
EMC	250,748		6,306,312
F5 Networks	9,494	a	862,625
FLIR Systems	18,628		560,703
Harris	12,868		898,315
Hewlett-Packard	236,008		6,603,504
Jabil Circuit	24,327		424,263
Juniper Networks	60,535	a	1,366,275
Motorola Solutions	28,416		1,918,080
NetApp	41,739	b	1,717,142
QUALCOMM	206,405		15,325,571
SanDisk	27,670		1,951,842
Seagate Technology	39,790		2,234,606
TE Connectivity	50,900		2,805,099
Western Digital	25,828		2,166,969
Xerox	144,981		1,764,419
			128,228,482

Common Stocks (continued)	Shares		Value ($)
Telecommunication Services—2.3%			
AT&T	643,994		22,642,829
CenturyLink	73,817		2,351,071
Crown Castle International	41,164	a	3,022,673
Frontier Communications	117,263	b	545,273
Verizon Communications	349,701		17,184,307
Windstream Holdings	71,566	b	571,097
			46,317,250
Transportation—2.0%			
C.H. Robinson Worldwide	18,719		1,092,066
CSX	125,198		3,601,946
Delta Air Lines	106,359		2,921,682
Expeditors International of Washington	25,090		1,110,232
FedEx	36,735		5,281,391
Kansas City Southern	13,818		1,711,083
Norfolk Southern	37,507		3,481,775
Ryder System	6,897		508,861
Southwest Airlines	83,804		1,578,867
Union Pacific	56,204		9,442,272
United Parcel Service, Cl. B	87,226		9,165,708
			39,895,883
Utilities—2.9%			
AES	76,718		1,113,178
AGL Resources	14,294		675,106
Ameren	29,373		1,062,128
American Electric Power	59,049		2,759,950
CenterPoint Energy	53,164		1,232,342
CMS Energy	32,486		869,650
Consolidated Edison	36,561		2,021,092
Dominion Resources	70,614		4,568,020
DTE Energy	21,484		1,426,323
Duke Energy	87,014		6,004,836
Edison International	40,643		1,881,771
Entergy	22,179		1,403,265
Exelon	103,865		2,844,862

Common Stocks (continued)	Shares	Value ($)
Utilities (continued)		
FirstEnergy	52,215	1,722,051
Integrys Energy Group	9,923	539,910
NextEra Energy	53,120	4,548,134
NiSource	38,636	1,270,352
Northeast Utilities	39,177	1,660,713
NRG Energy	40,112	1,152,017
ONEOK	25,144	1,563,454
Pepco Holdings	31,659	605,637
PG&E	54,802	2,207,425
Pinnacle West Capital	13,412	709,763
PPL	76,206	2,293,039
Public Service Enterprise Group	63,159	2,023,614
SCANA	17,807	835,683
Sempra Energy	28,256	2,536,259
Southern	108,834	4,474,166
TECO Energy	27,160 [b]	468,238
Wisconsin Energy	27,057	1,118,536
Xcel Energy	59,925	1,674,305
		59,265,819
Total Common Stocks (cost $962,825,299)		**2,019,115,276**

Short-Term Investments—.1%	Principal Amount ($)	Value ($)
U.S. Treasury Bills;		
0.08%, 6/26/14 (cost $1,084,568)	1,085,000 [d]	**1,084,578**

Other Investment—.8%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $16,746,890)	16,746,890 [e]	**16,746,890**

Investment of Cash Collateral for Securities Loaned—.3%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $6,133,305)	6,133,305 [e]	**6,133,305**

Total Investments (cost $986,790,062)	**100.2%**	**2,043,080,049**
Liabilities, Less Cash and Receivables	**(.2%)**	**(4,800,389)**
Net Assets	**100.0%**	**2,038,279,660**

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2013, the value of fund's securities on loan was $15,654,107 and the value of the collateral held by the fund was $16,024,136 consisting of cash collateral of $6,133,305 and U.S. Government & Agency securities valued at $9,890,831.*

[c] *Investment in real estate investment trust.*

[d] *Held by or on behalf of a counterparty for open financial futures contracts.*

[e] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Energy	10.2	Banks	2.8
Software & Services	10.1	Food & Staples Retailing	2.3
Pharmaceuticals, Biotech & Life Sciences	8.7	Telecommunication Services	2.3
Diversified Financials	8.3	Household & Personal Products	2.1
Capital Goods	8.2	Semiconductors & Semiconductor Equipment	2.0
Technology Hardware & Equipment	6.3	Transportation	2.0
Food, Beverage & Tobacco	5.2	Consumer Services	1.8
Retailing	4.4	Real Estate	1.8
Health Care Equipment & Services	4.1	Consumer Durables & Apparel	1.4
Media	3.7	Automobiles & Components	1.2
Materials	3.5	Short-Term/Money Market Investments	1.2
Insurance	3.0	Commercial & Professional Services	.7
Utilities	2.9		**100.2**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF FINANCIAL FUTURES

December 31, 2013

	Contracts	Market Value Covered by Contracts ($)	Expiration	Unrealized Appreciation at 12/31/2013 ($)
Financial Futures Long				
Standard & Poor's 500 E-mini	221	20,344,155	March 2014	**268,535**

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $15,654,107)—Note 1(b):		
Unaffiliated issuers	963,909,867	2,020,199,854
Affiliated issuers	22,880,195	22,880,195
Cash		2,199,123
Dividends and securities lending income receivable		2,735,733
Receivable for futures variation margin—Note 4		77,712
Prepaid expenses and other assets		55,602
		2,048,148,219
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		472,263
Liability for securities on loan—Note 1(b)		6,133,305
Payable for shares of Common Stock redeemed		3,100,567
Accrued expenses		162,424
		9,868,559
Net Assets ($)		**2,038,279,660**
Composition of Net Assets ($):		
Paid-in capital		999,889,954
Accumulated undistributed investment income—net		8,737
Accumulated net realized gain (loss) on investments		(18,177,553)
Accumulated net unrealized appreciation (depreciation) on investments (including $268,535 net unrealized appreciation on financial futures)		1,056,558,522
Net Assets ($)		**2,038,279,660**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	1,798,537,972	239,741,688
Shares Outstanding	44,034,721	5,863,657
Net Asset Value Per Share ($)	**40.84**	**40.89**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2013

Investment Income ($):	
Income:	
Cash dividends (net of $1,580 foreign taxes withheld at source):	
Unaffiliated issuers	39,575,642
Affiliated issuers	11,803
Income from securities lending—Note 1(b)	80,058
Interest	502
Total Income	**39,668,005**
Expenses:	
Management fee—Note 3(a)	4,623,128
Distribution fees—Note 3(b)	540,614
Prospectus and shareholders' reports	325,818
Directors' fees and expenses—Note 3(d)	176,159
Professional fees	92,739
Loan commitment fees—Note 2	20,005
Shareholder servicing costs—Note 3(c)	13,143
Interest expense—Note 2	2,363
Miscellaneous	125,052
Total Expenses	**5,919,021**
Less—reduction in expenses due to earnings credits—Note 3(c)	(9)
Net Expenses	**5,919,012**
Investment Income—Net	**33,748,993**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	33,802,234
Net realized gain (loss) on financial futures	5,328,294
Net Realized Gain (Loss)	**39,130,528**
Net unrealized appreciation (depreciation) on investments	451,726,568
Net unrealized appreciation (depreciation) on financial futures	289,033
Net Unrealized Appreciation (Depreciation)	**452,015,601**
Net Realized and Unrealized Gain (Loss) on Investments	**491,146,129**
Net Increase in Net Assets Resulting from Operations	**524,895,122**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2013	2012
Operations ($):		
Investment income—net	33,748,993	34,469,105
Net realized gain (loss) on investments	39,130,528	16,948,123
Net unrealized appreciation (depreciation) on investments	452,015,601	201,042,581
Net Increase (Decrease) in Net Assets Resulting from Operations	**524,895,122**	**252,459,809**
Dividends to Shareholders from ($):		
Investment income—net:		
Initial Shares	(30,524,057)	(31,531,984)
Service Shares	(3,471,345)	(3,238,424)
Net realized gain on investments:		
Initial Shares	(18,648,547)	(77,220,676)
Service Shares	(2,287,662)	(8,527,384)
Total Dividends	**(54,931,611)**	**(120,518,468)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	158,642,208	170,865,184
Service Shares	28,775,193	26,033,937
Dividends reinvested:		
Initial Shares	49,172,604	108,752,660
Service Shares	5,759,007	11,765,808
Cost of shares redeemed:		
Initial Shares	(367,864,031)	(343,644,715)
Service Shares	(32,872,847)	(34,603,925)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(158,387,866)**	**(60,831,051)**
Total Increase (Decrease) in Net Assets	**311,575,645**	**71,110,290**
Net Assets ($):		
Beginning of Period	1,726,704,015	1,655,593,725
End of Period	**2,038,279,660**	**1,726,704,015**
Undistributed investment income—net	8,737	188,369

	Year Ended December 31,	
	2013	2012
Capital Share Transactions:		
Initial Shares		
Shares sold	4,363,041	5,457,760
Shares issued for dividends reinvested	1,363,714	3,454,350
Shares redeemed	(10,077,013)	(10,985,766)
Net Increase (Decrease) in Shares Outstanding	**(4,350,258)**	**(2,073,656)**
Service Shares		
Shares sold	803,289	835,289
Shares issued for dividends reinvested	159,629	373,230
Shares redeemed	(903,281)	(1,103,497)
Net Increase (Decrease) in Shares Outstanding	**59,637**	**105,022**

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.

	Year Ended December 31,				
Initial Shares	2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	31.86	29.48	29.67	26.31	22.98
Investment Operations:					
Investment income—net [a]	.66	.63	.54	.48	.48
Net realized and unrealized gain (loss) on investments	9.39	3.95	.02	3.37	4.85
Total from Investment Operations	10.05	4.58	.56	3.85	5.33
Distributions:					
Dividends from investment income—net	(.68)	(.64)	(.55)	(.49)	(.48)
Dividends from net realized gain on investments	(.39)	(1.56)	(.20)	–	(1.52)
Total Distributions	(1.07)	(2.20)	(.75)	(.49)	(2.00)
Net asset value, end of period	40.84	31.86	29.48	29.67	26.31
Total Return (%)	32.02	15.74	1.88	14.84	26.33
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.29	.28	.27	.27	.29
Ratio of net expenses to average net assets	.29	.28	.27	.27	.29
Ratio of net investment income to average net assets	1.82	2.02	1.81	1.78	2.12
Portfolio Turnover Rate	3.76	3.13	3.27	4.46	5.42
Net Assets, end of period ($ x 1,000)	1,798,538	1,541,577	1,487,417	1,635,095	1,593,165

[a] *Based on average shares outstanding at each month end.*
See notes to financial statements.

Service Shares	Year Ended December 31, 2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	31.90	29.51	29.70	26.34	23.00
Investment Operations:					
Investment income—net[a]	.57	.56	.47	.41	.43
Net realized and unrealized gain (loss) on investments	9.40	3.96	.02	3.38	4.85
Total from Investment Operations	9.97	4.52	.49	3.79	5.28
Distributions:					
Dividends from investment income—net	(.59)	(.57)	(.48)	(.43)	(.42)
Dividends from net realized gain on investments	(.39)	(1.56)	(.20)	–	(1.52)
Total Distributions	(.98)	(2.13)	(.68)	(.43)	(1.94)
Net asset value, end of period	40.89	31.90	29.51	29.70	26.34
Total Return (%)	31.71	15.47	1.62	14.54	26.05
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.54	.53	.52	.52	.54
Ratio of net expenses to average net assets	.54	.53	.52	.52	.54
Ratio of net investment income to average net assets	1.57	1.78	1.56	1.53	1.86
Portfolio Turnover Rate	3.76	3.13	3.27	4.46	5.42
Net Assets, end of period ($ x 1,000)	239,742	185,127	168,177	168,782	150,369

[a] *Based on average shares outstanding at each month end.*

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 Plan fee and Service shares are subject to a Distribution Plan 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.

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 fund's Board of Directors (the "Board"). 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.

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. 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 within Level 2 or 3 of the fair value hierarchy 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 and are generally categorized within Level 1 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2013 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 Common Stocks†	2,015,654,841	–	–	**2,015,654,841**
Equity Securities— Foreign Common Stocks†	3,460,435	–	–	**3,460,435**

	Level 1–Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3–Significant Unobservable Inputs	Total
Assets ($) (continued)				
Investments in Securities (continued):				
Mutual Funds	22,880,195	–	–	**22,880,195**
U.S. Treasury	–	1,084,578	–	**1,084,578**
Financial Futures††	268,535	–	–	**268,535**

† *See Statement of Investments for additional detailed categorizations.*
†† *Amount shown represents unrealized appreciation at period end.*

At December 31, 2013, there were no transfers 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 or U.S. Government and Agency securities. The fund is entitled to receive all dividends, interest and distributions on securities loaned, in addition to income earned as a result of the lending transaction. Should a borrower fail to return the securities in a timely manner, The Bank of New York Mellon is required to replace the securities for the benefit of the fund or credit the fund with the market value of the unreturned securities and is subrogated to the fund's rights against the borrower and the collateral. At December 31, 2013, the value of securities on loan was $15,654,107, as disclosed in the Statement of Assets and Liabilities. The value of related collateral exceeded the value of securities on loan. See the Statement of Investments for collateral information. During the period ended December 31, 2013, The Bank of New York Mellon earned $20,865 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" under the Act. Investments in affiliated investment companies during the period ended December 31, 2013 were as follows:

Affiliated Investment Company	Value 12/31/2012 ($)	Purchases ($)	Sales ($)	Value 12/31/2013 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	20,880,219	189,570,705	193,704,034	16,746,890	.8
Dreyfus Institutional Cash Advantage Fund	13,336,773	93,219,163	100,422,631	6,133,305	.3
Total	**34,216,992**	**282,789,868**	**294,126,665**	**22,880,195**	**1.1**

(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 December 31, 2013, 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 ended December 31, 2013, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2013, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $3,896,670, undistributed capital gains $20,020,908 and unrealized appreciation $1,014,463,391.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2013 and December 31, 2012 were as follows: ordinary income $37,754,271 and $36,613,092, and long-term capital gains $17,177,340 and $83,905,376, respectively.

During the period ended December 31, 2013, as a result of permanent book to tax differences, primarily due to the tax treatment for dividend reclassification, the fund increased accumulated undistributed investment income-net by $66,777 and decreased accumulated net realized gain (loss) on investments by the same amount. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 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. Prior to October 9, 2013, the unsecured credit facility with Citibank, N.A. was $210 million. 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 December 31, 2013 was approximately $208,800 with a related weighted average annualized interest rate of 1.13%.

NOTE 3—Management Fee, Index-Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement (the "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. Pursuant to the Agreement, the fund's custody fee is included in the management fee.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2013, Service shares were charged $540,614 pursuant to the Distribution 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 its average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares' shareholder accounts. During the period ended December 31, 2013, Initial shares were charged $11,264 pursuant to the Shareholders Services Plan.

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.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing transfer agency and cash management services for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $1,322 for transfer agency services and $84 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were partially offset by earnings credits of $9.

The fund compensated The Bank of New York Mellon under a cash management agreement that was in effect until September 30, 2013 for performing certain cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $29 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations.

During the period ended December 31, 2013, the fund was charged $9,093 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 $416,663, Distribution Plan fees $50,010, Shareholder Services Plan fees $3,075, Chief Compliance Officer fees $2,299 and transfer agency fees $216.

(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 December 31, 2013, amounted to $69,859,642 and $239,313,373, respectively.

Derivatives: A derivative is a financial instrument whose performance is derived from the performance of another asset. Each type of derivative instrument that was held by the fund during the period ended December 31, 2013 is discussed below.

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 which is reflected in the Statement of Operations. There is minimal counterparty credit risk to the fund with financial futures since they are exchange traded, and the exchange guarantees the financial futures against default. Financial futures open at December 31, 2013 are set forth in the Statement of Financial Futures.

The following summarizes the average market value of derivatives outstanding during the period ended December 31, 2013:

	Average Market Value ($)
Equity financial futures	18,794,757

At December 31, 2013, the cost of investments for federal income tax purposes was $1,028,616,658; accordingly, accumulated net unrealized appreciation on investments was $1,014,463,391, consisting of $1,097,689,895 gross unrealized appreciation and $83,226,504 gross unrealized depreciation.

NOTE 5—Pending Legal Matters:

The fund and many other entities have been named as defendants in numerous pending litigations as a result of their participation in the leveraged buyout transaction ("LBO") of the Tribune Company ("Tribune"). The cases allege that Tribune took on billions of dollars of debt in the LBO to purchase its own stock from shareholders at $34 per share. The LBO was closed in a two-step transaction with shares being repurchased by Tribune in a tender offer in June 2007 and in a go-private merger in December 2007. In 2008, approximately one year after the LBO was concluded, Tribune filed for bankruptcy protection under Chapter 11. Thereafter, in approximately June 2011, certain Tribune creditors filed dozens of complaints in various courts throughout the country alleging that the payments made to shareholders in the LBO were "fraudulent conveyances" under state and/or federal law, 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 coordinated pre-trial proceedings in a multi-district litigation in the United States District Court for the Southern District of New York titled *In re Tribune Company Fraudulent Conveyance Litigation* (S.D.N.Y. Nos. 11-md-2296 and 12-mc-2296 (RJS) ("Tribune

MDL")). On March 27, 2013, the Tribune MDL was reassigned from Judge William H. Pauley to Judge Richard J. Sullivan. No explanation was given for the reassignment.

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 the Tribune MDL (formerly *The Official Committee of Unsecured Creditors of Tribune Co. v. FitzSimons, et al.*, Bankr. D. Del. Adv. Pro. No. 10-54010 (KJC)) ("*FitzSimons* case"). The case was originally filed on November 1, 2010. In a Fourth Amended Complaint filed in November 2012, among other claims, the Creditors Committee sought recovery under the Bankruptcy Code for alleged "fraudulent conveyances" from more than 5,000 Tribune shareholders ("Shareholder Defendants"), including the fund, and a defendants' class of all shareholders who tendered their Tribune stock in the LBO and received cash in exchange. There were 35 other counts in the Fourth Amended Complaint that did not relate to claims against Shareholder Defendants, but instead were brought against parties directly involved in approval or execution of the leveraged buyout. On January 10, 2013, pursuant to the Tribune bankruptcy plan, Mark S. Kirchner, as Litigation Trustee for the Tribune Litigation Trust, became the successor plaintiff to the Creditors Committee in this case. The case is now proceeding as: *Mark S. Kirchner, as Litigation Trustee for the Tribune Litigation Trust v. FitzSimons, et al.*, S.D.N.Y. No. 12-cv-2652 (RJS). On August 1, 2013, the plaintiff filed a Fifth Amended Complaint with the Court. The Fifth Amended Complaint contains more detailed allegations regarding the steps Tribune took in consideration and execution of the LBO, but does not change the legal basis for the claim previously alleged against the Shareholder Defendants.

On November 6, 2012, a motion to dismiss was filed in the Tribune MDL. Oral argument on the motion to dismiss was held on May 23, 2013. On September 23, 2013, Judge Sullivan granted the motion to dismiss on standing grounds, after rejecting defendants' preemption arguments. By granting the motion, Judge Sullivan dismissed nearly 50 cases in the Tribune MDL, including all cases with Deutsche Bank Trust Company Americas or William A. Niese as the lead plaintiff. The fund was a defendant in at least one of the dismissed cases. The motion had no effect on the *FitzSimons* case, which had been stayed.

On September 30, 2013, plaintiffs appealed the motion to dismiss decision to the U.S. Court of Appeals for the Second Circuit. On October 28, 2013, certain defendants cross-appealed from Judge Sullivan's decision, seeking review of the arguments that Judge Sullivan rejected in his decision. Briefing on the appeal and cross appeal is scheduled for completion in April 2014.

On November 11, 2013, Judge Sullivan entered Master Case Order No. 4 in the Tribune MDL. Master Case Order No. 4 addressed numerous procedural and administrative tasks for the cases that remain in the Tribune MDL, including the *FitzSimons* case. Under Master Case Order No. 4, the parties – through their executive committees and liaison counsel – are to attempt to negotiate a protocol for motions to dismiss and other procedural issues. If the parties are unable to come to agreement on some or all of these issues, they will submit their proposals to the Court and the Court will enter an order on how the *FitzSimons* case will proceed.

As of January 30, 2014, no answers to the Fifth Amended Complaint in the *FitzSimons* case may be filed at this time, and no briefing schedule for any further motions has been set.

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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Dreyfus Stock Index Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Dreyfus Stock Index Fund, Inc., including the statements of investments and financial futures, as of December 31, 2013, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Stock Index Fund, Inc., at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
February 12, 2014

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby reports 100% of the ordinary dividends paid during the fiscal year ended December 31, 2013 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2014 of the percentage applicable to the preparation of their 2013 income tax returns. Also, the fund hereby reports \$.0709 per share as a short-term capital gain distribution and \$.3240 per share as a long-term capital gain distribution paid on March 28, 2013.

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (70)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)
• Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)

No. of Portfolios for which Board Member Serves: 141

Peggy C. Davis (70)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Shad Professor of Law, New York University School of Law (1983-present)

No. of Portfolios for which Board Member Serves: 56

David P. Feldman (74)
Board Member (1996)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• BBH Mutual Funds Group (4 registered mutual funds), Director (1992-present)

No. of Portfolios for which Board Member Serves: 42

Ehud Houminer (73)
Board Member (1993)

Principal Occupation During Past 5 Years:
• Executive-in-Residence at the Columbia Business School, Columbia University (1992-present)

Other Public Company Board Memberships During Past 5 Years:
• Avnet Inc., an electronics distributor, Director (1993-2012)

No. of Portfolios for which Board Member Serves: 66

Lynn Martin (74)
Board Member (2012)

Principal Occupation During Past 5 Years:
• President of The Martin Hall Group LLC, a human resources consulting firm (2005-2012)

Other Public Company Board Memberships During Past 5 Years:
• AT&T Inc., a telecommunications company, Director (1999-2012)
• Ryder System, Inc., a supply chain and transportation management company, Director (1993-2012)
• The Proctor & Gamble Co., a consumer products company, Director (1994-2009)
• Constellation Energy Group Inc., Director (2003-2009)

No. of Portfolios for which Board Member Serves: 42

Robin A. Melvin (50)
Board Member (2012)

Principal Occupation During Past 5 Years:
• Board Member, Illinois Mentoring Partnership, non-profit organization dedicated to increasing the quantity and quality of mentoring services in Illinois (2013-present)
• Director, Boisi Family Foundation, a private family foundation that supports youth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances (1995-2012)

No. of Portfolios for which Board Member Serves: 90

Dr. Martin Peretz (74)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Editor-in-Chief Emeritus of The New Republic Magazine (2010-2011) (previously, Editor-in-Chief, 1974-2010)
• Director of TheStreet.com, a financial information service on the web (1996-2010)

No. of Portfolios for which Board Member Serves: 42

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

James F. Henry, Emeritus Board Member
Rosalind G. Jacobs, Emeritus Board Member
Dr. Paul A. Marks, Emeritus Board Member
Philip L. Toia, Emeritus Board Member

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009, Chairman of Dreyfus Transfer, Inc., an affiliate of the Manager and the transfer agent of the funds, since May 2011 and Executive Vice President of the Distributor since June 2007. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 68 investment companies (comprised of 141 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Chief Legal Officer of the Manager and Associate General Counsel and Managing Director of BNY Mellon since August 2012; from March 2005 to July 2012, Managing Director of Deutsche Bank, Deputy Global Head of Deutsche Asset Management Legal and Regional Head of Deutsche Asset Management Americas Legal. He is an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since August 2012.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 51 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 40 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 58 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 61 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since September 2003.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since September 2003.

Director – Mutual Fund Accounting of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2007.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since September 2003.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (69 investment companies, comprised of 166 portfolios). He is 56 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 64 investment companies (comprised of 161 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Distributor since October 2011.

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 Investment Portfolios, Technology Growth Portfolio

ANNUAL REPORT December 31, 2013

BNY MELLON

Dreyfus

Contents

THE FUND

FOR MORE INFORMATION

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Investment Portfolios, Technology Growth Portfolio, covering the 12-month period from January 1, 2013, through December 31, 2013. 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.

The year 2013 proved to be outstanding for U.S. equities. Large-cap stocks delivered their strongest calendar-year performance in well over a decade, and small- and midcap stocks fared even better in an environment of low short-term interest rates, rising corporate earnings, sustained economic growth, and low inflation. In our view, 2013 provided ample evidence of the value of patience and discipline in equity investing, as those who favored a long-term perspective over a focus on news headlines and short-term volatility reaped the rewards provided by rising markets.

Will stocks continue to rally in 2014? We believe that they can. We expect the domestic economy to continue to strengthen over the next year, particularly if U.S. fiscal policy is less restrictive and short-term interest rates remain near historical lows. Stronger growth could convince businesses and consumers to spend more freely, unleashing pent up demand as economic uncertainty wanes. However, we caution that gains in 2014 are unlikely to match those of the past year, and a highly selective approach to security selection could be key to greater relative investment success in the months ahead. As always, we urge you to speak with your financial adviser to identify the investment strategies that are right for you.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2014

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2013, through December 31, 2013, as provided by Barry K. Mills, CFA, Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended December 31, 2013, Dreyfus Investment Portfolios, Technology Growth Portfolio's Initial shares produced a total return of 32.80%, and its Service shares produced a total return of 32.49%.[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 33.91% and 32.37%, respectively, over the same period.[2,3]

Stocks rallied strongly in 2013 as U.S. economic growth accelerated amid subdued inflation and an aggressively accommodative monetary policy from the Federal Reserve Board (the "Fed"). Technology stocks slightly outperformed broader market averages. The fund participated in the vast majority of the sector's gains, scoring notably strong results among social networking companies.

The Fund's Investment Approach

The fund seeks capital appreciation. To pursue its 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. Up to 25% of the fund's assets may be invested in foreign securities. 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.

Recovering Economy Fueled Market's Gains

Stocks climbed sharply in 2013 during a sustained economic recovery that saw U.S. GDP accelerate from a 1.1% annualized rate during the first quarter of the year to

4.1% for the third quarter. Economic gains were fueled by a falling unemployment rate, rebounding housing markets, low short-term interest rates, and a massive, open-ended quantitative easing program from the Fed.

After rallying early in the year in response to positive economic data, stocks encountered heightened volatility in late May 2013 when relatively hawkish remarks by Fed Chairman Ben Bernanke were widely interpreted as a signal that monetary policymakers would begin to back away from quantitative easing sooner than expected. Consequently, equities lost value in June before stabilizing over the summer. Stocks resumed their advance in the fall, when the Fed unexpectedly delayed tapering its bond purchasing program until its December meeting. Stocks continued to advance over the final months of the year amid new releases of encouraging economic data, enabling the S&P 500® Index to end the year near record highs.

Fund Delivered Strong Second-Half Results

Innovative companies at the vanguard of secular technology trends produced especially strong results during the second half of 2013, offsetting earlier weakness and enabling the fund to nearly match the MS High Tech 35 Index's gains for the reporting period overall. Social networking companies, such as Facebook and LinkedIn, generated some of the fund's more notable gains as these companies found effective ways to translate fast-growing user bases into expanding revenue streams. Other top performers during 2013 included payment processors, such as MasterCard, which benefited from an accelerating global shift from the use of cash to credit and debit cards in a wide range of transactions. In some of the more economically sensitive segments of the technology sector, our insights into supply chain developments led the fund to strong performers such as networking company Ciena and management consulting firm Accenture. At the same time, we successfully avoided many of the weaker performers in the sector's more cyclical areas.

Data warehousing solutions provider *Teradata* proved to be one of the fund's few notable disappointments in 2013. The company failed to meet analysts' earnings expectations when its business customers postponed their capital spending plans. The fund's relative performance was also undercut by its lack of exposure to companies that benefited from one-time corporate events, such as the acquisition of Nokia's handset business by Microsoft and Dell's move to take the company private.

Finding Opportunities Among Technology Innovators

Over the past several years, many business enterprises have responded to economic and political uncertainty by retaining capital and delaying major expenditures on technology. We believe that, as financial conditions improve and clarity increases, pent up capital spending is likely to produce attractive opportunities among providers of technology-related products and services to businesses. As of the reporting period's end, we have identified a number of opportunities meeting our investment criteria among social networking companies, producers of cloud computing applications and infrastructure, and companies engaged in technology-assisted transaction processing and payment-related services. We are also keeping a close eye on changes to industry supply chains for early insights into cyclical growth opportunities.

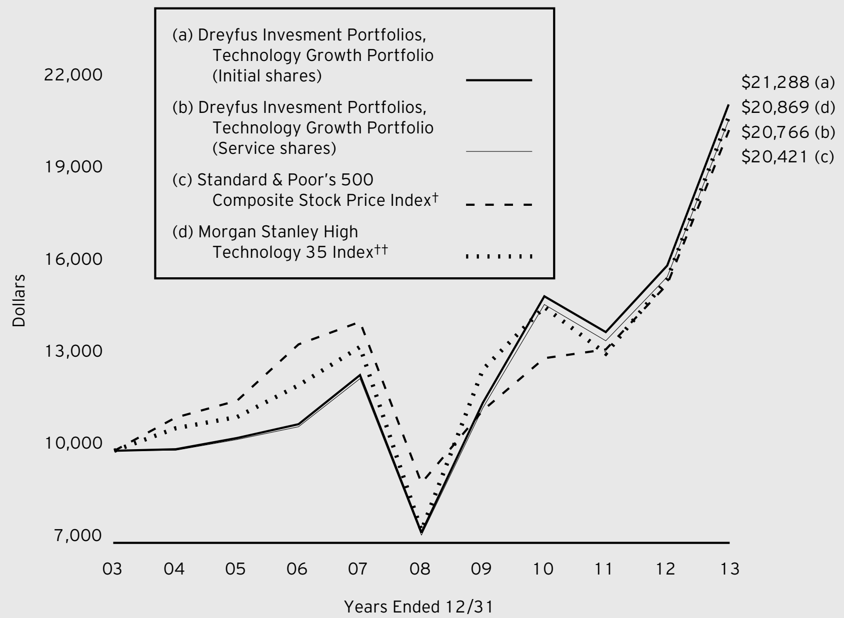
January 15, 2014

Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.
The technology sector has been among the most volatile sectors of the stock market. Technology companies involve greater risk because their revenue and/or earnings tend to be less predictable and some companies may be experiencing significant losses.
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.*



Comparison of change in value of $10,000 investment in Dreyfus Investment Portfolios, Technology Growth Portfolio Initial shares and Service shares with the Standard & Poor's 500 Composite Stock Price Index and the Morgan Stanley High Technology 35 Index

Average Annual Total Returns *as of 12/31/13*

	1 Year	5 Years	10 Years
Initial shares	**32.80%**	**23.74%**	**7.85%**
Service shares	**32.49%**	**23.41%**	**7.58%**
Standard & Poor's 500 Composite Stock Price Index	**32.37%**	**17.93%**	**7.40%**
Morgan Stanley High Technology 35 Index	**33.91%**	**23.04%**	**7.63%**

† Source: Lipper Inc.
†† Source: Bloomberg L.P.
Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.
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.
The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Investment Portfolios, Technology Growth Portfolio on 12/31/03 to a $10,000 investment made in the Morgan Stanley High Technology 35 Index (the "MS High Tech 35 Index") and the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses for Initial and Service shares. The MS High Tech 35 Index is an unmanaged, equal dollar-weighted index of 35 stocks from the electronics-based subsectors. The S&P 500 Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the indices are not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

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 July 1, 2013 to December 31, 2013. 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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.91	$ 6.33
Ending value (after expenses)	$1,265.90	$1,263.80

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 December 31, 2013

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.38	$ 5.65
Ending value (after expenses)	$1,020.87	$1,019.61

† *Expenses are equal to the fund's annualized expense ratio of .86% for Initial shares and 1.11% for Service shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2013

Common Stocks—96.2%	Shares		Value ($)
Application Software—7.1%			
Adobe Systems	151,450	a	9,068,826
salesforce.com	197,790	a,b	10,916,030
			19,984,856
Communications Equipment—10.7%			
Ciena	468,180	a,b	11,203,547
JDS Uniphase	490,410	a	6,365,522
Juniper Networks	552,890	a	12,478,727
			30,047,796
Computer Storage & Peripherals—5.9%			
EMC	332,060		8,351,309
Western Digital	99,100		8,314,490
			16,665,799
Data Processing & Outsourced Services—6.9%			
Automatic Data Processing	136,550		11,034,605
MasterCard, Cl. A	10,020		8,371,309
			19,405,914
Electronic Components—2.6%			
Amphenol, Cl. A	81,250		**7,245,875**
Internet Retail—9.1%			
Amazon.com	34,280	a	13,670,521
priceline.com	10,270	a	11,937,848
			25,608,369
Internet Software & Services—21.4%			
Akamai Technologies	252,220	a	11,899,740
Baidu, ADR	32,220	a	5,731,294
Facebook, Cl. A	257,130	a	14,054,726
Google, Cl. A	10,590	a	11,868,319

Common Stocks (continued)	Shares		Value ($)
Internet Software & Services (continued)			
LinkedIn, Cl. A	41,290	a	8,952,911
Twitter	118,547	b	7,545,516
			60,052,506
IT Consulting & Other Services—7.0%			
Accenture, Cl. A	126,720		10,418,918
Cognizant Technology Solutions, Cl. A	90,605	a	9,149,293
			19,568,211
Semiconductor Equipment—3.6%			
Applied Materials	574,930		**10,170,512**
Semiconductors—13.3%			
Analog Devices	191,910		9,773,976
Micron Technology	213,930	a	4,655,117
Texas Instruments	226,760		9,957,032
Xilinx	284,500		13,064,240
			37,450,365
Systems Software—5.2%			
Microsoft	245,400		9,185,322
ServiceNow	98,720	a	5,529,307
			14,714,629
Wireless Telecommunication Services—3.4%			
T-Mobile US	287,970	a	**9,687,311**
Total Common Stocks (cost $196,244,548)			**270,602,143**

Other Investment—3.8%			
Registered Investment Company;			
Dreyfus Institutional Preferred Plus Money Market Fund (cost $10,787,463)	10,787,463	c	**10,787,463**

Investment of Cash Collateral for Securities Loaned—2.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $6,647,451)	6,647,451 [c]	**6,647,451**
Total Investments (cost $213,679,462)	**102.4%**	**288,037,057**
Liabilities, Less Cash and Receivables	**(2.4%)**	**(6,757,825)**
Net Assets	**100.0%**	**281,279,232**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2013, the value of the fund's securities on loan was $16,667,373 and the value of the collateral held by the fund was $16,667,439, consisting of cash collateral of $6,647,451 and U.S. Government & Agency securities valued at $10,019,988.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Internet Software & Services	21.4	Money Market Investments	6.2
Semiconductors	13.3	Computer Storage & Peripherals	5.9
Communications Equipment	10.7	Systems Software	5.2
Internet Retail	9.1	Semiconductor Equipment	3.6
Application Software	7.1	Wireless Telecommunication Services	3.4
IT Consulting & Other Services	7.0	Electronic Components	2.6
Data Processing & Outsourced Services	6.9		**102.4**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $16,667,373)—Note 1(b):		
Unaffiliated issuers	196,244,548	270,602,143
Affiliated issuers	17,434,914	17,434,914
Cash		77,032
Dividends and securities lending income receivable		124,786
Prepaid expenses		2,065
		288,240,940
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		222,148
Liability for securities on loan—Note 1(b)		6,647,451
Payable for shares of Beneficial Interest redeemed		69,042
Accrued expenses		23,067
		6,961,708
Net Assets ($)		**281,279,232**
Composition of Net Assets ($):		
Paid-in capital		191,808,910
Accumulated net realized gain (loss) on investments		15,112,727
Accumulated net unrealized appreciation (depreciation) on investments		74,357,595
Net Assets ($)		**281,279,232**

Net Asset Value Per Share	Initial Shares	Service Shares
Net Assets ($)	96,786,225	184,493,007
Shares Outstanding	5,265,952	10,352,264
Net Asset Value Per Share ($)	**18.38**	**17.82**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2013

Investment Income ($):	
Income:	
Cash dividends (net of $24,239 foreign taxes withheld at source):	
Unaffiliated issuers	1,928,699
Affiliated issuers	5,881
Income from securities lending—Note 1(b)	57,647
Total Income	**1,992,227**
Expenses:	
Management fee—Note 3(a)	1,860,525
Distribution fees—Note 3(b)	408,169
Prospectus and shareholders' reports	141,516
Professional fees	72,983
Custodian fees—Note 3(b)	18,048
Trustees' fees and expenses—Note 3(c)	8,251
Loan commitment fees—Note 2	911
Interest expense—Note 2	666
Shareholder servicing costs—Note 3(b)	624
Miscellaneous	12,511
Total Expenses	**2,524,204**
Less—reduction in fees due to earnings credits—Note 3(b)	(4)
Net Expenses	**2,524,200**
Investment (Loss)—Net	**(531,973)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	31,352,021
Net unrealized appreciation (depreciation) on investments	39,829,496
Net Realized and Unrealized Gain (Loss) on Investments	**71,181,517**
Net Increase in Net Assets Resulting from Operations	**70,649,544**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2013	2012
Operations ($):		
Investment (loss)—net	(531,973)	(307,014)
Net realized gain (loss) on investments	31,352,021	14,160,108
Net unrealized appreciation (depreciation) on investments	39,829,496	16,843,108
Net Increase (Decrease) in Net Assets Resulting from Operations	**70,649,544**	**30,696,202**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	7,096,023	9,748,204
Service Shares	16,536,945	37,102,127
Cost of shares redeemed:		
Initial Shares	(14,213,627)	(16,867,505)
Service Shares	(38,550,987)	(20,852,628)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(29,131,646)**	**9,130,198**
Total Increase (Decrease) in Net Assets	**41,517,898**	**39,826,400**
Net Assets ($):		
Beginning of Period	239,761,334	199,934,934
End of Period	**281,279,232**	**239,761,334**
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	468,302	726,742
Shares redeemed	(936,124)	(1,253,988)
Net Increase (Decrease) in Shares Outstanding	**(467,822)**	**(527,246)**
Service Shares		
Shares sold	1,077,685	2,804,136
Shares redeemed	(2,649,027)	(1,599,229)
Net Increase (Decrease) in Shares Outstanding	**(1,571,342)**	**1,204,907**

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.

	Year Ended December 31,				
Initial Shares	2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	13.84	11.97	12.98	9.99	6.37
Investment Operations:					
Investment income (loss)—net[a]	(.01)	.00[b]	(.03)	(.03)	(.01)
Net realized and unrealized gain (loss) on investments	4.55	1.87	(.98)	3.02	3.67
Total from Investment Operations	4.54	1.87	(1.01)	2.99	3.66
Distributions:					
Dividends from investment income—net	–	–	–	–	(.04)
Net asset value, end of period	18.38	13.84	11.97	12.98	9.99
Total Return (%)	32.80	15.62	(7.78)	29.93	57.67
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.85	.83	.83	.81	.86
Ratio of net expenses to average net assets	.85	.83	.83	.81	.75
Ratio of net investment income (loss) to average net assets	(.05)	.03	(.25)	(.33)	(.15)
Portfolio Turnover Rate	68.73	52.00	79.60	103.90	141.37
Net Assets, end of period ($ x 1,000)	96,786	79,353	74,929	91,806	73,422

[a] *Based on average shares outstanding at each month end.*
[b] *Amount represents less than $.01 per share.*
See notes to financial statements.

	Year Ended December 31,				
Service Shares	2013	2012	2011	2010	2009
Per Share Data ($):					
Net asset value, beginning of period	13.45	11.66	12.68	9.78	6.24
Investment Operations:					
Investment (loss)—net[a]	(.04)	(.03)	(.06)	(.06)	(.03)
Net realized and unrealized gain (loss) on investments	4.41	1.82	(.96)	2.96	3.58
Total from Investment Operations	4.37	1.79	(1.02)	2.90	3.55
Distributions:					
Dividends from investment income—net	–	–	–	–	(.01)
Net asset value, end of period	17.82	13.45	11.66	12.68	9.78
Total Return (%)	32.49	15.35	(8.05)	29.65	57.07
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.10	1.08	1.08	1.06	1.11
Ratio of net expenses to average net assets	1.10	1.08	1.08	1.06	1.00
Ratio of net investment (loss) to average net assets	(.30)	(.22)	(.50)	(.58)	(.42)
Portfolio Turnover Rate	68.73	52.00	79.60	103.90	141.37
Net Assets, end of period ($ x 1,000)	184,493	160,409	125,006	145,238	107,123

[a] *Based on average shares outstanding at each month end.*
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 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 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 (the "Board"). 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 within Level 2 or 3 of the fair value hierarchy 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 December 31, 2013 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 Common Stocks†	264,870,849	–	–	**264,870,849**
Equity Securities– Foreign Common Stocks†	5,731,294	–	–	**5,731,294**
Mutual Funds	17,434,914	–	–	**17,434,914**

† *See Statement of Investments for additional detailed categorizations.*

At December 31, 2013, there were no transfers 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 the Manager or U.S. Government and Agency securities. The fund is entitled to receive all dividends, interest and distributions on securities loaned, in addition to income earned as a result of the lending transaction. Should a borrower fail to return the securities in a timely manner, The Bank of New York Mellon is required to replace the securities for the benefit of the fund or credit the fund with the market value of the unreturned securities and is subrogated to the fund's rights against the borrower and the collateral. At December 31, 2013, the value of securities on loan was $16,667,373, as disclosed in the Statement of Assets and Liabilities. The value of related collateral exceeded the value of securities on loan. See the Statement of Investments for collateral information. During the period ended December 31, 2013, The Bank of New York Mellon earned $17,325 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" under the Act. Investments in affiliated investment companies during the period ended December 31, 2013 were as follows:

Affiliated Investment Company	Value 12/31/2012 ($)	Purchases ($)	Sales ($)	Value 12/31/2013 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	3,054,491	110,228,370	102,495,398	10,787,463	3.8
Dreyfus Institutional Cash Advantage Fund	15,302,500	63,830,537	72,485,586	6,647,451	2.4
Total	**18,356,991**	**174,058,907**	**174,980,984**	**17,434,914**	**6.2**

(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 December 31, 2013, 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 ended December 31, 2013, the fund did not incur any interest or penalties.

Each tax year in the four-year period ended December 31, 2013 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2013, the components of accumulated earnings on a tax basis were as follows: undistributed capital gains $15,763,261 and unrealized appreciation $73,707,061.

During the period ended December 31, 2013, as a result of permanent book to tax differences, primarily due to the tax treatment for net operating losses, the fund increased accumulated undistributed investment income-net by $531,973 and decreased paid-in capital by the same amount. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $265 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. Prior to October 9, 2013, the unsecured credit facility with Citibank, N.A. was $210 million. 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 December 31, 2013 was approximately $58,900 with a related weighted average annualized interest rate of 1.13%.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2013, Service shares were charged $408,169 pursuant to the Distribution Plan.

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.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing transfer agency and cash management services for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $566 for transfer agency services and $44 for cash management services. These fees are included in Shareholder servicing costs in the Statement of Operations. Cash management fees were partially offset by earnings credits of $4.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets, geographic region and transaction activity. During the period ended December 31, 2013, the fund was charged $18,048 pursuant to the custody agreement.

The fund compensated The Bank of New York Mellon under a cash management agreement that was in effect until September 30, 2013 for performing certain cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2013, the fund was charged $14 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations.

During the period ended December 31, 2013, the fund was charged $9,093 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 $173,214, Distribution Plan fees $37,841, custodian fees $8,631, Chief Compliance Officer fees $2,299 and transfer agency fees $163.

(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 December 31, 2013, amounted to $165,197,751 and $202,866,334, respectively.

At December 31, 2013, the cost of investments for federal income tax purposes was $214,329,996; accordingly, accumulated net unrealized appreciation on investments was $73,707,061, consisting of $75,342,081 gross unrealized appreciation and $1,635,020 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Dreyfus Investment Portfolios, Technology Growth Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Investment Portfolios, Technology Growth Portfolio (one of the series comprising Dreyfus Investment Portfolios) as of December 31, 2013, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Investment Portfolios, Technology Growth Portfolio at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
February 12, 2014

PROXY RESULTS (Unaudited)

The Company held a special meeting of shareholders on December 6, 2013. The proposal considered at the meeting, and the results, are as follows:

	Shares	
	Votes For	Authority Withheld
To elect additional Board Members:		
Isabel P. Dunst†	40,496,819	1,906,692
Robin A Melvin†	40,817,038	1,586,473
Roslyn M. Watson†	40,654,886	1,748,625

† *Each of the above Board Members were duly elected by shareholders at the fund's December 6, 2013 shareholder meeting. In addition, Joseph S. DiMartino, Gordon J. Davis, Whitney I. Gerard, Nathan Leventhal and Benaree Pratt Wiley continue as Board Members of the Company.*

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Trustees held on July 17-18, 2013, 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"). 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 Dreyfus representatives. In considering the renewal of the Agreement, 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.

<u>Analysis of Nature, Extent, and Quality of Services Provided to the Fund.</u> The Board considered information provided to them at the meeting and in previous presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex. 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 (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or Dreyfus) and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to 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. 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 May 31, 2013, 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 below the Performance Group median for all periods except for the five-year period and was variously above and below the Performance Universe median. They noted the proximity to the median in certain of the periods when the fund's performance was below the Performance Group median. 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, the fund's actual management fee was below the Expense Group median and slightly above the Expense Universe median and the fund's 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 Dreyfus-affiliated primary employer of the fund's primary portfolio manager(s) 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.

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 aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, 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 also 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 considered on the advice of its counsel the profitability analysis (1) as part of its evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, 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 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 from acting as investment adviser 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 Agreement. 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 are adequate and appropriate.
- The Board generally was satisfied with the fund's overall performance.
- The Board concluded that the fee paid to Dreyfus was 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.

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of the fund and the services provided to the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, 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 Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

INDEPENDENT BOARD MEMBERS

Joseph S. DiMartino (70)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:

- Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:

- CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
- The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)
- Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)

No. of Portfolios for which Board Member Serves: 141

Gordon J. Davis (72)
Board Member (2012)

Principal Occupation During Past 5 Years:

- Partner in the law firm of Venable LLP (2012-present)
- Partner in the law firm of Dewey & LeBoeuf LLP (1994-2012)

Other Public Company Board Memberships During Past 5 Years:

- Consolidated Edison, Inc., a utility company, Director (1997-present)
- The Phoenix Companies, Inc., a life insurance company, Director (2000-present)

No. of Portfolios for which Board Member Serves: 49

Whitney I. Gerard (79)
Board Member (2003)

Principal Occupation During Past 5 Years:

- Partner in the law firm of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 23

Nathan Leventhal (70)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Chairman of the Avery-Fisher Artist Program (1997-present)
- Commissioner, NYC Planning Commission (2007-2011)

Other Public Company Board Memberships During Past 5 Years:
- Movado Group, Inc., Director (2003-present)

No. of Portfolios for which Board Member Serves: 39

Robin A. Melvin (50)†
Board Member (2014)

Principal Occupation During Past 5 Years:
- Board Member, Illinois Mentoring Partnership, non-profit organization dedicated to increasing the quantity and quality of mentoring services in Illinois (2013-present)
- Director, Boisi Family Foundation, a private family foundation that supports youth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances (1995-2012)

No. of Portfolios for which Board Member Serves: 90

Roslyn M. Watson (64)†
Board Member (2014)

Principal Occupation During Past 5 Years:
- Principal, Watson Ventures, Inc., a real estate investment company (1993-present)

No. of Portfolios for which Board Member Serves: 36

Benaree Pratt Wiley (67)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)

Other Public Company Board Memberships During Past 5 Years:
- CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (2008-present)

No. of Portfolios for which Board Member Serves: 61

Isabel P. Dunst (66)†
Board Member (2014)

Principal Occupation During Past 5 Years:
• Partner, Hogan Lovells LLP

No. of Portfolios for which Board Member Serves: 10

Isabel P. Dunst is deemed to be an "interested person" (as defined in the Act) of the fund as a result of her affiliation with Hogan Lovells LLP, which provides legal services to BNY Mellon and certain of its affiliates.

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† Isabel P. Dunst, Robin A. Melvin and Roslyn M. Watson were elected as Board Members on December 6, 2013, effective January 1, 2014.

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

Clifford L. Alexander, Jr., Emeritus Board Member
David W. Burke, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member
George L. Perry, Emeritus Board Member, effective January 23, 2014

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009, Chairman of Dreyfus Transfer, Inc., an affiliate of the Manager and the transfer agent of the funds, since May 2011 and Executive Vice President of the Distributor since June 2007. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 68 investment companies (comprised of 141 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since February 1988.

JOHN PAK, Chief Legal Officer since March 2013.

Chief Legal Officer of the Manager and Associate General Counsel and Managing Director of BNY Mellon since August 2012; from March 2005 to July 2012, Managing Director of Deutsche Bank, Deputy Global Head of Deutsche Asset Management Legal and Regional Head of Deutsche Asset Management Americas Legal. He is an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since August 2012.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 51 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 40 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. She is 58 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 61 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 55 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 54 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 69 investment companies (comprised of 166 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (69 investment companies, comprised of 166 portfolios). He is 56 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 64 investment companies (comprised of 161 portfolios) managed by the Manager. He is 41 years old and has been an employee of the Distributor since October 2011.

For More Information

Dreyfus Investment Portfolios, Technology Growth Portfolio
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.

0175AR1213

DECEMBER 31, 2013

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report Table of Contents

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 annual report for Franklin Growth and Income Securities Fund covers the fiscal year ended December 31, 2013.

Franklin Growth and Income Securities Fund Class 2

Performance Summary as of 12/31/13

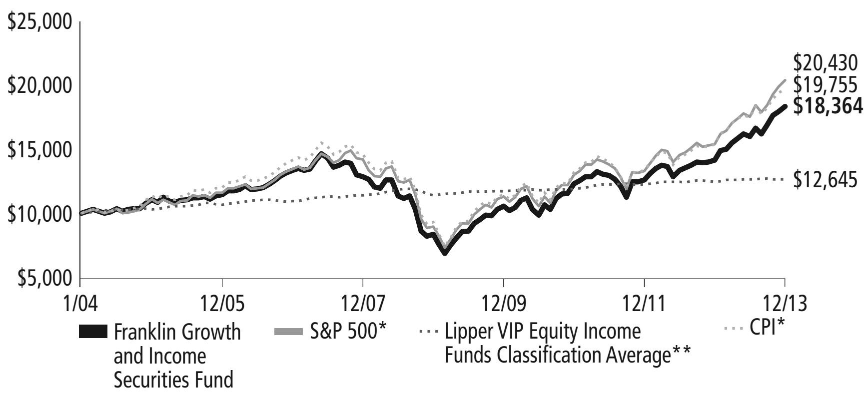
Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/13	1-Year	5-Year	10-Year
Average Annual Total Return	+29.60%	+17.08%	+6.27%

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/04–12/31/13)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®), the Lipper VIP Equity Income Funds Classification Average and the Consumer Price Index (CPI). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



*Source: © 2014 Morningstar. Please see Index Descriptions following the Fund Summaries.
**Source: Lipper Inc. Please see Index Descriptions following the Fund Summaries.

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 one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the S&P 500, produced a +32.39% total return.[1] The Fund's peers as measured by the Lipper VIP Equity Income Funds Classification Average posted a +28.21% return for the same period.[2]

Economic and Market Overview

The U.S. economy showed ongoing signs of recovery during the 12-month period ended December 31, 2013, especially in the second half of the year. Business investment, net exports, and state and local government spending picked up in the second quarter, somewhat offsetting the impact of federal budget cuts. During the third quarter, the economy, as measured by gross domestic product, expanded at the strongest pace since the fourth quarter of 2011, underpinned by consumer spending and rising inventories. Historically low mortgage rates and improving sentiment aided the housing market recovery, evidenced by solid new and existing home sales, rising home prices, low inventories and multi-year lows in new foreclosures. Manufacturing expanded for most of the period under review, and the unemployment rate declined to 6.7% in December from 7.8% a year earlier.[3] Inflation remained well below the Federal Reserve Board's (Fed's) 2.0% target.

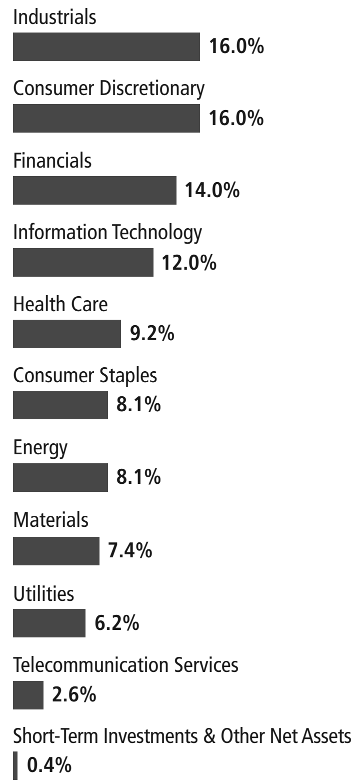
The year started on a positive note with Congress passing a budget bill that averted automatic federal budget cuts and income tax increases. However, Washington's lack of consensus on proposed expenditure reductions resulted in federal spending cuts starting in March. Fed Chairman Ben Bernanke indicated in May that the Fed might reduce monthly asset purchases, assuming ongoing U.S. recovery. In September, however, he announced that any reduction of Fed purchases would be postponed until U.S. economic growth strengthened. A U.S. budget impasse, which led to a temporary shutdown of nonessential government services in October, ended after Congress agreed

1. Source: © 2014 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.

to fund the government until January 2014 and raise the debt limit until February. U.S. equity markets reached new highs after the resolution of the budget impasse and the Fed's reassurance at its October meeting that it would continue its supportive monetary programs. In December, Congress passed a two-year budget deal that would ease automatic spending cuts in 2014 and lower the risk of another government shutdown. Meanwhile, the Fed announced it would reduce its monthly bond purchases by $10 billion beginning in January 2014. The Fed, however, committed to keeping interest rates low as long as the unemployment rate remained over 6.5% and inflation expectations remained low.

Rising corporate profits and generally favorable economic data bolstered investor confidence, helping markets overcome brief periods of sell-offs in reaction to Fed statements and to Washington's fiscal negotiations. U.S. stocks generated strong 12-month returns as the S&P 500 and Dow Jones Industrial Average reached all-time highs during the period.[4]

Portfolio Breakdown
Franklin Growth and Income Securities Fund
Based on Total Net Assets as of 12/31/13



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

During the 12 months under review, every sector the Fund invested in rose in value, as did most of the portfolio's individual securities, supporting overall performance. Key contributing sectors included financials, industrials, consumer discretionary and information technology. Within the financials sector, top contributors included asset

4. Please see Index Descriptions following the Fund Summaries.

Top 10 Holdings
Franklin Growth and Income Securities Fund
12/31/13

Company *Sector/Industry*	% of Total Net Assets
NIKE Inc., B *Consumer Discretionary*	2.2%
JPMorgan Chase & Co. *Financials*	2.2%
BlackRock Inc. *Financials*	2.1%
Microsoft Corp. *Information Technology*	2.1%
Roche Holding AG *Health Care*	2.0%
Emerson Electric Co. *Industrials*	2.0%
CA Inc. *Information Technology*	2.0%
Diageo PLC, ADR *Consumer Staples*	2.0%
PepsiCo Inc. *Consumer Staples*	2.0%
Lockheed Martin Corp. *Industrials*	2.0%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

manager BlackRock and diversified financial services firm JPMorgan Chase. BlackRock's stock price rose based on strong earnings driven by growth in assets under management and higher performance fees. Among industrials, leading performers included aerospace firms Boeing and Lockheed Martin and conglomerate Honeywell International. Boeing's share price rose steadily and reached a multi-year high toward year-end following the receipt of over $100 billion of orders at the Dubai Airshow in November. NIKE led consumer discretionary holdings as the athletic equipment and apparel maker reported better-than-expected earnings and raised its dividend for the 12th consecutive year. Within the information technology sector, software firm Microsoft and electrical connector maker Molex[4] were top performers.

In contrast, there were some disappointments in the portfolio. Weak and volatile commodity prices weighed on shares of metals and mining firms in particular, and the Fund's holdings of Rio Tinto[4] and BHP Billiton stock and AngloGold Ashanti Holdings Finance[4] convertible preferred stock detracted from performance. Other key detractors included auto company Ford Motor and semiconductor products manufacturer Maxim Integrated Products. Maxim reported lower-than-expected revenues and earnings for its fiscal fourth quarter ended June 30, owing to weakness in demand for its smartphone products.

Thank you for your participation in Franklin Growth and Income Securities Fund. We look forward to serving your future investment needs.

4. Sold by period-end.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2013, 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 Growth and Income 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, redemption fees, 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 level. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown 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 7/1/13	Ending Account Value 12/31/13	Fund-Level Expenses Incurred During Period* 7/1/13–12/31/13
Actual	$1,000	$1,148.20	$4.49
Hypothetical (5% return before expenses)	$1,000	$1,021.02	$4.23

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.83%), 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 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Growth and Income Securities Fund

Class 1	Year Ended December 31, 2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.64	$ 11.60	$ 11.76	$ 10.47	$ 8.72
Income from investment operations[a]:					
Net investment income[b]	0.33	0.35	0.33	0.38	0.31
Net realized and unrealized gains (losses)	3.40	1.08	(0.03)	1.32	1.92
Total from investment operations	3.73	1.43	0.30	1.70	2.23
Less distributions from net investment income	(0.40)	(0.39)	(0.46)	(0.41)	(0.48)
Net asset value, end of year	$ 15.97	$ 12.64	$ 11.60	$ 11.76	$ 10.47
Total return[c]	29.96%	12.53%	2.64%	16.93%	26.82%
Ratios to average net assets					
Expenses	0.58%[d]	0.60%	0.59%	0.59%	0.60%[d]
Net investment income	2.29%	2.86%	2.80%	3.62%	3.46%
Supplemental data					
Net assets, end of year (000's)	$175,860	$154,463	$156,830	$176,590	$174,403
Portfolio turnover rate	35.16%	30.00%	32.93%	26.83%	51.05%

[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.
[d]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

	Year Ended December 31,				
Class 2	**2013**	**2012**	**2011**	**2010**	**2009**
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.46	$ 11.44	$ 11.60	$ 10.33	$ 8.59
Income from investment operations[a]:					
Net investment income[b]	0.29	0.32	0.29	0.35	0.28
Net realized and unrealized gains (losses)	3.35	1.05	(0.02)	1.31	1.90
Total from investment operations	3.64	1.37	0.27	1.66	2.18
Less distributions from net investment income	(0.37)	(0.35)	(0.43)	(0.39)	(0.44)
Net asset value, end of year	$ 15.73	$ 12.46	$ 11.44	$ 11.60	$ 10.33
Total return[c]	29.60%	12.23%	2.41%	16.68%	26.55%
Ratios to average net assets					
Expenses	0.83%[d]	0.85%	0.84%	0.84%	0.85%[d]
Net investment income	2.04%	2.61%	2.55%	3.37%	3.21%
Supplemental data					
Net assets, end of year (000's)	$150,966	$131,400	$129,309	$151,481	$152,077
Portfolio turnover rate	35.16%	30.00%	32.93%	26.83%	51.05%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks 92.4%			
Consumer Discretionary 14.5%			
ClubCorp Holdings Inc.	United States	164,100	$ 2,911,134
Comcast Corp., A	United States	102,080	5,304,587
Ford Motor Co.	United States	408,000	6,295,440
General Motors Co.	United States	37,488	1,532,135
Lowe's Cos. Inc.	United States	101,600	5,034,280
McDonald's Corp.	United States	66,500	6,452,495
NIKE Inc., B	United States	91,400	7,187,696
Target Corp.	United States	98,100	6,206,787
Wynn Resorts Ltd.	United States	32,800	6,370,088
			47,294,642
Consumer Staples 8.1%			
Diageo PLC, ADR	United Kingdom	49,300	6,528,306
Kellogg Co.	United States	68,500	4,183,295
Mead Johnson Nutrition Co., A	United States	72,300	6,055,848
PepsiCo Inc.	United States	78,200	6,485,908
The Procter & Gamble Co.	United States	39,600	3,223,836
			26,477,193
Energy 7.1%			
BP PLC, ADR	United Kingdom	64,700	3,145,067
Chevron Corp.	United States	29,300	3,659,863
Exxon Mobil Corp.	United States	61,844	6,258,613
Royal Dutch Shell PLC, A, ADR	United Kingdom	90,100	6,421,427
Schlumberger Ltd.	United States	41,600	3,748,576
			23,233,546
Financials 12.5%			
Aflac Inc.	United States	91,900	6,138,920
Bank of America Corp.	United States	160,100	2,492,757
BlackRock Inc.	United States	22,200	7,025,634
JPMorgan Chase & Co.	United States	120,970	7,074,326
Marsh & McLennan Cos. Inc.	United States	83,300	4,028,388
MetLife Inc.	United States	66,123	3,565,352
T. Rowe Price Group Inc.	United States	58,200	4,875,414
Wells Fargo & Co.	United States	122,800	5,575,120
			40,775,911
Health Care 9.2%			
Bristol-Myers Squibb Co.	United States	49,500	2,630,925
Eli Lilly & Co.	United States	94,400	4,814,400
Johnson & Johnson	United States	56,200	5,147,358
Pfizer Inc.	United States	165,700	5,075,391
Roche Holding AG	Switzerland	23,600	6,592,814
Sanofi, ADR	France	111,100	5,958,293
			30,219,181
Industrials 14.2%			
The Boeing Co.	United States	37,200	5,077,428
Cummins Inc.	United States	38,200	5,385,054
Emerson Electric Co.	United States	93,900	6,589,902
General Electric Co.	United States	205,900	5,771,377
Honeywell International Inc.	United States	67,300	6,149,201
Lockheed Martin Corp.	United States	43,500	6,466,710

Statement of Investments, December 31, 2013 *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Industrials (continued)			
Republic Services Inc.	United States	168,200	$ 5,584,240
United Parcel Service Inc., B	United States	51,800	5,443,144
			46,467,056
Information Technology 12.0%			
Apple Inc.	United States	6,000	3,366,660
CA Inc.	United States	195,500	6,578,575
Cisco Systems Inc.	United States	285,708	6,414,145
Intel Corp.	United States	203,200	5,275,072
Maxim Integrated Products Inc.	United States	213,700	5,964,367
Microsoft Corp.	United States	180,300	6,748,629
Paychex Inc.	United States	107,100	4,876,263
			39,223,711
Materials 7.4%			
BHP Billiton PLC	United Kingdom	142,200	4,397,383
The Dow Chemical Co.	United States	102,300	4,542,120
E. I. du Pont de Nemours and Co.	United States	89,600	5,821,312
Freeport-McMoRan Copper & Gold Inc., B	United States	123,688	4,668,026
Potash Corp. of Saskatchewan Inc.	Canada	145,600	4,798,976
			24,227,817
Telecommunication Services 2.6%			
AT&T Inc.	United States	107,097	3,765,530
Vodafone Group PLC, ADR	United Kingdom	117,700	4,626,787
			8,392,317
Utilities 4.8%			
Dominion Resources Inc.	United States	65,100	4,211,319
Duke Energy Corp.	United States	71,203	4,913,719
Great Plains Energy Inc.	United States	98,348	2,383,956
PG&E Corp.	United States	105,000	4,229,400
			15,738,394
Total Common Stocks (Cost $217,684,714)			302,049,768
[a]**Equity-Linked Securities (Cost $4,006,251) 1.5%**			
Consumer Discretionary 1.5%			
[b]Deutsche Bank AG into Amazon.com Inc., 5.50%, 144A	United States	15,000	4,916,145
Convertible Preferred Stocks 5.7%			
Energy 1.0%			
[b]Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	2,700	3,126,519
Financials 1.5%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	3,100	3,289,100
MetLife Inc., 5.00%, cvt. pfd.	United States	55,100	1,737,854
			5,026,954
Industrials 1.8%			
Genesee & Wyoming Inc., 5.00%, cvt. pfd.	United States	9,200	1,182,522
Stanley Black & Decker Inc., 6.25%, cvt., pfd.	United States	45,300	4,674,960
			5,857,482
Utilities 1.4%			
NextEra Energy Inc., 5.799%, cvt. pfd.	United States	62,000	3,110,540

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013 *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Utilities (continued)			
NextEra Energy Inc., 5.889%, cvt. pfd.	United States	28,100	$ 1,591,303
			4,701,843
Total Convertible Preferred Stocks (Cost $16,011,683)			18,712,798
Total Investments before Short Term Investments (Cost $237,702,648)			325,678,711
		Principal Amount	
Short Term Investments (Cost $1,328,233) 0.5%			
Repurchase Agreements 0.5%			
[c]Joint Repurchase Agreement, 0.008%, 1/02/14 (Maturity Value $1,328,233) BNP Paribas Securities Corp. (Maturity Value $101,357) Credit Suisse Securities (USA) LLC (Maturity Value $304,072) Deutsche Bank Securities Inc. (Maturity Value $177,811) HSBC Securities (USA) Inc. (Maturity Value $425,713) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $197,654) Morgan Stanley & Co. LLC (Maturity Value $121,626) Collateralized by U.S. Government Agency Securities, 0.00% - 4.125%, 1/15/14 - 3/07/18; [d]U.S. Government Agency Discount Notes, 8/19/14; [d]U.S. Treasury Bills, 9/18/14; U.S. Treasury Bonds, 8.875% - 9.125%, 5/15/17 - 5/15/18; U.S. Treasury Notes, 0.25% - 4.75%, 1/15/15 - 12/31/18; and U.S. Treasury Notes, Index Linked, 1.375% - 1.625%, 1/15/18 - 7/15/18 (valued at $1,354,842)	United States	$1,328,233	1,328,233
Total Investments (Cost $239,030,881) 100.1%			327,006,944
Other Assets, less Liabilities (0.1)%			(180,643)
Net Assets 100.0%			$326,826,301

See Abbreviations on page FGI-21.

[a]See Note 1(d) regarding equity-linked securities.
[b]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 December 31, 2013, the aggregate value of these securities was $8,042,664, representing 2.46% of net assets.
[c]See Note 1(c) regarding joint repurchase agreement.
[d]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
December 31, 2013

	Franklin Growth and Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$237,702,648
Cost - Repurchase agreements	1,328,233
Total cost of investments	$239,030,881
Value - Unaffiliated issuers	$325,678,711
Value - Repurchase agreements	1,328,233
Total value of investments	327,006,944
Receivables:	
Capital shares sold	131
Dividends	509,697
Other assets	6
Total assets	327,516,778
Liabilities:	
Payables:	
Capital shares redeemed	372,992
Management fees	144,409
Distribution fees	62,652
Reports to shareholders	67,583
Professional fees	37,368
Accrued expenses and other liabilities	5,473
Total liabilities	690,477
Net assets, at value	$326,826,301
Net assets consist of:	
Paid-in capital	$248,097,683
Undistributed net investment income	7,938,540
Net unrealized appreciation (depreciation)	87,978,569
Accumulated net realized gain (loss)	(17,188,491)
Net assets, at value	$326,826,301
Class 1:	
Net assets, at value	$175,859,877
Shares outstanding	11,008,896
Net asset value and maximum offering price per share	$ 15.97
Class 2:	
Net assets, at value	$150,966,424
Shares outstanding	9,594,960
Net asset value and maximum offering price per share	$ 15.73

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 year ended December 31, 2013

	Franklin Growth and Income Securities Fund
Investment income:	
Dividends	$ 8,897,879
Interest	3,550
Total investment income	8,901,429
Expenses:	
Management fees (Note 3a)	1,645,139
Distribution fees - Class 2 (Note 3c)	359,168
Unaffiliated transfer agent fees	97
Custodian fees (Note 4)	4,245
Reports to shareholders	98,095
Professional fees	45,389
Trustees' fees and expenses	1,211
Other	11,680
Total expenses	2,165,024
Expense reductions (Note 4)	(6)
Net expenses	2,165,018
Net investment income	6,736,411
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	28,500,404
Foreign currency transactions	(13,256)
Net realized gain (loss)	28,487,148
Net change in unrealized appreciation (depreciation) on:	
Investments	45,060,421
Translation of other assets and liabilities denominated in foreign currencies	1,735
Net change in unrealized appreciation (depreciation)	45,062,156
Net realized and unrealized gain (loss)	73,549,304
Net increase (decrease) in net assets resulting from operations	$80,285,715

Statements of Changes in Net Assets

	Franklin Growth and Income Securities Fund	
	Year Ended December 31,	
	2013	2012
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 6,736,411	$ 8,006,258
Net realized gain (loss) from investments and foreign currency transactions	28,487,148	14,591,826
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	45,062,156	11,480,221
Net increase (decrease) in net assets resulting from operations	80,285,715	34,078,305
Distributions to shareholders from:		
Net investment income:		
Class 1	(4,583,247)	(4,951,744)
Class 2	(3,711,240)	(3,811,748)
Total distributions to shareholders	(8,294,487)	(8,763,492)
Capital share transactions: (Note 2)		
Class 1	(17,413,301)	(16,240,212)
Class 2	(13,615,221)	(9,349,674)
Total capital share transactions	(31,028,522)	(25,589,886)
Net increase (decrease) in net assets	40,962,706	(275,073)
Net assets:		
Beginning of year	285,863,595	286,138,668
End of year	$326,826,301	$285,863,595
Undistributed net investment income included in net assets:		
End of year	$ 7,938,540	$ 8,455,201

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

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

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 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 December 31, 2013, 78.83% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. 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. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. 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 as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. 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. 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 OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

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%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2013.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. 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.

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 December 31, 2013, 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. 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.

Notes to Financial Statements *(continued)*

Franklin Growth and Income 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 December 31, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2013		2012	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	37,520	$ 537,654	8,936	$ 109,900
Shares issued in reinvestment of distributions	326,675	4,583,247	419,284	4,951,744
Shares redeemed	(1,571,602)	(22,534,202)	(1,731,505)	(21,301,856)
Net increase (decrease)	(1,207,407)	$(17,413,301)	(1,303,285)	$(16,240,212)
Class 2 Shares:				
Shares sold	905,864	$ 12,758,976	876,993	$ 10,575,390
Shares issued in reinvestment of distributions	268,347	3,711,240	327,189	3,811,748
Shares redeemed	(2,124,043)	(30,085,437)	(1,967,485)	(23,736,812)
Net increase (decrease)	(949,832)	$(13,615,221)	(763,303)	$ (9,349,674)

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

3. TRANSACTIONS WITH AFFILIATES (continued)

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 the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has 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. Some distribution fees are not charged on shares held by affiliates. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rate, is February 1 through January 31.

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 year ended December 31, 2013, 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. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2013, the Fund had capital loss carryforwards of $17,127,212 expiring in 2017. During the year ended December 31, 2013, the Fund utilized $27,177,347 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2013 and 2012, was as follows:

	2013	2012
Distributions paid from ordinary income	$8,294,487	$8,763,492

Notes to Financial Statements *(continued)*

Franklin Growth and Income Securities Fund

5. INCOME TAXES (continued)

At December 31, 2013, the cost of investments, net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$238,957,299
Unrealized appreciation	$ 89,778,494
Unrealized depreciation	(1,728,849)
Net unrealized appreciation (depreciation)	$ 88,049,645
Distributable earnings – undistributed ordinary income	$ 7,873,144

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of equity-linked securities.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2013, aggregated $106,342,373 and $136,841,090, respectively.

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, after an extension of the original terms, matured on February 14, 2014. 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. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on February 13, 2015.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2013, 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 input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Notes to Financial Statements *(continued)*

Franklin Growth and Income Securities Fund

8. 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 December 31, 2013, 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	$ 23,233,546	$3,126,519	$ —	$ 26,360,065
All Other Equity Investments[b]	294,402,501	—	—	294,402,501
Equity-Linked Securities	—	4,916,145	—	4,916,145
Short Term Investments	—	1,328,233	—	1,328,233
Total Investments in Securities	$317,636,047	$9,370,897	$ —	$327,006,944

[a]Includes common and convertible preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

9. NEW ACCOUNTING PRONOUNCEMENTS

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the 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 other than those already disclosed in the financial statements.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Franklin Growth and Income Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Growth and Income Securities Fund (the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 14, 2014

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Franklin Growth and Income Securities Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 83.97% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2013.

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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 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.

Dow Jones-UBS Commodity Index is a broadly diversified index designed to allow investors to track commodity futures through a single, simple measure. The index reflects the return on fully collateralized positions in the underlying futures contracts on physical commodities, which are reweighted and rebalanced annually on a price-percentage basis. The Dow Jones-UBS Commodity Indices℠ are a joint product of DJI Opco, LLC, a subsidiary of S&P Dow Jones Indices LLC, and UBS Securities LLC ("UBS") and have been licensed for use to S&P Opco, LLC and Franklin Templeton Companies, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC, Dow Jones® and DJ are registered trademarks of Dow Jones Trademark Holdings LLC, and "UBS" is a registered trademark of UBS AG. All content of the Dow Jones-UBS Commodity Indices℠ © S&P Dow Jones Indices LLC and UBS and their respective affiliates 2014. Reproduction of Dow Jones-UBS Commodity Indices℠ in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions, regardless of the cause or for the results obtained from the use of such information. S&P DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any direct, indirect, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with subscriber's or others' use of Dow Jones-UBS Commodity Indices℠.

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 12-month period ended 12/31/13, there were 226 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 12-month period ended 12/31/13, there were 66 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 12-month period ended 12/31/13, there were 50 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12-month period ended 12/31/13, there were 110 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 World Index (ACWI) 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.

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.

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Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupation during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	141	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and **formerly,** Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	114	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products)(1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and **formerly,** Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	141	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of Executive Council, The Boeing Company (aerospace company); and **formerly,** Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas) (1998-2013).
Principal Occupation During at Least the Past 5 Years: Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and **formerly,** Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (until 1987).				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	141	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (July 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	114	None

Principal Occupation During at Least the Past 5 Years:
President, Staples Europe (office supplies) (2012); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly,** Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Gregory E. Johnson** (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since June 2013	152	None

Principal Occupation During at Least the Past 5 Years:
Chairman of the Board, Member – Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Chairman, Investment Company Institute.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Rupert H. Johnson, Jr.** (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since June 2013 and Trustee since 1988	141	None

Principal Occupation During at Least the Past 5 Years:
Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since March 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since March 2013	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Global Compliance, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).

Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.

Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.
**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.
Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.
Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.
Note 3: Effective June 13, 2013, Charles B. Johnson ceased to be a trustee of the Fund.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) 321-8563 or their insurance companies to request the SAI.

Franklin Templeton Variable Insurance Products Trust

Shareholder Information

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.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME

FRANKLIN TEMPLETON INVESTMENTS

< GAIN FROM OUR PERSPECTIVE® >

Annual 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.

DECEMBER 31, 2013

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report
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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 annual report for Franklin Large Cap Growth Securities Fund covers the fiscal year ended December 31, 2013.

Franklin Large Cap Growth Securities Fund Class 2

Performance Summary as of 12/31/13

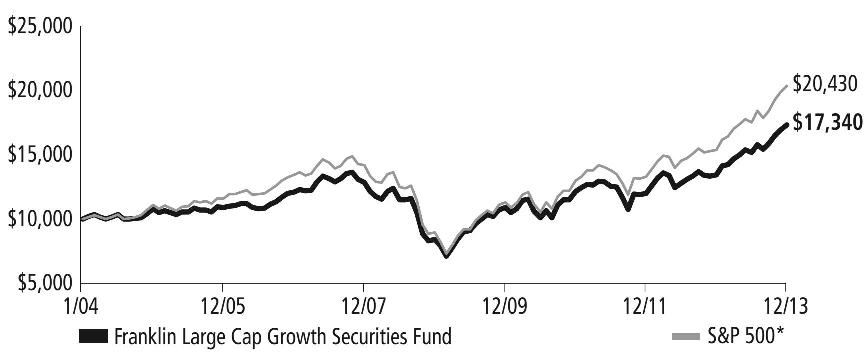
Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/13	1-Year	5-Year	10-Year
Average Annual Total Return	+28.63%	+15.56%	+5.66%

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/04–12/31/13)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



*Source: © 2014 Morningstar. Please see Index Descriptions following the Fund Summaries.

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 companies 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 one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the S&P 500, posted a +32.39% total return.[2]

Economic and Market Overview

The U.S. economy showed ongoing signs of recovery during the 12-month period ended December 31, 2013, especially in the second half of the year. Business investment, net exports, and state and local government spending picked up in the second quarter, somewhat offsetting the impact of federal budget cuts. During the third quarter, the economy, as measured by gross domestic product, expanded at the strongest pace since the fourth quarter of 2011, underpinned by consumer spending and rising inventories. Historically low mortgage rates and improving sentiment aided the housing market recovery, evidenced by solid new and existing home sales, rising home prices, low inventories and multi-year lows in new foreclosures. Manufacturing expanded for most of the period under review, and the unemployment rate declined to 6.7% in December from 7.8% a year earlier.[3] Inflation remained well below the Federal Reserve Board's (Fed's) 2.0% target.

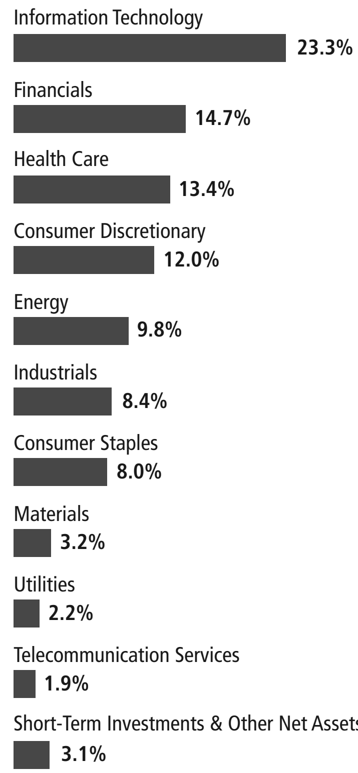
The year started on a positive note with Congress passing a budget bill that averted automatic federal budget cuts and income tax increases. However, Washington's lack of consensus on proposed expenditure reductions resulted in federal spending cuts starting in March. Fed Chairman Ben Bernanke indicated in May that the Fed might reduce monthly asset purchases, assuming ongoing U.S. recovery. In September, however, he announced that any reduction of Fed purchases would be postponed until U.S. economic growth strengthened. A U.S. budget impasse, which led to a temporary shutdown of non-essential government services in October, ended after Congress agreed to fund the government until January 2014 and raise the debt limit until

1. Please see Index Descriptions following the Fund Summaries.
2. © 2014 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.

February. U.S. equity markets reached new highs after the resolution of the budget impasse and the Fed's reassurance at its October meeting that it would continue its supportive monetary programs. In December, Congress passed a two-year budget deal that would ease automatic spending cuts in 2014 and lower the risk of another government shutdown. Meanwhile, the Fed announced it would reduce its monthly bond purchases by $10 billion beginning in January 2014. The Fed, however, committed to keeping interest rates low as long as the unemployment rate remained over 6.5% and inflation expectations remained low.

Rising corporate profits and generally favorable economic data bolstered investor confidence, helping markets overcome brief periods of sell-offs in reaction to Fed statements and to Washington's fiscal negotiations. U.S. stocks generated strong 12-month returns as the S&P 500 and Dow Jones Industrial Average reached all-time highs during the period.[1]

Portfolio Breakdown
Franklin Large Cap Growth Securities Fund
Based on Total Net Assets as of 12/31/13



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 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 year under review, we would like to remind shareholders that our investment strategy is primarily bottom-up and driven by 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.

Top 10 Holdings
Franklin Large Cap Growth Securities Fund
12/31/13

Company *Sector/Industry*	**% of Total Net Assets**
Apple Inc. *Information Technology*	3.1%
Google Inc., A *Information Technology*	2.6%
BorgWarner Inc. *Consumer Discretionary*	2.1%
General Electric Co. *Industrials*	2.0%
AT&T Inc. *Telecommunication Services*	2.0%
The Walt Disney Co. *Consumer Discretionary*	2.0%
Anadarko Petroleum Corp. *Energy*	1.9%
International Business Machines Corp. *Information Technology*	1.9%
Aetna Inc. *Health Care*	1.8%
JPMorgan Chase & Co. *Financials*	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.

From a sector perspective, our stock selection in financials and telecommunication services helped the Fund's performance relative to the S&P 500. A particularly beneficial financials sector holding was futures and options exchange operator CME Group. The company's share price rose after it delivered better-than-expected earnings performance in the third quarter, driven by a significant rise in global options and interest-rate product trading volumes. In telecommunication services, Vodafone Group aided relative results.[4, 5] The U.K. mobile communications company benefited from its acquisition of German cable operator Kabel Deutschland and the announced sale of its stake in U.S mobile network operator Verizon Wireless.

In health care, global prescription drug maker Actavis, biopharmaceutical firm Gilead Sciences and health care benefit provider Aetna contributed to the Fund's relative returns. The share price of Actavis rose after the company announced a merger with specialty drug maker Warner Chilcott and raised its 2013 earnings outlook. In other sectors, contributors included automotive components manufacturer BorgWarner, courier delivery company FedEx and integrated energy company Exxon Mobil. BorgWarner's share price rose as the automotive components manufacturer reported stronger-than-expected second- and third-quarter earnings and raised its full-year 2013 earnings guidance.

In contrast, the Fund's stock selection in energy and information technology detracted from relative performance. Major energy detractors included coal producer Walter Energy[4, 5] and oil companies Anadarko Petroleum and Cobalt International Energy.[4] Walter Energy suffered from decreased demand and lower prices for sales of metallurgical coal for the steel industry. The company also significantly reduced its dividend during the year. Oil companies were hurt generally by declining oil prices. Information infrastructure provider EMC in information technology fell in price. Shares of the company's third-quarter financial results were impacted by a decline in U.S. federal spending. Other major individual detractors included Canadian chemicals firm Potash Corp. of Saskatchewan[4] and Africa-focused gold miner Randgold Resources.[4] Shares of Potash Corp. dropped based on concerns that potash prices could fall after Uralkali pulled out of its marketing cartel. Gold miners suffered as gold prices fell to their lowest level in 30 years.

4. Not part of the index.
5. Sold by period-end.

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 December 31, 2013, 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, redemption fees, 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 level. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown 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 7/1/13	Ending Account Value 12/31/13	Fund-Level Expenses Incurred During Period* 7/1/13–12/31/13
Actual	$1,000	$1,139.90	$5.61
Hypothetical (5% return before expenses)	$1,000	$1,019.96	$5.30

*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 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Large Cap Growth Securities Fund

	Year Ended December 31,				
Class 1	**2013**	**2012**	**2011**	**2010**	**2009**
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 16.43	$ 14.75	$ 15.07	$ 13.62	$ 10.66
Income from investment operations[a]:					
Net investment income[b]	0.24	0.21	0.15	0.12	0.12
Net realized and unrealized gains (losses)	4.48	1.65	(0.33)	1.48	3.04
Total from investment operations	4.72	1.86	(0.18)	1.60	3.16
Less distributions from net investment income	(0.24)	(0.18)	(0.14)	(0.15)	(0.20)
Net asset value, end of year	$ 20.91	$ 16.43	$ 14.75	$ 15.07	$ 13.62
Total return[c]	28.92%	12.65%	(1.22)%	11.85%	30.04%
Ratios to average net assets					
Expenses	0.79%	0.80%	0.80%	0.79%	0.81%[d]
Net investment income	1.27%	1.31%	0.99%	0.86%	1.03%
Supplemental data					
Net assets, end of year (000's)	$ 54,291	$ 46,756	$ 48,666	$ 58,265	$ 58,287
Portfolio turnover rate	28.27%	33.88%	56.61%	46.75%	71.95%

[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.
[d]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

	Year Ended December 31,				
Class 2	**2013**	**2012**	**2011**	**2010**	**2009**
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 16.20	$ 14.54	$ 14.86	$ 13.43	$ 10.50
Income from investment operations[a]:					
Net investment income[b]	0.19	0.17	0.11	0.08	0.09
Net realized and unrealized gains (losses)	4.42	1.62	(0.33)	1.46	3.00
Total from investment operations	4.61	1.79	(0.22)	1.54	3.09
Less distributions from net investment income	(0.19)	(0.13)	(0.10)	(0.11)	(0.16)
Net asset value, end of year	$ 20.62	$ 16.20	$ 14.54	$ 14.86	$ 13.43
Total return[c]	28.63%	12.37%	(1.51)%	11.59%	29.73%
Ratios to average net assets					
Expenses	1.04%	1.05%	1.05%	1.04%	1.06%[d]
Net investment income	1.02%	1.06%	0.74%	0.61%	0.78%
Supplemental data					
Net assets, end of year (000's)	$285,477	$278,989	$293,226	$357,405	$373,821
Portfolio turnover rate	28.27%	33.88%	56.61%	46.75%	71.95%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks 96.9%			
Consumer Discretionary 12.0%			
[a]Amazon.com Inc.	United States	6,600	$ 2,632,014
BorgWarner Inc.	United States	127,900	7,150,889
Comcast Corp., A	United States	95,800	4,978,247
Ford Motor Co.	United States	133,400	2,058,362
[a]Hilton Worldwide Holdings Inc.	United States	29,100	647,475
Lowe's Cos. Inc.	United States	45,600	2,259,480
McDonald's Corp.	United States	13,900	1,348,717
NIKE Inc., B	United States	65,800	5,174,512
Ross Stores Inc.	United States	28,100	2,105,533
Target Corp.	United States	90,279	5,711,952
The Walt Disney Co.	United States	86,941	6,642,293
			40,709,474
Consumer Staples 8.0%			
Altria Group Inc.	United States	37,800	1,451,142
The Coca-Cola Co.	United States	54,900	2,267,919
CVS Caremark Corp.	United States	57,000	4,079,490
Mead Johnson Nutrition Co., A	United States	32,500	2,722,200
PepsiCo Inc.	United States	55,400	4,594,876
Philip Morris International Inc.	United States	48,900	4,260,657
The Procter & Gamble Co.	United States	41,345	3,365,896
Wal-Mart Stores Inc.	United States	27,000	2,124,630
Whole Foods Market Inc.	United States	40,500	2,342,115
			27,208,925
Energy 9.8%			
Anadarko Petroleum Corp.	United States	83,150	6,595,458
[a]Cameron International Corp.	United States	43,000	2,559,790
Chevron Corp.	United States	32,800	4,097,048
[a]Cobalt International Energy Inc.	United States	130,700	2,150,015
ConocoPhillips	United States	39,200	2,769,480
Devon Energy Corp.	United States	44,100	2,728,467
Exxon Mobil Corp.	United States	43,700	4,422,440
Halliburton Co.	United States	74,700	3,791,025
Schlumberger Ltd.	United States	45,370	4,088,291
			33,202,014
Financials 14.7%			
American Express Co.	United States	26,400	2,395,272
Bank of America Corp.	United States	179,100	2,788,587
BlackRock Inc.	United States	11,200	3,544,464
Capital One Financial Corp.	United States	19,300	1,478,573
Citigroup Inc.	United States	62,190	3,240,721
CME Group Inc.	United States	67,050	5,260,743
Comerica Inc.	United States	58,400	2,776,336
Digital Realty Trust Inc.	United States	74,536	3,661,208
Discover Financial Services	United States	46,400	2,596,080
Invesco Ltd.	United States	81,300	2,959,320
JPMorgan Chase & Co.	United States	101,845	5,955,896
MetLife Inc.	United States	35,100	1,892,592
Prudential Financial Inc.	United States	24,500	2,259,390
U.S. Bancorp	United States	85,127	3,439,131
Wells Fargo & Co.	United States	126,800	5,756,720
			50,005,033

Statement of Investments, December 31, 2013 *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Health Care 13.4%			
[a]Actavis PLC	United States	26,600	$ 4,468,800
Aetna Inc.	United States	90,900	6,234,831
Allergan Inc.	United States	12,200	1,355,176
Eli Lilly & Co.	United States	30,100	1,535,100
[a]Express Scripts Holding Co.	United States	68,300	4,797,392
[a]Gilead Sciences Inc.	United States	69,100	5,192,865
[a]HMS Holdings Corp.	United States	96,300	2,188,899
Johnson & Johnson	United States	52,600	4,817,634
Merck & Co. Inc.	United States	27,275	1,365,114
Pfizer Inc.	United States	109,500	3,353,985
Roche Holding AG, ADR	Switzerland	82,360	5,781,672
Sanofi, ADR	France	52,400	2,810,212
Zoetis Inc.	United States	47,213	1,543,393
			45,445,073
Industrials 8.4%			
The Boeing Co.	United States	16,000	2,183,840
Caterpillar Inc.	United States	26,100	2,370,141
FedEx Corp.	United States	29,700	4,269,969
General Electric Co.	United States	244,400	6,850,532
[a]Hertz Global Holdings Inc.	United States	35,100	1,004,562
Honeywell International Inc.	United States	15,200	1,388,824
Stanley Black & Decker Inc.	United States	22,800	1,839,732
Union Pacific Corp.	United States	23,200	3,897,600
United Technologies Corp.	United States	41,900	4,768,220
			28,573,420
Information Technology 23.3%			
Apple Inc.	United States	18,500	10,380,535
Broadcom Corp., A	United States	91,800	2,721,870
Cisco Systems Inc.	United States	160,300	3,598,735
[a]eBay Inc.	United States	30,000	1,646,700
EMC Corp.	United States	119,100	2,995,365
[a]Fortinet Inc.	United States	84,100	1,608,833
[a]Google Inc., A	United States	7,900	8,853,609
Hewlett-Packard Co.	United States	37,300	1,043,654
Intel Corp.	United States	165,800	4,304,168
International Business Machines Corp.	United States	35,000	6,564,950
Intersil Corp., A	United States	67,825	778,021
MasterCard Inc., A	United States	6,330	5,288,462
Maxim Integrated Products Inc.	United States	60,500	1,688,555
Microsoft Corp.	United States	118,400	4,431,712
Oracle Corp.	United States	57,600	2,203,776
QUALCOMM Inc.	United States	78,990	5,865,007
[a]Semtech Corp.	United States	101,900	2,576,032
[a]Silicon Laboratories Inc.	United States	38,200	1,654,442
[a]Trimble Navigation Ltd.	United States	52,600	1,825,220
[a]Twitter Inc.	United States	9,300	591,945
Visa Inc., A	United States	25,700	5,722,876
[a]Workday Inc.	United States	6,800	565,488
Xilinx Inc.	United States	48,400	2,222,528
			79,132,483

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013 *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Materials 3.2%			
Cytec Industries Inc.	United States	13,500	$ 1,257,660
E. I. du Pont de Nemours and Co.	United States	38,000	2,468,860
Freeport-McMoRan Copper & Gold Inc., B	United States	46,000	1,736,040
LyondellBasell Industries NV, A	United States	13,490	1,082,977
Potash Corp. of Saskatchewan Inc.	Canada	92,858	3,061,608
Randgold Resources Ltd., ADR	United Kingdom	18,121	1,138,180
			10,745,325
Telecommunication Services 1.9%			
AT&T Inc.	United States	189,262	6,654,452
Utilities 2.2%			
American Electric Power Co. Inc.	United States	38,400	1,794,816
Duke Energy Corp.	United States	12,500	862,625
Exelon Corp.	United States	34,500	944,955
PG&E Corp.	United States	64,850	2,612,158
The Southern Co.	United States	28,800	1,183,968
			7,398,522
Total Common Stocks (Cost $189,617,149)			329,074,721
		Principal Amount	
Short Term Investments (Cost $8,831,950) 2.6%			
Repurchase Agreements 2.6%			
[b]Joint Repurchase Agreement, 0.008%, 1/02/14 (Maturity Value $8,831,954)	United States	$8,831,950	8,831,950
BNP Paribas Securities Corp. (Maturity Value $673,966)			
Credit Suisse Securities (USA) LLC (Maturity Value $2,021,899)			
Deutsche Bank Securities Inc. (Maturity Value $1,182,334)			
HSBC Securities (USA) Inc. (Maturity Value $2,830,730)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $1,314,283)			
Morgan Stanley & Co. LLC (Maturity Value $808,742)			
Collateralized by U.S. Government Agency Securities, 0.00% - 4.125%, 1/15/14 - 3/07/18; [c]U.S. Government Agency Discount Notes, 8/19/14; [c]U.S. Treasury Bills, 9/18/14; U.S. Treasury Bonds, 8.875% - 9.125%, 5/15/17 - 5/15/18; U.S. Treasury Notes, 0.25% - 4.75%, 1/15/15 - 12/31/18; and U.S. Treasury Notes, Index Linked, 1.375% - 1.625%, 1/15/18 - 7/15/18 (valued at $9,008,890)			
Total Investments (Cost $198,449,099) 99.5%			337,906,671
Other Assets, less Liabilities 0.5%			1,861,719
Net Assets 100.0%			$339,768,390

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

December 31, 2013

	Franklin Large Cap Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$189,617,149
Cost - Repurchase agreements	8,831,950
Total cost of investments	$198,449,099
Value - Unaffiliated issuers	$329,074,721
Value - Repurchase agreements	8,831,950
Total value of investments	337,906,671
Receivables:	
Investment securities sold	3,412,718
Capital shares sold	11,436
Dividends	640,004
Other assets	8
Total assets	341,970,837
Liabilities:	
Payables:	
Investment securities purchased	1,223,028
Capital shares redeemed	541,424
Management fees	213,720
Distribution fees	118,169
Accrued expenses and other liabilities	106,106
Total liabilities	2,202,447
Net assets, at value	$339,768,390
Net assets consist of:	
Paid-in capital	$226,896,634
Undistributed net investment income	3,615,032
Net unrealized appreciation (depreciation)	139,457,572
Accumulated net realized gain (loss)	(30,200,848)
Net assets, at value	$339,768,390
Class 1:	
Net assets, at value	$ 54,291,317
Shares outstanding	2,595,951
Net asset value and maximum offering price per share	$ 20.91
Class 2:	
Net assets, at value	$285,477,073
Shares outstanding	13,843,841
Net asset value and maximum offering price per share	$ 20.62

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 year ended December 31, 2013

	Franklin Large Cap Growth Securities Fund
Investment income:	
Dividends	$ 6,972,794
Interest	7,335
Total investment income	6,980,129
Expenses:	
Management fees (Note 3a)	2,541,071
Distribution fees - Class 2 (Note 3c)	718,998
Custodian fees (Note 4)	5,343
Reports to shareholders	94,446
Trustees' fees and expenses	1,357
Other	47,009
Total expenses	3,408,224
Net investment income	3,571,905
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	34,954,398
Foreign currency transactions	(8,609)
Net realized gain (loss)	34,945,789
Net change in unrealized appreciation (depreciation) on investments	46,349,997
Net realized and unrealized gain (loss)	81,295,786
Net increase (decrease) in net assets resulting from operations	$84,867,691

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	
	Year Ended December 31,	
	2013	2012
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 3,571,905	$ 3,771,324
Net realized gain (loss) from investments and foreign currency transactions	34,945,789	26,402,844
Net change in unrealized appreciation (depreciation) on investments	46,349,997	10,750,316
Net increase (decrease) in net assets resulting from operations	84,867,691	40,924,484
Distributions to shareholders from:		
Net investment income:		
Class 1	(652,010)	(544,179)
Class 2	(3,061,884)	(2,394,442)
Total distributions to shareholders	(3,713,894)	(2,938,621)
Capital share transactions: (Note 2)		
Class 1	(4,699,193)	(7,366,150)
Class 2	(62,431,458)	(46,766,651)
Total capital share transactions	(67,130,651)	(54,132,801)
Net increase (decrease) in net assets	14,023,146	(16,146,938)
Net assets:		
Beginning of year	325,745,244	341,892,182
End of year	$339,768,390	$325,745,244
Undistributed net investment income included in net assets:		
End of year	$ 3,615,032	$ 3,765,630

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

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. At December 31, 2013, 44.28% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. 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. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. 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 as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. 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.

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 OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

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%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the

Notes to Financial Statements *(continued)*

Franklin Large Cap Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Joint Repurchase Agreement (continued)

securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2013.

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.

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 December 31, 2013, 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.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements *(continued)*

Franklin Large Cap Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. SHARES OF BENEFICIAL INTEREST

At December 31, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2013		2012	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	49,133	$ 921,214	9,386	$ 151,925
Shares issued in reinvestment of distributions	35,282	652,010	35,290	544,179
Shares redeemed	(333,854)	(6,272,417)	(499,073)	(8,062,254)
Net increase (decrease)	(249,439)	$ (4,699,193)	(454,397)	$ (7,366,150)
Class 2 Shares:				
Shares sold	1,055,133	$ 19,291,413	1,271,914	$ 20,054,584
Shares issued in reinvestment of distributions	167,774	3,061,884	157,219	2,394,442
Shares redeemed	(4,595,616)	(84,784,755)	(4,380,008)	(69,215,677)
Net increase (decrease)	(3,372,709)	$(62,431,458)	(2,950,875)	$(46,766,651)

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

3. TRANSACTIONS WITH AFFILIATES (continued)

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 the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has 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. Some distribution fees are not charged on shares held by affiliates. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rate, is February 1 through January 31.

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 year ended December 31, 2013, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2013, the Fund had capital loss carryforwards of $25,430,360 expiring in 2017.

During the year ended December 31, 2013, the Fund utilized $33,244,505 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2013 and 2012, was as follows:

	2013	2012
Distributions paid from ordinary income	$3,713,894	$2,938,621

5. INCOME TAXES (continued)

At December 31, 2013, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$203,219,585
Unrealized appreciation	$141,055,160
Unrealized depreciation	(6,368,074)
Net unrealized appreciation (depreciation)	$134,687,086
Undistributed ordinary income	$ 3,615,032

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2013, aggregated $91,563,406 and $157,968,452, respectively.

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, after an extension of the original terms, matured on February 14, 2014. 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. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on February 13, 2015.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2013, 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 input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Franklin Large Cap Growth Securities Fund

8. 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 December 31, 2013, 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]	$329,074,721	$ —	$ —	$329,074,721
Short Term Investments	—	8,831,950	—	8,831,950
Total Investments in Securities	$329,074,721	$8,831,950	$ —	$337,906,671

[a]For detailed categories, see the accompanying Statement of Investments.

9. NEW ACCOUNTING PRONOUNCEMENTS

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the 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 other than those already disclosed in the financial statements.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Franklin Large Cap Growth Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Large Cap Growth Securities Fund (the “Fund”) at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 14, 2014

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Franklin Large Cap Growth Securities Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Fund hereby reports 100% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2013.

The indexes are unmanaged and include reinvested distributions.

Russell® is a trademark and Russell™ is a servicemark of the Frank Russell Company.

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 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.

Dow Jones-UBS Commodity Index is a broadly diversified index designed to allow investors to track commodity futures through a single, simple measure. The index reflects the return on fully collateralized positions in the underlying futures contracts on physical commodities, which are reweighted and rebalanced annually on a price-percentage basis. The Dow Jones-UBS Commodity Indices℠ are a joint product of DJI Opco, LLC, a subsidiary of S&P Dow Jones Indices LLC, and UBS Securities LLC ("UBS") and have been licensed for use to S&P Opco, LLC and Franklin Templeton Companies, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC, Dow Jones® and DJ are registered trademarks of Dow Jones Trademark Holdings LLC, and "UBS" is a registered trademark of UBS AG. All content of the Dow Jones-UBS Commodity Indices℠ © S&P Dow Jones Indices LLC and UBS and their respective affiliates 2014. Reproduction of Dow Jones-UBS Commodity Indices℠ in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions, regardless of the cause or for the results obtained from the use of such information. S&P DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any direct, indirect, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with subscriber's or others' use of Dow Jones-UBS Commodity Indices℠.

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 12-month period ended 12/31/13, there were 226 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 12-month period ended 12/31/13, there were 66 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 12-month period ended 12/31/13, there were 50 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12-month period ended 12/31/13, there were 110 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 World Index (ACWI) 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.

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.

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Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupation during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	141	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and **formerly,** Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	114	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products)(1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and **formerly,** Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	141	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of Executive Council, The Boeing Company (aerospace company); and **formerly,** Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas) (1998-2013).
Principal Occupation During at Least the Past 5 Years: Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and **formerly,** Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (until 1987).				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	141	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (July 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	114	None

Principal Occupation During at Least the Past 5 Years:
President, Staples Europe (office supplies) (2012); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly,** Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Gregory E. Johnson** (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since June 2013	152	None

Principal Occupation During at Least the Past 5 Years:
Chairman of the Board, Member – Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Chairman, Investment Company Institute.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Rupert H. Johnson, Jr.** (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since June 2013 and Trustee since 1988	141	None

Principal Occupation During at Least the Past 5 Years:
Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Global Compliance Monitoring; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since March 2013	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since March 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective June 13, 2013, Charles B. Johnson ceased to be a trustee of the Fund.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) 321-8563 or their insurance companies to request the SAI.

Franklin Templeton Variable Insurance Products Trust

Shareholder Information

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.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME

FRANKLIN TEMPLETON INVESTMENTS

< GAIN FROM OUR PERSPECTIVE® >

Annual 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.

VIP A 02/14

DECEMBER 31, 2013

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report Table of Contents

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.

We are pleased to bring you Franklin Strategic Income Securities Fund's annual report for the fiscal year ended December 31, 2013.

Franklin Strategic Income Securities Fund – Class 2

Performance Summary as of 12/31/13

Average annual total return of Class 2 shares* represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/13	1-Year	5-Year	10-Year
Average Annual Total Return	+3.32%	+10.76%	+6.57%

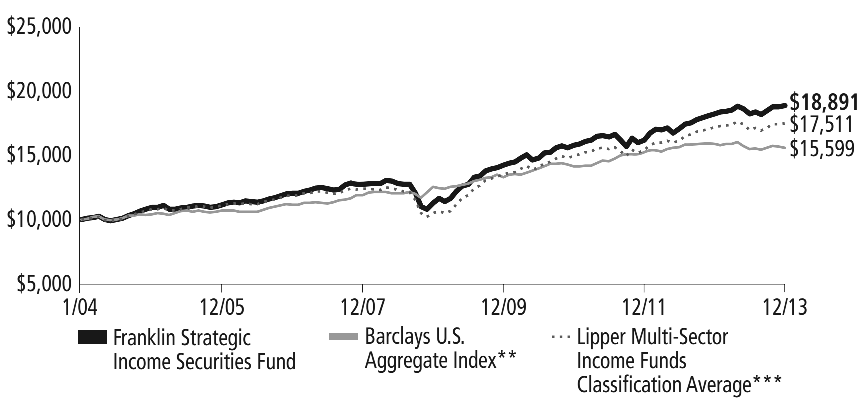
*The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/04–12/31/13)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Barclays U.S. Aggregate Index and the Lipper Multi-Sector Income Funds Classification Average. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**

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.



**Source: © 2014 Morningstar. Please see Index Descriptions following the Fund Summaries.
***Source: Lipper Inc. Please see Index Descriptions following the Fund Summaries.

Fund Risks: All investments involve risks, including possible loss of principal. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. High yields reflect the higher credit risks associated with certain lower rated securities held in the portfolio. 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 — a risk that may be heightened in a slowing economy. The risks of foreign securities include 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. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. 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 one-year total return in the Performance Summary. For comparison, the Fund's benchmark, the Barclays U.S. Aggregate Index, had a -2.02% total return for the period under review.[1] The Fund's peers, as measured by the Lipper Multi-Sector Income Funds Classification Average, posted a +1.70% return.[2]

Economic and Market Overview

The U.S. economy showed ongoing signs of recovery during the 12-month period ended December 31, 2013, especially in the second half, driven by consumer spending and rising inventories. In addition, business investment, net exports, and state and local government spending picked up in the second quarter, somewhat offsetting the impact of federal budget cuts. Historically low mortgage rates and improving sentiment aided the housing market recovery, evidenced by solid new and existing home sales, rising home prices, low inventories and multi-year lows in new foreclosures. Manufacturing expanded for most of the period under review, and the unemployment rate declined to 6.7% in December from 7.8% a year earlier.[3] Inflation remained well below the Federal Reserve Board's (Fed's) 2.0% target.

At the start of 2013, the Fed expanded its asset purchase program to $85 billion per month from $40 billion of mortgage-backed securities. Fed Chairman Ben Bernanke indicated in May that the Fed might reduce monthly asset purchases, triggering a bond market sell-off that raised long-term U.S. Treasury yields to a two-year high. In September and October, long-term yields retreated after the Fed reassured investors it would maintain its current pace of purchases as it awaited more evidence of a sustainable economic expansion. In December, the Fed announced it would reduce its bond purchases $10 billion a month beginning in January 2014 while keeping interest rates low. After the announcement, yields on U.S. Treasuries remained largely stable.

1. Source: © 2014 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.

Although the Fed's asset purchase program continued to put downward pressure on long-term interest rates, investor concerns about the eventual reduction of asset purchases pushed the 10-year U.S. Treasury note yield to 3.04% at period-end from 1.78% on December 31, 2012.

Outside of the U.S., economic recovery was mixed during the year under review. The recovery in emerging markets moderated after many economies had previously returned to and exceeded pre-crisis activity levels. Although some developed economies, such as those of Australia and some Scandinavian countries, have enjoyed relatively strong recoveries in the aftermath of the global financial crisis, growth in the eurozone and Japan continued to be slow by the standards of previous recoveries. Improving sentiment, relatively strong fundamentals continued provision of global liquidity supported assets perceived risky and equity markets performed well.

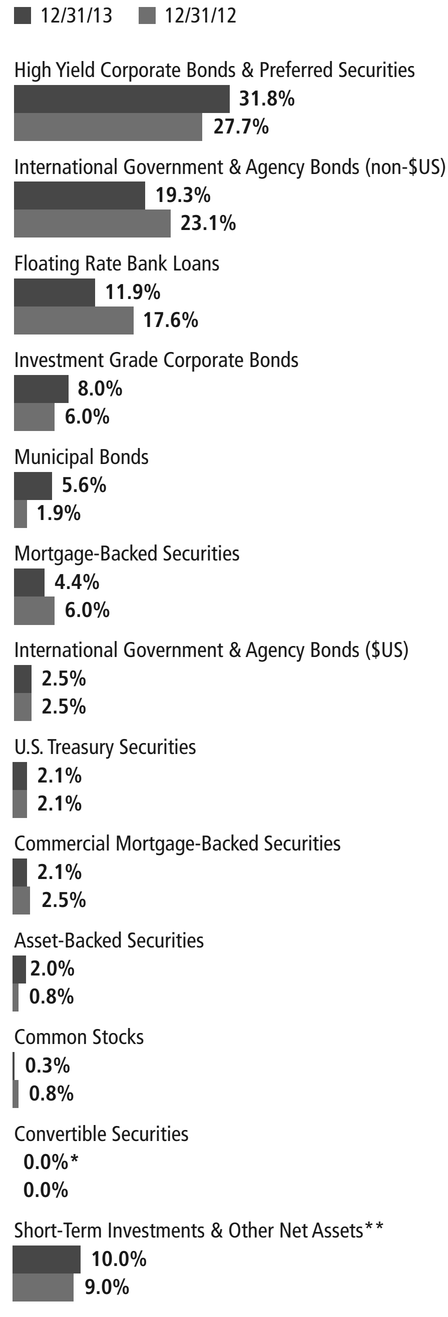
Investment Strategy

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

Global economic and political headlines affected fixed income markets in 2013. In the U.S., the Fed chairman's comments regarding the potential tapering of the Fed's quantitative easing program led to financial market volatility. Consequently, U.S. longer term interest rates rose and the 10-year Treasury note yield climbed. Investors turned their attention toward the U.S. budget and debt ceiling during the second half of the year. Although decisions on these issues were essentially delayed until early 2014, uncertainty contributed to market volatility. The stock market largely shrugged off these concerns amid earnings growth and

Asset Allocation
Franklin Strategic Income Securities Fund
Based on Total Net Assets



*Rounds to Less than 0.1%.
**Includes unrealized gains/losses on currency forward contracts and credit derivatives. Does not include short-term foreign government securities.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

What is a credit derivative?

A credit derivative is a contract agreement between the Fund and a counterparty that is principally used by the Fund to gain or increase exposure to certain high yield securities or segments of the high yield bond market and/or to hedge against credit risk.

What is a currency forward contract?

A currency forward 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.

stocks' lesser rate sensitivity, and U.S. stocks, as measured by the Standard & Poor's® 500 Index, gained 32.39% during the period.[4]

The Fund's overweighted exposure to noninvestment-grade corporate credit sectors positively impacted performance compared to the longer duration and more interest rate-sensitive Barclays U.S. Aggregate Index. Compared to the Lipper peer average, the Fund's overweighted floating rate loan market allocation bolstered relative Fund returns.

Healthy balance sheet liquidity, issuers' easy access to public debt markets for capital, rising equity markets and generally increasing corporate earnings supported corporate credit sectors. In this environment, high yield and leveraged corporate loan sector default rates remained below their long-term averages. However, continued shareholder-friendly activity, including dividend increases, share repurchases, and merger and acquisition activity as the global economic recovery sustained its momentum, could lead to higher default rates over time. Overall, spread sector valuations relative to fundamental credit trends still appeared attractive to us, and the Fund maintained significant weightings in the high yield, investment-grade and leveraged loan credit sectors. Given leveraged loans' outperformance during mid-2013 as U.S. interest rates rose, the Fund reduced its loan exposure and added exposure to high yield corporate bonds.

Concerns regarding a potential slowdown in China's economic growth and investment demand resulted in mixed performance for non-U.S. bonds held in underlying currencies. The rise in U.S. interest rates strengthened the U.S. dollar, weighing on certain Fund non-dollar holdings. Investor redemptions from certain dedicated emerging market debt funds also pressured hard currency- and local currency-denominated emerging market bonds. In particular, certain Asian currency positions, such as the Indian rupee and Indonesian rupiah, fell in value against the U.S. dollar, as did Latin American positions based in the Brazilian real and Chilean peso. In contrast, weakness in the Japanese yen, which was exacerbated by the country's major quantitative easing program, positively contributed to Fund performance. (The Fund held a short position in the yen, achieved through currency forward contracts.) Although we found opportunities in select foreign currencies and yield curves, the Fund reduced its foreign non-dollar global bond exposure during the period. For U.S. dollar-denominated emerging market sovereign bonds, the rise in U.S. interest rates weighed on bond prices. However, the Fund maintained a fairly modest sector position.

4. Please see Index descriptions following the Fund summaries.

With the rise in intermediate and longer term interest rates, the more rate-sensitive U.S. fixed income sectors such as Treasuries, agencies and mortgage-backed securities had negative total returns during the period. Considering historically low U.S. interest rates, the Fund held an underweighted exposure to these sectors as we preferred higher income opportunities in the corporate and global bond markets. In the municipal bond market, the U.S. interest rate rise and negative headlines regarding Detroit and Puerto Rico contributed to investor outflows from dedicated municipal bond funds, pressuring bond prices. As valuations cheapened relative to other investment-grade bond sectors, the Fund added to its municipal bond exposure.

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 December 31, 2013, 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 Strategic Income 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, redemption fees, 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 level. 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 7/1/13	Ending Account Value 12/31/13	Fund-Level Expenses Incurred During Period* 7/1/13–12/31/13
Actual	$1,000	$1,035.40	$4.41
Hypothetical (5% return before expenses)	$1,000	$1,020.87	$4.38

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.86%), 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 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Strategic Income Securities Fund

	Year Ended December 31,				
Class 1	**2013**	**2012**	**2011**	**2010**	**2009**
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 13.17	$ 12.55	$ 12.99	$ 12.28	$ 10.58
Income from investment operations[a]:					
Net investment income[b]	0.59	0.65	0.69	0.72	0.70
Net realized and unrealized gains (losses)	(0.15)	0.92	(0.32)	0.61	1.95
Total from investment operations	0.44	1.57	0.37	1.33	2.65
Less distributions from:					
Net investment income and net of foreign currency gains	(0.80)	(0.93)	(0.81)	(0.62)	(0.95)
Net realized gains	(0.17)	(0.02)	—	—	—
Total distributions	(0.97)	(0.95)	(0.81)	(0.62)	(0.95)
Net asset value, end of year	$ 12.64	$ 13.17	$ 12.55	$ 12.99	$ 12.28
Total return[c]	3.52%	13.12%	2.78%	11.21%	26.11%
Ratios to average net assets					
Expenses	0.60%[d]	0.58%	0.60%[d]	0.59%[d]	0.58%[d]
Net investment income	4.58%	5.04%	5.36%	5.71%	6.13%
Supplemental data					
Net assets, end of year (000's)	$705,493	$1,019,537	$1,043,690	$1,195,149	$1,173,313
Portfolio turnover rate	48.06%	49.98%	55.65%	56.46%	56.19%
Portfolio turnover rate excluding mortgage dollar rolls[e]	47.01%	48.75%	55.65%	56.46%	56.19%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]See Note 1(h) 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	Year Ended December 31, 2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.84	$ 12.27	$ 12.72	$ 12.05	$ 10.41
Income from investment operations[a]:					
Net investment income[b]	0.54	0.60	0.64	0.68	0.66
Net realized and unrealized gains (losses)	(0.13)	0.89	(0.30)	0.59	1.91
Total from investment operations	0.41	1.49	0.34	1.27	2.57
Less distributions from:					
Net investment income and net of foreign currency gains	(0.78)	(0.90)	(0.79)	(0.60)	(0.93)
Net realized gains	(0.17)	(0.02)	—	—	—
Total distributions	(0.95)	(0.92)	(0.79)	(0.60)	(0.93)
Net asset value, end of year	$ 12.30	$ 12.84	$ 12.27	$ 12.72	$ 12.05
Total return[c]	3.32%	12.75%	2.57%	10.91%	25.75%
Ratios to average net assets					
Expenses	0.85%[d]	0.83%	0.85%[d]	0.84%[d]	0.83%[d]
Net investment income	4.33%	4.79%	5.11%	5.46%	5.88%
Supplemental data					
Net assets, end of year (000's)	$175,307	$158,451	$123,749	$101,347	$ 68,240
Portfolio turnover rate	48.06%	49.98%	55.65%	56.46%	56.19%
Portfolio turnover rate excluding mortgage dollar rolls[e]	47.01%	48.75%	55.65%	56.46%	56.19%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]See Note 1(h) regarding mortgage dollar rolls.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Strategic Income Securities Fund

Class 4	Year Ended December 31, 2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 13.04	$ 12.44	$ 12.88	$ 12.20	$ 10.54
Income from investment operations[a]:					
Net investment income[b]	0.54	0.60	0.64	0.67	0.66
Net realized and unrealized gains (losses)	(0.14)	0.91	(0.31)	0.60	1.94
Total from investment operations	0.40	1.51	0.33	1.27	2.60
Less distributions from:					
Net investment income and net of foreign currency gains	(0.76)	(0.89)	(0.77)	(0.59)	(0.94)
Net realized gains	(0.17)	(0.02)	—	—	—
Total distributions	(0.93)	(0.91)	(0.77)	(0.59)	(0.94)
Net asset value, end of year	$ 12.51	$ 13.04	$ 12.44	$ 12.88	$ 12.20
Total return[c]	3.17%	12.67%	2.46%	10.88%	25.52%
Ratios to average net assets					
Expenses	0.95%[d]	0.93%	0.95%[d]	0.94%[d]	0.93%[d]
Net investment income	4.23%	4.69%	5.01%	5.36%	5.78%
Supplemental data					
Net assets, end of year (000's)	$134,970	$196,479	$188,786	$188,178	$162,074
Portfolio turnover rate	48.06%	49.98%	55.65%	56.46%	56.19%
Portfolio turnover rate excluding mortgage dollar rolls[e]	47.01%	48.75%	55.65%	56.46%	56.19%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]See Note 1(h) regarding mortgage dollar rolls.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013

Franklin Strategic Income Securities Fund	Country	Shares	Value
Common Stocks and Other Equity Interests 0.3%			
Consumer Services 0.2%			
[a,b,c]Turtle Bay Resort	United States	1,901,449	$ 1,749,333
Energy 0.0%†			
[a]Bennu Oil & Gas LLC, A	United States	1,439	92,096
[a]Bennu Oil & Gas LLC, B	United States	225	—
			92,096
Materials 0.1%			
[a,c]NewPage Holdings Inc.	United States	10,000	900,000
Transportation 0.0%†			
[a]CEVA Holdings LLC	United Kingdom	224	213,066
Total Common Stocks and Other Equity Interests (Cost $4,785,349)			2,954,495
Convertible Preferred Stocks 0.0%†			
Transportation 0.0%†			
[a]CEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	6	7,800
[a]CEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	486	461,234
Total Convertible Preferred Stocks (Cost $731,856)			469,034
Preferred Stocks (Cost $625,000) 0.1%			
Diversified Financials 0.1%			
GMAC Capital Trust I, 8.125%, pfd.	United States	25,000	668,500
		Principal Amount*	
Corporate Bonds 39.7%			
Automobiles & Components 0.9%			
[d]Avis Budget Finance PLC, senior note, 144A, 6.00%, 3/01/21	United States	1,400,000 EUR	2,056,888
Ford Motor Credit Co. LLC, senior note,			
5.00%, 5/15/18	United States	1,000,000	1,114,501
8.125%, 1/15/20	United States	1,200,000	1,500,871
[d]General Motors Co., senior bond, 144A, 4.875%, 10/02/23	United States	2,400,000	2,442,000
The Goodyear Tire & Rubber Co., senior note, 6.50%, 3/01/21	United States	2,200,000	2,343,000
			9,457,260
Banks 1.6%			
[d]Banco do Brasil SA, sub. note, 144A, 5.875%, 1/26/22	Brazil	3,500,000	3,377,500
CIT Group Inc., senior note,			
5.375%, 5/15/20	United States	1,600,000	1,708,000
5.00%, 8/15/22	United States	2,500,000	2,447,907
HSBC USA Inc., sub. note, 5.00%, 9/27/20	United States	2,500,000	2,673,350
Regions Bank, sub. note, 7.50%, 5/15/18	United States	1,000,000	1,185,786
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	1,000,000	1,025,625
The Royal Bank of Scotland PLC, sub. note, 6.934%, 4/09/18	United Kingdom	2,300,000 EUR	3,598,652
			16,016,820
Capital Goods 1.2%			
[d]Abengoa Finance SAU, senior note, 144A,			
8.875%, 11/01/17	Spain	2,500,000	2,700,000
7.75%, 2/01/20	Spain	200,000	208,250
[d]KM Germany Holdings GmbH, secured note, 144A, 8.75%, 12/15/20	Germany	1,500,000 EUR	2,314,709
[d]Loxam SAS, senior sub. note, 144A, 7.375%, 1/24/20	France	1,000,000 EUR	1,473,504
Meritor Inc., senior note, 10.625%, 3/15/18	United States	2,500,000	2,668,750

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Capital Goods (continued)			
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	1,500,000	$ 1,560,000
Terex Corp., senior note, 6.00%, 5/15/21	United States	1,000,000	1,038,750
			11,963,963
Commercial & Professional Services 0.2%			
[d]Algeco Scotsman Global Finance PLC, senior secured note, first lien, 144A, 8.50%, 10/15/18	United Kingdom	1,700,000	1,829,625
Consumer Durables & Apparel 0.7%			
KB Home, senior note, 7.00%, 12/15/21	United States	1,600,000	1,672,000
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	1,800,000	1,957,500
Shea Homes LP/Funding Corp., senior secured note, 8.625%, 5/15/19	United States	1,000,000	1,112,500
Toll Brothers Finance Corp., senior bond, 5.625%, 1/15/24	United States	1,000,000	1,010,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	1,600,000	1,560,000
			7,312,000
Consumer Services 1.0%			
Caesars Entertainment Operating Co. Inc., senior secured note, 11.25%, 6/01/17	United States	3,500,000	3,570,000
ClubCorp Club Operations Inc., senior note, 10.00%, 12/01/18	United States	988,000	1,099,150
[d,e]Fontainebleau Las Vegas, 144A, 11.00%, 6/15/15	United States	2,500,000	250
MGM Resorts International, senior note,			
6.625%, 7/15/15	United States	3,000,000	3,232,500
6.75%, 10/01/20	United States	200,000	214,500
6.625%, 12/15/21	United States	500,000	529,375
[d]Paris Las Vegas Holding LLC, senior secured note, first lien, 144A, 8.00%, 10/01/20	United States	500,000	522,500
[d]PNK Finance Corp., senior note, 144A, 6.375%, 8/01/21	United States	700,000	719,250
			9,887,525
Diversified Financials 4.2%			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	3,000,000	3,506,250
Bank of America Corp.,			
[f]pfd., sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	3,000,000	3,371,859
senior note, 5.65%, 5/01/18	United States	1,500,000	1,708,296
Citigroup Inc.,			
senior note, 5.375%, 8/09/20	United States	1,500,000	1,706,892
sub. bond, 5.50%, 9/13/25	United States	1,500,000	1,580,471
sub. note, 4.05%, 7/30/22	United States	300,000	296,752
Deutsche Bank AG, sub. bond, 4.296% to 5/24/23, FRN thereafter, 5/24/28	Germany	4,000,000	3,625,200
E*TRADE Financial Corp., senior note, 6.375%, 11/15/19	United States	1,400,000	1,510,250
General Electric Capital Corp.,			
senior note, A, 8.50%, 4/06/18	United States	29,000,000 MXN	2,484,447
sub. note, 5.30%, 2/11/21	United States	500,000	559,460
[d]General Motors Financial Co. Inc., senior note, 144A, 3.25%, 5/15/18	United States	900,000	902,250
GMAC Inc., sub. note, 8.00%, 12/31/18	United States	900,000	1,066,500
The Goldman Sachs Group Inc., senior note, 2.375%, 1/22/18	United States	2,500,000	2,510,800
JPMorgan Chase & Co.,			
[f]junior sub. bond, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	1,500,000	1,441,875
senior note, 4.25%, 10/15/20	United States	2,500,000	2,650,790
sub. note, 3.375%, 5/01/23	United States	1,000,000	932,327
[d]KKR Group Finance Co., senior note, 144A, 6.375%, 9/29/20	United States	2,500,000	2,808,070
Morgan Stanley, senior note,			
6.00%, 4/28/15	United States	1,000,000	1,065,376
5.50%, 7/24/20	United States	1,500,000	1,678,018

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Diversified Financials (continued)			
[d]Neuberger Berman Group LLC/Finance Corp., senior note, 144A,			
5.625%, 3/15/20	United States	600,000	$ 633,000
5.875%, 3/15/22	United States	1,400,000	1,449,000
[d]Nuveen Investments Inc., senior note, 144A,			
9.125%, 10/15/17	United States	200,000	201,000
9.50%, 10/15/20	United States	1,800,000	1,813,500
SLM Corp., senior note,			
8.45%, 6/15/18	United States	1,800,000	2,103,750
5.50%, 1/15/19	United States	1,400,000	1,453,708
			43,059,841
Energy 8.7%			
Access Midstream Partner LP/ACMP Finance Corp., senior note,			
5.875%, 4/15/21	United States	1,500,000	1,605,000
6.125%, 7/15/22	United States	600,000	645,000
[d]Antero Resources Corp., senior note, 144A, 5.375%, 11/01/21	United States	700,000	707,438
BreitBurn Energy Partners LP/Finance Corp., senior bond, 7.875%, 4/15/22	United States	900,000	940,500
CGG, senior note,			
7.75%, 5/15/17	France	500,000	516,250
6.50%, 6/01/21	France	2,000,000	2,060,000
CHC Helicopter SA,			
senior note, 9.375%, 6/01/21	Canada	400,000	412,000
senior secured note, first lien, 9.25%, 10/15/20	Canada	2,500,000	2,696,875
Chesapeake Energy Corp., senior note,			
6.625%, 8/15/20	United States	2,000,000	2,245,000
6.125%, 2/15/21	United States	1,500,000	1,616,250
5.75%, 3/15/23	United States	1,000,000	1,035,000
[d]Clayton Williams Energy Inc., senior note, 144A, 7.75%, 4/01/19	United States	1,500,000	1,548,750
CONSOL Energy Inc., senior note,			
8.00%, 4/01/17	United States	500,000	528,750
8.25%, 4/01/20	United States	1,500,000	1,631,250
6.375%, 3/01/21	United States	200,000	207,500
Crosstex Energy LP/Crosstex Energy Finance Corp., senior note, 8.875%, 2/15/18	United States	1,500,000	1,578,750
El Paso Corp., senior bond, 6.50%, 9/15/20	United States	1,500,000	1,614,186
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	4,000,000	4,510,000
Energy Transfer Partners LP, senior note, 5.20%, 2/01/22	United States	1,000,000	1,053,097
Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17	United States	2,500,000	2,793,750
Enterprise Products Operating LLC, junior sub. note, 7.034% to 1/15/18, FRN thereafter, 1/15/68	United States	1,500,000	1,658,965
[d]Expro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16	United Kingdom	2,500,000	2,618,750
[d,g]Gaz Capital SA (OJSC Gazprom), loan participation,			
senior bond, 144A, 6.51%, 3/07/22	Russia	500,000	539,375
senior note, 144A, 5.092%, 11/29/15	Russia	3,000,000	3,194,325
senior note, 144A, 3.85%, 2/06/20	Russia	1,000,000	968,505
Halcon Resources Corp., senior note,			
9.75%, 7/15/20	United States	200,000	209,500
8.875%, 5/15/21	United States	2,000,000	2,030,000
[d]144A, 9.25%, 2/15/22	United States	800,000	818,000
[d]Kinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18	United States	2,000,000	2,200,654
Linn Energy LLC/Finance Corp., senior note,			
8.625%, 4/15/20	United States	2,500,000	2,712,500
7.75%, 2/01/21	United States	1,500,000	1,593,750
[d]LUKOIL International Finance BV, senior note, 144A, 4.563%, 4/24/23	Russia	3,500,000	3,297,087

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Martin Midstream Partners LP/Martin Midstream Finance Corp., senior note,			
8.875%, 4/01/18	United States	1,254,000	$ 1,329,240
7.25%, 2/15/21	United States	600,000	615,000
Midstates Petroleum Co. Inc./LLC, senior note, 9.25%, 6/01/21	United States	1,500,000	1,575,000
[d]Oasis Petroleum Inc., senior note, 144A, 6.875%, 3/15/22	United States	1,300,000	1,384,500
Offshore Group Investment Ltd.,			
senior bond, first lien, 7.125%, 4/01/23	United States	700,000	717,500
senior secured note, first lien, 7.50%, 11/01/19	United States	2,000,000	2,175,000
PBF Holding Co. LLC, first lien, 8.25%, 2/15/20	United States	2,400,000	2,616,000
Peabody Energy Corp., senior note,			
6.00%, 11/15/18	United States	700,000	749,000
6.50%, 9/15/20	United States	2,500,000	2,643,750
6.25%, 11/15/21	United States	1,500,000	1,522,500
Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	1,500,000	1,620,000
Penn Virginia Resource Partners LP/Finance Corp. II, senior note,			
8.375%, 6/01/20	United States	1,426,000	1,579,295
[d]144A, 6.50%, 5/15/21	United States	400,000	416,000
Plains Exploration & Production Co., senior note,			
6.125%, 6/15/19	United States	600,000	656,419
6.875%, 2/15/23	United States	1,000,000	1,120,000
QR Energy LP/QRE Finance, senior note, 9.25%, 8/01/20	United States	2,000,000	2,080,000
Quicksilver Resources Inc.,			
[d,h]secured note, second lien, 144A, FRN, 7.00%, 6/21/19	United States	1,800,000	1,773,000
senior note, 9.125%, 8/15/19	United States	500,000	510,000
[d]Sabine Pass Liquefaction LLC,			
secured note, 144A, 5.625%, 2/01/21	United States	3,000,000	2,947,500
senior secured note, 144A, 5.625%, 4/15/23	United States	900,000	846,000
[d]Samson Investment Co., senior note, 144A, 9.75%, 2/15/20	United States	2,500,000	2,737,500
[d]Sanchez Energy Corp., senior note, 144A, 7.75%, 6/15/21	United States	1,700,000	1,746,750
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	2,800,000	2,975,000
			88,121,711
Food & Staples Retailing 0.6%			
[d]Cencosud SA, senior note, 144A, 4.875%, 1/20/23	Chile	2,500,000	2,336,675
Rite Aid Corp., senior secured note, 8.00%, 8/15/20	United States	1,300,000	1,469,000
Safeway Inc., senior bond, 3.95%, 8/15/20	United States	2,500,000	2,499,727
			6,305,402
Food, Beverage & Tobacco 1.2%			
[d]Boparan Finance PLC, senior note, 144A, 9.75%, 4/30/18	United Kingdom	1,500,000 EUR	2,264,417
Constellation Brands Inc., senior note, 4.25%, 5/01/23	United States	1,000,000	935,000
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	2,500,000	2,603,125
[d]JBS USA LLC/Finance Inc., senior note, 144A,			
8.25%, 2/01/20	United States	2,400,000	2,616,000
7.25%, 6/01/21	United States	300,000	313,500
Kraft Foods Group Inc., senior bond, 3.50%, 6/06/22	United States	2,500,000	2,437,270
[d]Post Holdings Inc., senior note, 144A, 6.75%, 12/01/21	United States	400,000	415,000
[d]Sun Merger Sub Inc., senior note, 144A, 5.875%, 8/01/21	United States	600,000	618,375
			12,202,687
Health Care Equipment & Services 1.5%			
Alere Inc., senior sub. note, 6.50%, 6/15/20	United States	800,000	822,000
[d]Cegedim SA, senior note, 144A, 6.75%, 4/01/20	France	1,400,000 EUR	1,997,914

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care Equipment & Services (continued)			
CHS/Community Health Systems Inc.,			
senior note, 8.00%, 11/15/19	United States	1,500,000	$ 1,635,000
senior secured note, 5.125%, 8/15/18	United States	1,100,000	1,138,500
DaVita HealthCare Partners Inc., senior note, 5.75%, 8/15/22	United States	1,500,000	1,526,250
HCA Inc.,			
senior note, 7.50%, 2/15/22	United States	2,000,000	2,200,000
senior note, 5.875%, 5/01/23	United States	1,500,000	1,485,000
senior secured note, 5.875%, 3/15/22	United States	1,400,000	1,449,000
Hologic Inc., senior note, 6.25%, 8/01/20	United States	900,000	954,000
Tenet Healthcare Corp., senior note, 8.125%, 4/01/22	United States	1,700,000	1,836,000
			15,043,664
Insurance 0.5%			
MetLife Inc., junior sub. note, 6.40% to 12/15/36, FRN thereafter, 12/15/66	United States	2,500,000	2,581,250
[d]Mitsui Sumitomo Insurance Co. Ltd., junior sub. note, 144A, 7.00% to 3/15/22, FRN thereafter, 3/15/72	Japan	2,500,000	2,839,275
			5,420,525
Materials 4.6%			
ArcelorMittal, senior note,			
6.00%, 3/01/21	Luxembourg	3,500,000	3,708,967
6.75%, 2/25/22	Luxembourg	1,000,000	1,090,630
[d]Ardagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20	Luxembourg	900,000	987,750
[d]Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc.,			
secured note, 144A, 4.875%, 11/15/22	Luxembourg	200,000	198,875
senior note, 144A, 7.00%, 11/15/20	Luxembourg	600,000	606,000
senior secured note, first lien, 144A, 7.375%, 10/15/17	Luxembourg	600,000	645,750
Ashland Inc., senior note, 4.75%, 8/15/22	United States	700,000	668,500
[d]Barminco Finance Pty. Ltd., senior note, 144A, 9.00%, 6/01/18	Australia	1,500,000	1,389,787
[d]Cemex SAB de CV,			
secured note, 144A, 5.875%, 3/25/19	Mexico	1,000,000	1,005,000
senior secured note, 144A, 9.00%, 1/11/18	Mexico	3,000,000	3,311,250
Euramax International Inc., senior secured note, 9.50%, 4/01/16	United States	800,000	806,000
[d]Faenza GmbH, senior note, 144A, 8.25%, 8/15/21	Germany	900,000 EUR	1,340,855
[d]FMG Resources (August 2006) Pty. Ltd., senior note, 144A,			
6.00%, 4/01/17	Australia	500,000	531,550
6.875%, 2/01/18	Australia	2,500,000	2,637,500
8.25%, 11/01/19	Australia	1,000,000	1,126,250
[d]Glencore Funding LLC, senior note, 144A, 4.125%, 5/30/23	United States	1,000,000	934,834
[d]Ineos Finance PLC, senior secured note, 144A,			
8.375%, 2/15/19	Switzerland	200,000	223,250
7.50%, 5/01/20	Switzerland	300,000	328,688
[d]Ineos Group Holdings SA, secured note,			
second lien, 144A, 7.875%, 2/15/16	Switzerland	1,010,485 EUR	1,402,967
senior note, 144A, 6.125%, 8/15/18	Switzerland	700,000	707,875
senior note, 144A, 6.50%, 8/15/18	Switzerland	700,000 EUR	989,497
[d]Inmet Mining Corp., senior note, 144A, 8.75%, 6/01/20	Canada	3,000,000	3,270,000
[d]Kerling PLC, senior secured note, 144A, 10.625%, 2/01/17	United Kingdom	1,000,000 EUR	1,465,217
Novelis Inc., senior note,			
8.375%, 12/15/17	Canada	1,000,000	1,069,375
8.75%, 12/15/20	Canada	1,600,000	1,788,000
[d]Orion Engineered Carbons Bondco GmbH, senior secured bond, 144A, 10.00%, 6/15/18	Germany	2,250,000 EUR	3,435,311
[d,i]Orion Engineered Carbons Finance & Co. SCA, senior note, 144A, PIK, 9.25%, 8/01/19	Germany	200,000	210,000

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials (continued)			
Reynolds Group Issuer Inc./LLC/SA, first lien, 5.75%, 10/15/20	United States	900,000	$ 922,500
senior note, 8.50%, 5/15/18	United States	1,500,000	1,590,000
senior note, 8.25%, 2/15/21	United States	1,000,000	1,072,500
senior secured note, 7.125%, 4/15/19	United States	1,000,000	1,070,000
[d]Sealed Air Corp., senior note, 144A,			
8.125%, 9/15/19	United States	1,000,000	1,127,500
8.375%, 9/15/21	United States	800,000	912,000
[d]U.S. Coatings Acquisition Inc./Flash Dutch 2 BV, 144A, 5.75%, 2/01/21	United States	1,000,000 EUR	1,444,275
[d]Xstrata Finance Canada Ltd., senior note, 144A, 4.95%, 11/15/21	Canada	2,500,000	2,533,065
			46,551,518
Media 3.2%			
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.25%, 9/30/22	United States	1,400,000	1,314,250
Clear Channel Communications Inc., senior secured bond, first lien, 9.00%, 3/01/21	United States	4,500,000	4,567,500
Clear Channel Worldwide Holdings Inc.,			
senior note, 6.50%, 11/15/22	United States	1,000,000	1,026,250
senior sub. note, 7.625%, 3/15/20	United States	200,000	209,000
senior sub. note, 7.625%, 3/15/20	United States	1,000,000	1,056,250
CSC Holdings Inc., senior deb., 7.625%, 7/15/18	United States	1,500,000	1,723,125
CSC Holdings LLC, senior note, 6.75%, 11/15/21	United States	3,000,000	3,247,500
DISH DBS Corp., senior note,			
7.125%, 2/01/16	United States	3,500,000	3,885,000
6.75%, 6/01/21	United States	500,000	532,500
5.875%, 7/15/22	United States	500,000	502,500
[d]Gannett Co. Inc.,			
senior bond, 144A, 6.375%, 10/15/23	United States	1,600,000	1,660,000
senior note, 144A, 5.125%, 7/15/20	United States	700,000	712,250
[i]Radio One Inc., senior sub. note, PIK, 12.50%, 5/24/16	United States	1,200,000	1,206,000
Time Warner Inc., 7.625%, 4/15/31	United States	1,500,000	1,898,659
[d]Unitymedia Hessen GmbH & Co.KG/Unitymedia NRW GmbH, senior secured note, 144A,			
5.625%, 4/15/23	Germany	800,000 EUR	1,125,159
[d]Univision Communications Inc.,			
senior secured bond, 144A, 6.75%, 9/15/22	United States	500,000	550,000
senior secured note, 144A, 7.875%, 11/01/20	United States	2,500,000	2,759,375
[d]UPC Holding BV, senior note, 144A, 6.375%, 9/15/22	Netherlands	500,000 EUR	701,935
[d]UPCB Finance II Ltd., senior secured note, 144A, 6.375%, 7/01/20	Netherlands	2,000,000 EUR	2,951,823
[d]UPCB Finance VI Ltd., senior secured note, 144A, 6.875%, 1/15/22	Netherlands	500,000	532,188
			32,161,264
Pharmaceuticals, Biotechnology & Life Sciences 1.4%			
[d]Capsugel FinanceCo SCA, senior note, 144A, 9.875%, 8/01/19	United States	2,000,000 EUR	3,084,559
Gilead Sciences Inc., senior note,			
4.50%, 4/01/21	United States	500,000	532,673
4.40%, 12/01/21	United States	1,000,000	1,068,260
Grifols Inc., senior note, 8.25%, 2/01/18	Spain	1,500,000	1,601,250
[d]inVentiv Health Inc., senior secured note, 144A, 9.00%, 1/15/18	United States	600,000	630,000
[d,i]Jaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17	United States	1,900,000	2,018,750
[d]Valeant Pharmaceuticals International Inc., senior note, 144A, 7.50%, 7/15/21	United States	1,200,000	1,323,000
[d]VPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20	United States	2,400,000	2,541,000
Zoetis Inc., senior bond, 3.25%, 2/01/23	United States	2,000,000	1,871,990
			14,671,482

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Retailing 0.6%			
[d]Edcon Pty. Ltd., secured note, 144A, 9.50%, 3/01/18	South Africa	2,400,000 EUR	$ 3,390,959
[d]New Look Bondco I PLC, 144A, 8.75%, 5/14/18	United Kingdom	1,300,000 GBP	2,280,033
			5,670,992
Semiconductors & Semiconductor Equipment 0.4%			
Freescale Semiconductor Inc.,			
[d]secured note, 144A, 5.00%, 5/15/21	United States	500,000	487,500
senior note, 8.05%, 2/01/20	United States	1,600,000	1,728,000
senior note, 10.75%, 8/01/20	United States	1,382,000	1,575,480
			3,790,980
Software & Services 1.0%			
[d]BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	1,200,000	1,242,000
Equinix Inc., senior bond, 5.375%, 4/01/23	United States	2,500,000	2,456,250
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	300,000	353,625
[d]senior secured bond, 144A, 8.25%, 1/15/21	United States	4,500,000	4,809,375
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	1,100,000	1,149,500
			10,010,750
Technology Hardware & Equipment 0.6%			
[d]Alcatel-Lucent USA Inc., senior note, 144A, 6.75%, 11/15/20	United States	2,000,000	2,085,000
CDW LLC/Finance Corp., senior note, 8.50%, 4/01/19	United States	2,000,000	2,220,000
[d,i]CommScope Holdings Co. Inc., senior note, 144A, PIK, 6.625%, 6/01/20	United States	200,000	209,000
[d]CommScope Inc., senior note, 144A, 8.25%, 1/15/19	United States	1,834,000	2,019,692
			6,533,692
Telecommunication Services 4.2%			
[d]Altice Financing SA, senior secured note, 144A, 6.50%, 1/15/22	Luxembourg	800,000 EUR	1,111,404
CC Holdings GS V LLC/Crown Castle GS III Corp., senior secured bond, 3.849%, 4/15/23	United States	1,000,000	936,423
CenturyLink Inc.,			
senior bond, 6.75%, 12/01/23	United States	200,000	203,500
senior note, 6.00%, 4/01/17	United States	1,500,000	1,661,250
senior note, 6.45%, 6/15/21	United States	1,000,000	1,045,000
Crown Castle International Corp., senior bond, 5.25%, 1/15/23	United States	500,000	492,500
[d]Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Bermuda	2,000,000	2,081,250
[d]Digicel Ltd., senior note, 144A,			
8.25%, 9/01/17	Bermuda	300,000	313,500
6.00%, 4/15/21	Bermuda	800,000	775,592
[d]eAccess Ltd., senior note, 144A,			
8.25%, 4/01/18	Japan	1,400,000	1,535,625
8.375%, 4/01/18	Japan	600,000 EUR	918,662
Frontier Communications Corp.,			
senior bond, 7.625%, 4/15/24	United States	600,000	601,500
senior note, 8.50%, 4/15/20	United States	2,000,000	2,250,000
senior note, 8.75%, 4/15/22	United States	1,000,000	1,115,000
senior note, 7.875%, 1/15/27	United States	400,000	386,000
Intelsat Jackson Holdings SA,			
senior bond, 6.625%, 12/15/22	Luxembourg	1,600,000	1,650,000
senior note, 7.25%, 10/15/20	Luxembourg	2,000,000	2,197,500
senior note, 7.50%, 4/01/21	Luxembourg	1,000,000	1,107,500
[d]Millicom International Cellular SA, senior note, 144A, 6.625%, 10/15/21	Luxembourg	1,100,000	1,145,375
[d,i]Mobile Challenger Intermediate Group SA, secured note, 144A, PIK, 8.75%, 3/15/19	Switzerland	600,000 EUR	862,438

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Telecommunication Services (continued)			
[d]Nokia Siemens Networks Finance BV, senior note, 144A, 7.125%, 4/15/20	Netherlands	1,000,000 EUR	$ 1,571,509
[d]Sprint Corp., senior note, 144A, 7.875%, 9/15/23	United States	500,000	538,750
Sprint Nextel Corp., senior note,			
8.375%, 8/15/17	United States	2,500,000	2,906,250
6.00%, 11/15/22	United States	500,000	490,000
[d]144A, 9.00%, 11/15/18	United States	1,500,000	1,811,250
[d]144A, 7.00%, 3/01/20	United States	800,000	896,000
T-Mobile USA Inc.,			
senior bond, 6.50%, 1/15/24	United States	300,000	304,500
senior note, 6.542%, 4/28/20	United States	1,400,000	1,496,250
senior note, 6.125%, 1/15/22	United States	200,000	204,000
Telefonica Emisiones SAU, senior note,			
5.462%, 2/16/21	Spain	800,000	852,268
4.57%, 4/27/23	Spain	2,000,000	1,983,440
Verizon Communications Inc., senior note, 5.15%, 9/15/23	United States	3,000,000	3,222,180
[d]Wind Acquisition Finance SA, senior secured note, 144A, 11.75%, 7/15/17	Italy	3,000,000	3,195,000
[d,i]Wind Acquisition Holdings Finance SA, senior secured note, 144A, PIK, 12.25%, 7/15/17	Italy	765,332 EUR	1,051,150
			42,912,566
Transportation 0.4%			
[d]CEVA Group PLC, senior note, first lien, 144A, 4.00%, 5/01/18	United Kingdom	1,700,000	1,419,500
HDTFS Inc., 6.25%, 10/15/22	United States	1,500,000	1,556,250
Hertz Corp., senior note, 6.75%, 4/15/19	United States	1,500,000	1,623,750
			4,599,500
Utilities 1.0%			
[d]Calpine Corp.,			
senior secured bond, first lien, 144A, 5.875%, 1/15/24	United States	600,000	589,500
senior secured note, 144A, 7.875%, 7/31/20	United States	454,000	499,400
senior secured note, 144A, 7.50%, 2/15/21	United States	1,492,000	1,635,605
senior secured, first lien, 144A, 6.00%, 1/15/22	United States	100,000	103,000
[d,f]EDF SA, sub. note, 144A, 5.25% to 1/29/23, FRN thereafter, Perpetual	France	3,000,000	2,988,828
[d]InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	1,700,000	1,768,000
[d]Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note, 144A, 11.50%, 10/01/20	United States	3,500,000	2,590,000
			10,174,333
Total Corporate Bonds (Cost $380,602,110)			403,698,100
[h,j]**Senior Floating Rate Interests 11.9%**			
Automobiles & Components 0.4%			
August LuxUK Holding Co., Lux Second Lien, 10.50%, 4/27/19	Luxembourg	1,246,997	1,281,290
August U.S. Holding Co. Inc., U.S. Second Lien, 10.50%, 4/27/19	United States	408,309	419,537
FRAM Group Holdings Inc. (Autoparts Holdings), Second Lien Term Loan, 10.50%, 1/29/18	United States	2,529,436	2,409,287
			4,110,114
Capital Goods 0.8%			
[k]Air Distribution Technologies (Tomkins Air Distribution), Second Lien Initial Loan, 9.25%, 5/09/20	United States	1,119,131	1,142,912
[l]Erickson Air-Crane Inc., Purchase Price Notes, 6.00%, 11/02/20	United States	190,406	178,471
Quikrete Holdings Inc., First Lien Initial Loan, Inc., 4.00%, 9/26/20	United States	1,252,200	1,260,412
Sensus USA Inc., Second Lien Term Loan, 8.50%, 5/09/18	United States	2,582,186	2,575,730
Terex Corp., Term Loan, 3.50%, 4/28/17	United States	1,697,356	1,714,329

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[h,j]**Senior Floating Rate Interests (continued)**			
Capital Goods (continued)			
TransDigm Inc., Tranche C Term Loan, 3.75%, 2/28/20	United States	493,406	$ 495,359
[k]Wesco Distribution Inc., Tranche B-1 Loan, 3.75%, 12/12/19	United States	1,328,614	1,333,596
			8,700,809
Commercial & Professional Services 0.5%			
[k]Altegrity Inc., Tranche D Term Loan, 7.75%, 2/21/15	United States	2,354,336	2,349,432
ARAMARK Corp.,			
Extended Synthetic L/C, 3.519%, 7/26/16	United States	143,344	143,657
Synthetic L/C-3, 3.519%, 7/26/16	United States	91,726	92,051
Term Loan B Extended, 3.747%, 7/26/16	United States	1,195,362	1,197,977
U.S. Term C Loan, 3.747%, 7/26/16	United States	113,094	113,494
Interactive Data Corp., Term B Loan, 3.75%, 2/11/18	United States	1,517,199	1,521,467
Pacific Industrial Services US Finco LLC (Spotless), Second Lien Initial Term Loan, 8.75%, 4/02/19	United States	39,900	40,923
			5,459,001
Consumer Services 0.9%			
Caesars Entertainment Operating Co. Inc., Term Loan B-4, 9.50%, 10/31/16	United States	857,996	866,398
Hilton Worldwide Finance LLC, Initial Term Loan, 3.75%, 10/25/20	United States	1,184,760	1,195,621
[k]PF Chang's China Bistro Inc., Term Loan B, 5.50%, 6/22/19	United States	377,245	378,659
[c,i]Turtle Bay Holdings LLC, Term Loan B, PIK, 3.00%, 3/01/15	United States	6,225,893	5,882,411
Weight Watchers International Inc., Initial Tranche B-2 Term Loan, 3.75%, 4/02/20	United States	1,081,711	968,582
			9,291,671
Diversified Financials 0.4%			
Asurion LLC, Incremental Tranche B-1 Term Loan, 4.50%, 5/24/19	United States	2,025,283	2,026,915
Guggenheim Partners Investment Management Holdings LLC, Initial Term Loan, 4.25%, 7/22/20	United States	246,607	249,257
[k]Trans Union LLC, 2013 Replacement Term Loan, 4.25%, 2/10/19	United States	2,361,891	2,379,014
			4,655,186
Energy 0.2%			
[e,i,l]ATP Oil & Gas Corp.,			
Additional NM Loans (DIP), PIK, 4.50%, 2/28/14	United States	1,746	—
New Money (DIP), PIK, 4.50%, 2/28/14	United States	12,370	—
Refinancing Loan (DIP), PIK, 4.50%, 2/28/14	United States	26,414	—
Bennu Oil & Gas LLC, Second Lien Loans, 10.25%, 11/01/18	United States	341,552	344,683
Bowie Resource Holdings LLC, 2nd Lien Initial Term Loan, 11.75%, 2/16/21	United States	285,714	280,000
Pacific Drilling SA, Term Loan, 4.50%, 6/03/18	Luxembourg	1,069,341	1,082,262
			1,706,945
Food & Staples Retailing 0.1%			
AdvancePierre Foods Inc., Second Lien Term Loan, 9.50%, 10/10/17	United States	1,619,009	1,570,439
Food, Beverage & Tobacco 0.5%			
[k]Del Monte Foods Co., Initial Term Loans, 4.00%, 3/08/18	United States	4,825,677	4,845,047
Health Care Equipment & Services 1.0%			
Carestream Health Inc., Second Lien Loan, 9.50%, 12/07/19	United States	660,000	670,725
Community Health Systems Inc., New Extended Term Loan, 3.737% - 3.747%, 1/25/17	United States	5,281,206	5,327,417
DaVita HealthCare Partners Inc.,			
Tranche B Term Loan, 4.50%, 10/20/16	United States	2,633,171	2,655,800
Tranche B-2 Term Loan, 4.00%, 8/24/19	United States	1,124,235	1,133,369
			9,787,311

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[h,j]Senior Floating Rate Interests (continued)			
Household & Personal Products 0.4%			
[k]FGI Operating Co. LLC (Freedom Group), Term B Loans, 6.50%, 4/19/19	United States	2,512,031	$ 2,540,291
[k]Otter Products LLC, Loans, 5.25%, 4/29/19	United States	1,132,663	1,134,787
			3,675,078
Materials 2.7%			
[k]American Rock Salt Co. LLC, Initial Loan, 4.75%, 4/25/17	United States	2,145,790	2,158,665
Arysta Lifescience SPC LLC,			
Initial Term Loan, 4.50%, 5/29/20	United States	2,942,573	2,965,255
[k]Second Lien Initial Term Loan, 8.25%, 11/30/20	United States	1,911,853	1,947,079
Axalta Coating Systems U.S. Holdings Inc., Initial Term B Loans, 4.75%, 2/01/20	United States	2,925,830	2,950,617
[k]Exopack Holdings SA, USD Term Loan, 5.25%, 5/08/19	Luxembourg	717,457	731,358
FMG America Finance Inc. (Fortescue Metals Group), Loans, 4.25%, 6/30/19	United States	904,909	918,671
Ineos U.S. Finance LLC, Dollar Term Loan, 4.00%, 5/04/18	United States	1,548,391	1,555,285
[k]MacDermid Inc. LLC, First Lien Tranche B Term Loan, 4.00%, 6/07/20	United States	2,108,659	2,125,792
OCI Beaumont LLC, Term B-2 Loans, 6.25%, 8/20/19	United States	531,155	538,458
Oxbow Carbon LLC, First Lien Tranche B Term Loan, 4.25%, 7/19/19	United States	1,147,546	1,156,869
OXEA GmbH, Second Lien Term Loan, 8.25%, 7/15/20	Luxembourg	765,404	778,799
Reynolds Group Holdings Inc., U.S. Term Loan, 4.00%, 12/01/18	United States	2,902,487	2,931,512
Road Infrastructure Investment LLC (Ennis Flint), Second Lien Term Loan, 10.25%, 9/30/18	United States	5,522,220	5,591,248
Tronox Pigments (Netherlands) BV, Term Loan, 4.50%, 3/19/20	Netherlands	1,103,588	1,119,452
			27,469,060
Media 0.4%			
[k]Cumulus Media Holdings Inc., Term Loans, 5.50%, 12/23/20	United States	351,900	354,979
Entravision Communications Corp., Tranche B Term Loans, 3.50%, 5/31/20	United States	1,013,307	1,002,858
NEP/NCP Holdco Inc., Second Lien Term Loan, 9.50%, 7/22/20	United States	299,222	308,198
Radio One Inc., Term Loan, 7.50%, 3/31/16	United States	252,127	258,982
UPC Financing Partnership, Facility AF, 4.00%, 1/31/21	Netherlands	736,600	741,511
WMG Acquisition Corp., Tranche B Term Loan, 3.75%, 7/01/20	United States	637,523	639,317
[k]Zuffa LLC, Initial Term Loan, 4.50%, 2/25/20	United States	383,740	387,455
			3,693,300
Pharmaceuticals, Biotechnology & Life Sciences 0.1%			
Aptalis Pharma Inc. (Axcan), Term B Loans, 6.00%, 10/04/20	United States	914,109	931,249
Valeant Pharmaceuticals International Inc., Series E Tranche B Term Loan, 4.50%, 8/05/20	Canada	277,900	280,071
			1,211,320
Retailing 1.6%			
BJ's Wholesale Club Inc.,			
2013 (Nov) Replacement Loans, 4.50%, 9/26/19	United States	4,281,652	4,313,383
Second Lien 2013 (Nov) Replacement Loans, 8.50%, 3/26/20	United States	1,198,229	1,225,788
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19	United States	2,508,932	2,523,421
Harbor Freight Tools USA Inc., Loans, 4.75%, 7/26/19	United States	999,631	1,013,246
Hudson's Bay Co., Initial Term Loan, 4.75%, 11/04/20	Canada	791,072	804,641
[k]The Neiman Marcus Group Ltd. Inc., Term Loan, 5.00%, 10/25/20	United States	548,566	556,256
Party City Holdings Inc., 2013 Replacement Term Loan, 4.25%, 7/27/19	United States	3,215,685	3,232,969
Sears Roebuck Acceptance Corp., Term Loan, 5.50%, 6/30/18	United States	2,638,659	2,657,507
			16,327,211
Software & Services 0.9%			
BMC Software Finance Inc., Initial U.S. Term Loans, 5.00%, 9/10/20	United States	2,903,206	2,922,434
[k]MoneyGram International Inc., Term Loan, 4.25%, 3/28/20	United States	4,023,777	4,067,760
Vertafore Inc., Second Lien Term Loan, 9.75%, 10/27/17	United States	1,720,657	1,754,640
			8,744,834

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[h,j]**Senior Floating Rate Interests (continued)**			
Technology Hardware & Equipment 0.2%			
Dell International LLC, Term B Loan, 4.50%, 4/29/20	United States	1,757,014	$ 1,763,603
Telecommunication Services 0.5%			
[k]Intelsat Jackson Holdings SA, Tranche B-2 Term Loan, 3.75%, 6/30/19	Luxembourg	5,119,849	5,171,047
Transportation 0.3%			
Delta Air Lines Inc., Second New Term Loan B, 3.50%, 4/20/17	United States	726,938	733,444
Global Tip Finance BV/Finance America LLC, Facility C Commitment, 6.50%, 10/16/20	United States	1,390,000	1,355,250
YRC Worldwide Inc., U.S. Tranche Term Loan, 10.50%, 3/21/15	United States	998,014	954,663
			3,043,357
Total Senior Floating Rate Interests (Cost $119,947,177)			121,225,333
		Shares	
Escrow and Litigation Trust 0.0%			
[a,l]Comfort Co. Inc., Escrow Account	United States	13,427	—
[a,c,l]NewPage Corp., Litigation Trust	United States	2,500,000	—
Total Escrow and Litigation Trust (Cost $—)			—
		Principal Amount*	
Foreign Government and Agency Securities 18.7%			
Government of Canada,			
2.25%, 8/01/14	Canada	701,000 CAD	664,853
1.00%, 11/01/14	Canada	591,000 CAD	556,496
2.00%, 12/01/14	Canada	1,420,000 CAD	1,349,264
1.00%, 5/01/15	Canada	5,080,000 CAD	4,781,604
Government of Hungary,			
5.50%, 2/12/16	Hungary	1,864,700,000 HUF	8,946,567
5.50%, 12/22/16	Hungary	46,690,000 HUF	224,817
6.50%, 6/24/19	Hungary	206,000,000 HUF	1,030,574
7.50%, 11/12/20	Hungary	313,570,000 HUF	1,639,098
5.375%, 2/21/23	Hungary	1,020,000	1,011,381
A, 6.75%, 11/24/17	Hungary	4,470,000 HUF	22,426
A, 5.50%, 12/20/18	Hungary	34,100,000 HUF	163,366
A, 7.00%, 6/24/22	Hungary	930,000 HUF	4,691
A, 6.00%, 11/24/23	Hungary	1,270,000 HUF	6,025
senior note, 6.25%, 1/29/20	Hungary	4,597,000	4,973,379
senior note, 6.375%, 3/29/21	Hungary	1,550,000	1,676,906
[d]Government of Iceland, 144A, 5.875%, 5/11/22	Iceland	3,480,000	3,575,700
Government of Indonesia,			
FR26, 11.00%, 10/15/14	Indonesia	1,800,000,000 IDR	152,256
FR34, 12.80%, 6/15/21	Indonesia	17,235,000,000 IDR	1,759,776
Government of Ireland,			
5.00%, 10/18/20	Ireland	3,562,000 EUR	5,512,585
senior bond, 5.00%, 3/13/25	Ireland	2,883,710 EUR	4,516,365
Government of Malaysia,			
3.434%, 8/15/14	Malaysia	6,410,000 MYR	1,961,028
3.741%, 2/27/15	Malaysia	7,310,000 MYR	2,246,401
3.835%, 8/12/15	Malaysia	4,675,000 MYR	1,440,930
4.72%, 9/30/15	Malaysia	7,768,000 MYR	2,430,743
3.197%, 10/15/15	Malaysia	4,730,000 MYR	1,442,877
senior bond, 3.814%, 2/15/17	Malaysia	2,500,000 MYR	770,474
senior bond, 4.24%, 2/07/18	Malaysia	600,000 MYR	186,927

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Mexico,			
7.00%, 6/19/14	Mexico	192,800[m] MXN	$ 1,503,643
9.50%, 12/18/14	Mexico	679,620[m] MXN	5,504,552
6.00%, 6/18/15	Mexico	18,020[m] MXN	142,871
8.00%, 12/17/15	Mexico	573,560[m] MXN	4,753,688
6.25%, 6/16/16	Mexico	199,310[m] MXN	1,607,547
7.25%, 12/15/16	Mexico	360,330[m] MXN	2,980,413
Government of Poland,			
5.75%, 4/25/14	Poland	26,520,000 PLN	8,875,128
5.50%, 4/25/15	Poland	7,018,000 PLN	2,406,962
6.25%, 10/24/15	Poland	9,134,000 PLN	3,206,337
[h]FRN, 2.71%, 1/25/17	Poland	1,660,000 PLN	548,070
[h]FRN, 2.71%, 1/25/21	Poland	1,683,000 PLN	544,503
Strip, 5.00%, 1/25/14	Poland	12,830,000 PLN	4,242,890
Strip, 5.00%, 7/25/14	Poland	295,000 PLN	96,434
Strip, 5.00%, 7/25/15	Poland	2,052,000 PLN	651,387
Strip, 5.00%, 1/25/16	Poland	1,066,000 PLN	332,141
[d]Government of Serbia, senior note, 144A,			
4.875%, 2/25/20	Serbia	4,410,000	4,195,012
7.25%, 9/28/21	Serbia	1,820,000	1,925,960
Government of Sri Lanka,			
A, 7.00%, 3/01/14	Sri Lanka	7,020,000 LKR	53,568
A, 11.75%, 3/15/15	Sri Lanka	1,160,000 LKR	9,182
A, 6.50%, 7/15/15	Sri Lanka	28,980,000 LKR	214,771
A, 11.00%, 8/01/15	Sri Lanka	116,400,000 LKR	920,205
A, 6.40%, 8/01/16	Sri Lanka	19,500,000 LKR	139,745
A, 8.00%, 11/15/18	Sri Lanka	70,220,000 LKR	498,898
A, 9.00%, 5/01/21	Sri Lanka	73,580,000 LKR	525,632
B, 11.75%, 4/01/14	Sri Lanka	6,990,000 LKR	53,873
B, 6.60%, 6/01/14	Sri Lanka	7,100,000 LKR	53,939
B, 6.40%, 10/01/16	Sri Lanka	16,000,000 LKR	114,135
B, 8.50%, 7/15/18	Sri Lanka	15,280,000 LKR	110,654
C, 8.50%, 4/01/18	Sri Lanka	8,070,000 LKR	58,898
D, 8.50%, 6/01/18	Sri Lanka	54,050,000 LKR	394,652
Government of Sweden, 6.75%, 5/05/14	Sweden	127,770,000 SEK	20,263,825
Government of the Philippines, senior note, 6.25%, 1/27/14	Philippines	129,180,000 PHP	2,917,878
[d]Government of Ukraine,			
144A, 7.75%, 9/23/20	Ukraine	3,850,000	3,575,688
senior bond, 144A, 7.80%, 11/28/22	Ukraine	2,790,000	2,531,925
senior note, 144A, 7.95%, 2/23/21	Ukraine	2,120,000	1,967,625
senior note, 144A, 7.50%, 4/17/23	Ukraine	2,945,000	2,668,906
[n]Government of Uruguay, senior bond, Index Linked, 4.375%, 12/15/28	Uruguay	147,179,883 UYU	7,120,517
[d]Government of Vietnam, 144A, 6.75%, 1/29/20	Vietnam	1,045,000	1,135,131
Korea Monetary Stabilization Bond,			
senior bond, 3.47%, 2/02/14	South Korea	2,916,950,000 KRW	2,764,994
senior bond, 3.59%, 4/02/14	South Korea	4,287,030,000 KRW	4,071,019
senior bond, 2.47%, 4/02/15	South Korea	4,622,600,000 KRW	4,366,399
senior bond, 2.80%, 8/02/15	South Korea	1,324,510,000 KRW	1,255,999
senior note, 3.28%, 6/02/14	South Korea	5,082,540,000 KRW	4,827,384
senior note, 2.57%, 6/09/14	South Korea	648,000,000 KRW	613,715
senior note, 2.82%, 8/02/14	South Korea	509,400,000 KRW	483,057
senior note, 2.78%, 10/02/14	South Korea	2,030,900,000 KRW	1,925,454
senior note, 2.84%, 12/02/14	South Korea	841,710,000 KRW	798,635

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Korea Monetary Stabilization Bond, (continued)			
senior note, 2.74%, 2/02/15	South Korea	117,220,000 KRW	$ 111,092
senior note, 2.76%, 6/02/15	South Korea	5,045,300,000 KRW	4,781,519
Korea Treasury Bond,			
senior bond, 3.50%, 6/10/14	South Korea	2,788,920,000 KRW	2,652,077
senior note, 3.25%, 12/10/14	South Korea	1,261,950,000 KRW	1,201,944
senior note, 3.25%, 6/10/15	South Korea	210,800,000 KRW	201,140
senior note, 2.75%, 12/10/15	South Korea	897,900,000 KRW	850,154
senior note, 3.00%, 12/10/16	South Korea	3,000,000,000 KRW	2,854,903
Nota Do Tesouro Nacional,			
10.00%, 1/01/17	Brazil	1,200[o] BRL	480,748
[p]Index Linked, 6.00%, 5/15/15	Brazil	1,390[o] BRL	1,416,218
[p]Index Linked, 6.00%, 8/15/16	Brazil	1,604[o] BRL	1,619,429
[p]Index Linked, 6.00%, 8/15/18	Brazil	1,525[o] BRL	1,519,562
[d]Russia Foreign Bond, senior bond, 144A, 7.50%, 3/31/30	Russia	1,859,715	2,170,334
Uruguay Notas del Tesoro,			
9.00%, 1/27/14	Uruguay	7,570,000 UYU	350,814
10.50%, 3/21/15	Uruguay	1,700,000 UYU	76,336
10.25%, 8/22/15	Uruguay	59,720,000 UYU	2,641,404
9.50%, 1/27/16	Uruguay	9,220,000 UYU	392,537
[n]18, Index Linked, 2.25%, 8/23/17	Uruguay	24,212,743 UYU	1,025,626
Uruguay Treasury Bill, Strip, 5.00%,			
7/02/15	Uruguay	510,000 UYU	19,384
8/20/15	Uruguay	65,364,000 UYU	2,445,453
Total Foreign Government and Agency Securities (Cost $185,601,846)			189,812,024
U.S. Government and Agency Securities 2.1%			
U.S. Treasury Bond,			
4.50%, 2/15/16	United States	3,000,000	3,259,686
7.875%, 2/15/21	United States	900,000	1,223,578
7.125%, 2/15/23	United States	1,980,000	2,667,199
U.S. Treasury Note,			
4.625%, 2/15/17	United States	600,000	669,258
4.75%, 8/15/17	United States	2,900,000	3,275,979
3.75%, 11/15/18	United States	7,000,000	7,679,490
[n]Index Linked, 0.125%, 4/15/16	United States	2,433,747	2,500,675
Total U.S. Government and Agency Securities (Cost $20,252,931)			21,275,865
Asset-Backed Securities and Commercial Mortgage-Backed Securities 4.1%			
Banks 2.4%			
Banc of America Commercial Mortgage Trust, 2006-4, AJ, 5.695%, 7/10/46	United States	1,807,000	1,865,912
Bear Stearns Commercial Mortgage Securities Inc.,			
[h]2006-PW11, AJ, FRN, 5.452%, 3/11/39	United States	500,000	520,117
[h]2006-PW12, AJ, FRN, 5.932%, 9/11/38	United States	1,440,000	1,509,714
2006-PW13, AJ, 5.611%, 9/11/41	United States	5,100,000	5,201,291
Citigroup Commercial Mortgage Trust,			
2006-C5, AJ, 5.482%, 10/15/49	United States	1,700,000	1,671,831
[h]2007-C6, AM, FRN, 5.885%, 6/10/17	United States	4,900,000	5,409,740
[h]Citigroup/Deutsche Bank Commercial Mortgage Trust, 2006-CD3, AJ, FRN, 5.688%, 10/15/48	United States	2,120,000	1,987,065

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Banks (continued)			
Countrywide Asset-Backed Certificates, 2005-11, AF4, 5.192%, 3/25/34	United States	1,275,000	$ 1,082,564
[h]Greenwich Capital Commercial Funding Corp., 2006-GG7, AJ, FRN, 5.867%, 7/10/38	United States	2,560,000	2,635,971
[h]Morgan Stanley Capital I Trust, 2006-HQ8, AJ, FRN, 5.68%, 3/12/44	United States	200,000	205,934
Wells Fargo Mortgage Backed Securities Trust,			
[h]2004-W, A9, FRN, 2.762%, 11/25/34	United States	1,458,281	1,488,237
2007-3, 3A1, 5.50%, 4/25/37	United States	614,273	635,085
			24,213,461
Diversified Financials 1.7%			
[d,h]ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.238%, 11/25/20	United States	1,380,000	1,328,705
[d,h]Atrium CDO Corp., 10A, C, 144A, FRN, 2.876%, 7/16/25	United States	1,400,000	1,357,229
[d,h]Catamaran CLO Ltd., 2013-1A, C, 144A, FRN, 3.071%, 1/27/25	Cayman Islands	1,130,000	1,092,917
[d,h]Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.583%, 3/11/21	United States	1,251,000	1,194,167
[d,h]Cent CLO LP, 2013-17A, D, 144A, FRN, 3.236%, 1/30/25	Cayman Islands	784,314	779,306
[d,h]CIFC Funding Ltd., 2007-3A, A1J, 144A, FRN, 0.638%, 7/26/21	United States	960,000	926,482
[d,h]Columbus Nova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.244%, 10/15/21	United States	860,000	839,983
[d,h]CT CDO IV Ltd., 2006-4A, A1, 144A, FRN, 0.477%, 10/20/43	United States	1,806,864	1,717,406
[d]G-Force LLC, 2005-RRA, C, 144A, 5.20%, 8/22/36	United States	2,000,000	1,858,580
[d,h]ING Investment Management CLO Ltd.,			
2013-1A, B, 144A, FRN, 3.144%, 4/15/24	Cayman Islands	270,000	265,516
2013-1A, C, 144A, FRN, 3.744%, 4/15/24	Cayman Islands	440,000	428,596
2013-2A, B, 144A, FRN, 2.918%, 4/25/25	United States	1,080,000	1,056,851
[d,h]Newcastle CDO Ltd., 2004-5A, 1, 144A, FRN, 0.588%, 12/24/39	United States	1,318,369	1,269,221
Residential Asset Securities Corp., 2004-KS1, AI4, 4.213%, 4/25/32	United States	56,269	56,245
[h,q]Talisman 6 Finance, Reg S, FRN, 0.404%, 10/22/16	Ireland	2,288,970 EUR	2,963,505
			17,134,709
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $38,794,159)			41,348,170
Mortgage-Backed Securities 4.4%			
[h]**Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%†**			
FHLMC, 2.459%, 1/01/33	United States	71,498	75,197
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 0.7%			
FHLMC Gold 15 Year, 4.50%, 10/01/18 - 6/01/19	United States	507,451	538,828
FHLMC Gold 15 Year, 5.00%, 12/01/17 - 9/01/19	United States	721,106	765,091
FHLMC Gold 15 Year, 5.50%, 7/01/17 - 7/01/19	United States	129,330	138,531
FHLMC Gold 15 Year, 6.00%, 5/01/17	United States	6,516	6,895
FHLMC Gold 15 Year, 6.50%, 5/01/16	United States	1,046	1,085
FHLMC Gold 30 Year, 3.00%, 11/01/42	United States	2,712,538	2,578,092
FHLMC Gold 30 Year, 3.50%, 4/01/42	United States	160,738	159,970
FHLMC Gold 30 Year, 5.00%, 4/01/34 - 8/01/35	United States	514,824	557,789
FHLMC Gold 30 Year, 5.50%, 3/01/33 - 6/01/36	United States	1,497,824	1,652,146
FHLMC Gold 30 Year, 6.00%, 4/01/33 - 2/01/36	United States	427,535	477,704
FHLMC Gold 30 Year, 6.50%, 12/01/23 - 6/01/36	United States	94,192	105,755
FHLMC Gold 30 Year, 7.00%, 9/01/21 - 4/01/30	United States	38,566	42,594
FHLMC Gold 30 Year, 7.50%, 3/01/30 - 7/01/31	United States	1,511	1,641
			7,026,121
[h]**Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%†**			
FNMA, 2.31% - 2.33%, 4/01/20 - 12/01/34	United States	253,712	268,065

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Mortgage-Backed Securities (continued)			
Federal National Mortgage Association (FNMA) Fixed Rate 3.3%			
FNMA 15 Year, 2.50%, 7/01/22 - 6/01/27	United States	695,017	$ 693,149
FNMA 15 Year, 3.00%, 10/01/27 - 11/01/27	United States	8,447,420	8,651,681
FNMA 15 Year, 3.50%, 1/01/26	United States	404,610	424,136
FNMA 15 Year, 4.50%, 6/01/19 - 3/01/20	United States	160,970	171,581
FNMA 15 Year, 5.00%, 10/01/17 - 6/01/18	United States	141,931	151,408
FNMA 15 Year, 5.50%, 9/01/14 - 11/01/18	United States	878,488	935,060
FNMA 15 Year, 6.00%, 4/01/16 - 7/01/16	United States	1,452	1,470
FNMA 30 Year, 3.00%, 12/01/42 - 5/01/43	United States	4,828,549	4,598,101
FNMA 30 Year, 3.50%, 5/01/43	United States	3,839,808	3,825,519
FNMA 30 Year, 4.00%, 2/01/41	United States	8,879,312	9,151,391
FNMA 30 Year, 5.00%, 4/01/30 - 9/01/39	United States	2,121,002	2,329,860
FNMA 30 Year, 5.50%, 8/01/33 - 9/01/35	United States	828,045	912,436
FNMA 30 Year, 6.00%, 6/01/34 - 5/01/38	United States	1,211,089	1,356,622
FNMA 30 Year, 6.50%, 6/01/28 - 10/01/37	United States	572,173	637,279
			33,839,693
Government National Mortgage Association (GNMA) Fixed Rate 0.4%			
GNMA I SF 30 Year, 5.00%, 11/15/33 - 7/15/34	United States	520,056	569,044
GNMA I SF 30 Year, 5.50%, 12/15/32 - 6/15/36	United States	767,757	848,131
GNMA I SF 30 Year, 6.50%, 2/15/32	United States	2,234	2,497
GNMA I SF 30 Year, 7.00%, 10/15/28 - 6/15/32	United States	40,035	42,896
GNMA I SF 30 Year, 7.50%, 9/15/30	United States	1,689	1,949
GNMA II SF 30 Year, 3.50%, 5/20/42	United States	1,445,534	1,461,052
GNMA II SF 30 Year, 5.00%, 9/20/33 - 11/20/33	United States	158,620	174,034
GNMA II SF 30 Year, 6.00%, 11/20/34	United States	185,274	210,056
GNMA II SF 30 Year, 6.50%, 4/20/31 - 2/20/34	United States	83,040	93,424
GNMA II SF 30 Year, 7.50%, 1/20/28 - 4/20/32	United States	20,743	24,104
			3,427,187
Total Mortgage-Backed Securities (Cost $44,876,669)			44,636,263
Municipal Bonds 5.6%			
Arkansas State GO, Four-Lane Highway Construction and Improvement Bonds, 3.25%, 6/15/22	United States	1,300,000	1,327,651
California State GO, Various Purpose,			
6.00%, 4/01/38	United States	2,500,000	2,775,425
6.00%, 11/01/39	United States	160,000	178,946
5.25%, 11/01/40	United States	560,000	595,582
Refunding, 5.25%, 3/01/38	United States	1,500,000	1,549,635
Refunding, 5.00%, 4/01/38	United States	3,000,000	3,058,320
Refunding, NATL Insured, 4.50%, 12/01/32	United States	300,000	299,988
Refunding, Series 1, AGMC Insured, 4.75%, 9/01/31	United States	290,000	299,303
Colorado State ISD, GO, Mitchell and Scurry Counties, Unlimited Tax School Building Bonds, PSF Guarantee, 5.00%, 8/15/43	United States	300,000	312,066
Evanville Local Public Improvement Bond Bank Revenue, Sewer Works Project, Series A, 5.00%, 7/01/36	United States	675,000	697,511
Florida Hurricane Catastrophe Fund Finance Corp. Revenue, Series A, 2.995%, 7/01/20	United States	4,700,000	4,453,109
Hawaii State GO, Series EH, 5.00%, 8/01/30	United States	700,000	765,716
Illinois State GO,			
5.877%, 3/01/19	United States	3,000,000	3,279,060
Build America Bonds, 7.35%, 7/01/35	United States	1,000,000	1,101,930

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Municipal Bonds (continued)			
Kansas State Development Finance Authority Revenue, Wichita State University Union Corp. Student Housing Project, Refunding, Series F-1,			
5.25%, 6/01/38	United States	820,000	$ 848,921
5.25%, 6/01/42	United States	800,000	824,176
5.00%, 6/01/46	United States	1,000,000	998,360
Marco Island Utility System Revenue, Refunding, 4.625%,			
10/01/30	United States	350,000	358,950
10/01/31	United States	325,000	330,977
[k]Massachusetts State GO, Series A, 4.50%, 12/01/43	United States	2,300,000	2,219,270
Metropolitan Boston Transit Parking Corp. Systemwide Parking Revenue, senior lien, 5.00%, 7/01/41	United States	500,000	511,270
Minnesota State GO, Various Purpose, Refunding, Series F, 4.00%, 10/01/24	United States	2,650,000	2,851,479
Mississippi State GO, Series B, 5.00%, 12/01/31	United States	780,000	849,280
Nassau County GO, General Improvement Bonds, Series B, 5.00%,			
4/01/39	United States	1,500,000	1,512,045
4/01/43	United States	1,600,000	1,594,992
New Jersey EDA Revenue, School Facilities Construction, Refunding, Series NN, 5.00%, 3/01/30	United States	700,000	730,254
New York City HDC Revenue, Series B1, 5.00%, 7/01/33	United States	500,000	514,070
New York City Municipal Water Finance Authority Water and Sewer System Revenue, Second General Resolution, Fiscal 2014, Refunding, Series BB, 5.00%, 6/15/46	United States	2,430,000	2,481,322
New York GO, Sub. Series G-1, 5.00%, 4/01/27	United States	1,750,000	1,899,922
New York State Urban Development Corp. Revenue, State Personal Income Tax, General Purpose, Series C, 5.00%, 3/15/29	United States	1,500,000	1,625,145
Puerto Rico Electric Power Authority Power Revenue,			
Series A, 6.75%, 7/01/36	United States	3,465,000	2,495,112
Series XX, 5.25%, 7/01/40	United States	165,000	103,146
Puerto Rico Sales Tax FICO Sales Tax Revenue,			
first subordinate, Series A, 5.75%, 8/01/37	United States	1,000,000	741,980
first subordinate, Series A, 6.50%, 8/01/44	United States	2,500,000	1,982,275
Refunding, Series A, NATL RE, FGIC Insured, zero cpn., 8/01/45	United States	3,700,000	409,923
Refunding, Series B, 6.05%, 8/01/37	United States	915,000	713,435
Refunding, Series B, 6.05%, 8/01/38	United States	1,120,000	866,992
Red River Education Financing Corp. Education Revenue, Higher Education, Texas Christian University, 5.00%, 3/15/43	United States	625,000	636,019
South Carolina State Public Service Authority Revenue, Refunding, Series B, 5.00%, 12/01/38	United States	1,000,000	1,008,510
University of California Revenues, General, Series AK, 5.00%, 5/15/48	United States	4,320,000	5,004,979
Washington State GO, Various Purpose,			
Refunding, Series R-C, 5.00%, 7/01/24	United States	900,000	1,035,720
Series D, 5.00%, 2/01/23	United States	775,000	890,235
Total Municipal Bonds (Cost $56,887,739)			56,733,001
Total Investments before Short Term Investments (Cost $853,104,836)			882,820,785
Short Term Investments 11.7%			
[h,j]**Senior Floating Rate Interests (Cost $2,011) 0.0%†**			
[r]Patriot Coal Corp., Reimbursement Obligation, 9.50%, 1/17/14	United States	2,044	2,044
Foreign Government and Agency Securities 3.1%			
[s]Bank of Negara Monetary Notes, 1/09/14 - 11/06/14	Malaysia	30,559,000 MYR	9,226,160
Korea Monetary Stabilization Bond, senior bond, 2.55%, 5/09/14	South Korea	1,050,200,000 KRW	994,623
[s]Malaysia Treasury Bill, 5/30/14	Malaysia	590,000 MYR	177,801

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
[s]Mexico Treasury Bills, 1/09/14 - 4/30/14	Mexico	4,937,100[t] MXN	$ 3,765,406
[s]Monetary Authority of Singapore Treasury Bill, 2/03/14	Singapore	400,000 SGD	316,950
[s]Philippine Treasury Bills, 3/05/14 - 11/05/14	Philippines	365,300,000 PHP	8,208,552
[s]Singapore Treasury Bills, 1/10/14 - 5/30/14	Singapore	10,009,000 SGD	7,926,708
[s]Uruguay Treasury Bills, 5/16/14 - 8/29/14	Uruguay	8,648,000 UYU	367,770
Total Foreign Government and Agency Securities (Cost $31,948,897)			30,983,970
Total Investments before Money Market Funds (Cost $885,055,744)			913,806,799
		Shares	
Money Market Funds (Cost $87,788,340) 8.6%			
[a,u]Institutional Fiduciary Trust Money Market Portfolio	United States	87,788,340	87,788,340
Total Investments (Cost $972,844,084) 98.6%			1,001,595,139
Other Assets, less Liabilities 1.4%			14,174,980
Net Assets 100.0%			$1,015,770,119

See Abbreviations on page FSI-49.

†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]The security is owned by FT Holdings Corporation III, a wholly-owned subsidiary of the Fund. See Note 1(g).
[c]At December 31, 2013, 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]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 December 31, 2013, the aggregate value of these securities was $203,737,808, representing 20.06% of net assets.
[e]See Note 8 regarding defaulted securities.
[f]Perpetual security with no stated maturity date.
[g]See Note 1(f) regarding loan participation notes.
[h]The coupon rate shown represents the rate at period end.
[i]Income may be received in additional securities and/or cash.
[j]See Note 1(i) regarding senior floating rate interests.
[k]A portion or all of the security purchased on a when-issued or delayed delivery basis. See Note 1(c).
[l]Security has been deemed illiquid because it may not be able to be sold within seven days. At December 31, 2013, the aggregate value of these securities was $178,471, representing 0.02% of net assets.
[m]Principal amount is stated in 100 Mexican Peso Units.
[n]Principal amount of security is adjusted for inflation. See Note 1(k).
[o]Principal amount is stated in 1,000 Brazilian Real Units.
[p]Redemption price at maturity is adjusted for inflation. See Note 1(k).
[q]Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2013, the value of this security was $2,963,505, representing 0.29% of net assets.
[r]See Note 9 regarding unfunded loan commitments.
[s]The security is traded on a discount basis with no stated coupon rate.
[t]Principal amount is stated in 10 Mexican Peso Units.
[u]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

At December 31, 2013, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counterpary[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Euro	DBAB	Buy	239,450	$ 329,244	1/03/14	$ 119	$ —
Euro	DBAB	Sell	239,450	317,415	1/03/14	—	(11,948)
Indian Rupee	CITI	Buy	4,493,000	69,490	1/06/14	3,079	—
Indian Rupee	HSBC	Buy	32,771,000	511,284	1/06/14	18,015	—
Indian Rupee	HSBC	Buy	32,400,000	510,358	1/07/14	12,844	—
Malaysian Ringgit	DBAB	Buy	952,100	307,794	1/08/14	—	(17,496)
Euro	DBAB	Buy	40,550	54,341	1/09/14	1,435	—
Euro	DBAB	Sell	40,550	54,098	1/09/14	—	(1,679)
Chilean Peso	DBAB	Buy	1,449,000,000	2,942,729	1/10/14	—	(188,369)
Chilean Peso	DBAB	Sell	1,449,000,000	2,801,895	1/10/14	47,535	—
Japanese Yen	HSBC	Sell	183,560,000	2,105,046	1/10/14	361,747	—
Euro	UBSW	Buy	5,616,719	7,468,443	1/13/14	257,862	(557)
Euro	DBAB	Sell	108,735	142,606	1/13/14	—	(6,958)
Euro	UBSW	Sell	5,631,484	7,374,472	1/13/14	—	(371,585)
Euro	DBAB	Buy	1,865,041	2,526,571	1/14/14	38,775	—
Euro	DBAB	Sell	1,865,041	2,470,992	1/14/14	—	(94,353)
Euro	JPHQ	Sell	1,802,953	2,360,516	1/14/14	—	(119,429)
Indian Rupee	DBAB	Buy	20,841,000	333,019	1/15/14	2,991	—
Euro	DBAB	Buy	221,087	303,972	1/16/14	130	—
Malaysian Ringgit	JPHQ	Buy	175,000	57,031	1/16/14	—	(3,693)
Euro	DBAB	Sell	870,051	1,162,992	1/16/14	—	(33,755)
Japanese Yen	UBSW	Sell	460,675,000	5,192,459	1/16/14	817,221	—
Indian Rupee	DBAB	Buy	16,691,000	266,295	1/17/14	2,699	—
Indian Rupee	JPHQ	Buy	29,466,000	466,730	1/21/14	7,771	—
Euro	DBAB	Buy	400,945	540,890	1/22/14	10,603	—
Indian Rupee	DBAB	Buy	10,360,000	165,347	1/22/14	1,450	—
Indian Rupee	JPHQ	Buy	14,719,000	234,955	1/22/14	2,023	—
Euro	DBAB	Sell	1,700,000	2,270,605	1/22/14	—	(67,720)
Euro	JPHQ	Sell	2,912,410	3,880,349	1/22/14	—	(125,627)
Singapore Dollar	JPHQ	Buy	700,000	564,516	1/24/14	—	(9,755)
Singapore Dollar	JPHQ	Sell	126,000	100,000	1/24/14	143	—
Euro	BZWS	Sell	1,007,118	1,332,885	1/27/14	—	(52,387)
Indian Rupee	JPHQ	Buy	54,590,000	868,846	1/28/14	9,014	—
Euro	DBAB	Buy	4,032,721	5,463,531	1/30/14	83,396	—
Euro	DBAB	Sell	4,032,721	5,438,326	1/30/14	—	(108,601)
Euro	DBAB	Sell	3,014,151	4,066,180	1/31/14	—	(79,726)
Euro	DBAB	Buy	196,964	266,287	2/06/14	4,633	—
Euro	DBAB	Sell	2,316,000	3,120,347	2/06/14	—	(65,275)
Chilean Peso	DBAB	Buy	725,000,000	1,468,206	2/07/14	—	(94,506)
Chilean Peso	DBAB	Sell	585,000,000	1,111,139	2/07/14	2,705	—
Chilean Peso	BZWS	Buy	743,650,000	1,407,895	2/10/14	696	—
Indian Rupee	HSBC	Buy	186,760,000	2,943,304	2/10/14	51,989	—
Chilean Peso	BZWS	Sell	266,000,000	499,906	2/10/14	—	(3,940)
Indian Rupee	HSBC	Sell	62,078,000	989,764	2/10/14	—	(5,855)
Indian Rupee	HSBC	Buy	5,576,000	86,663	2/12/14	2,730	—
Japanese Yen	HSBC	Sell	64,350,000	691,846	2/12/14	80,604	—
Japanese Yen	JPHQ	Sell	64,319,000	691,877	2/12/14	80,929	—
Indian Rupee	HSBC	Buy	14,080,000	216,497	2/13/14	9,181	—
Japanese Yen	CITI	Sell	85,250,000	922,544	2/13/14	112,775	—

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Japanese Yen	JPHQ	Sell	42,690,000	$ 461,279	2/13/14	$ 55,777	$ —
Euro	UBSW	Sell	2,151,000	2,885,136	2/13/14	—	(73,541)
Indian Rupee	DBAB	Buy	14,156,000	215,942	2/18/14	10,721	—
Japanese Yen	JPHQ	Sell	42,710,000	461,271	2/18/14	55,569	—
Japanese Yen	CITI	Sell	42,570,000	461,221	2/19/14	56,847	—
Japanese Yen	GSCO	Sell	42,760,000	461,290	2/19/14	55,112	—
Indian Rupee	DBAB	Buy	12,894,000	200,326	2/20/14	6,045	—
Euro	BZWS	Sell	2,084,000	2,781,807	2/20/14	—	(84,723)
Japanese Yen	BZWS	Sell	21,350,000	230,626	2/25/14	27,816	—
Euro	BZWS	Buy	3,340,073	4,595,339	2/26/14	—	(1,076)
Indian Rupee	DBAB	Buy	10,466,000	163,294	2/26/14	4,011	—
Euro	BZWS	Sell	3,340,073	4,452,866	2/26/14	—	(141,397)
Japanese Yen	UBSW	Sell	34,903,000	354,489	2/26/14	22,933	—
Singapore Dollar	DBAB	Buy	940,000	735,064	2/27/14	9,917	—
Japanese Yen	BZWS	Sell	80,260,000	862,890	2/27/14	100,469	—
Euro	BZWS	Sell	1,025,079	1,369,247	2/27/14	—	(40,748)
Japanese Yen	DBAB	Sell	14,279,000	155,996	2/27/14	20,354	—
Indian Rupee	JPHQ	Buy	23,701,000	370,422	2/28/14	8,297	—
Singapore Dollar	DBAB	Buy	723,000	573,989	2/28/14	4,586	(5,573)
Euro	UBSW	Sell	708,181	948,438	2/28/14	—	(25,664)
Euro	UBSW	Buy	1,747,000	2,403,872	3/03/14	—	(877)
Indian Rupee	CITI	Buy	4,537,000	70,091	3/03/14	2,354	—
Euro	DBAB	Sell	1,228,589	1,616,516	3/03/14	—	(73,406)
Japanese Yen	JPHQ	Sell	85,800,000	943,521	3/03/14	128,456	—
Euro	UBSW	Sell	2,581,000	3,387,175	3/03/14	—	(162,985)
Japanese Yen	DBAB	Sell	257,790,000	2,801,974	3/04/14	353,060	—
Japanese Yen	HSBC	Sell	85,800,000	942,339	3/04/14	127,270	—
Japanese Yen	UBSW	Sell	95,700,000	1,041,009	3/04/14	131,893	—
Euro	DBAB	Sell	1,400,000	1,828,820	3/05/14	—	(96,874)
Euro	DBAB	Sell	324,000	420,406	3/06/14	—	(25,254)
Euro	DBAB	Sell	2,741,981	3,560,641	3/17/14	—	(210,910)
Euro	DBAB	Sell	479,200	621,863	3/18/14	—	(37,269)
Singapore Dollar	DBAB	Buy	973,400	763,188	3/19/14	8,271	—
Singapore Dollar	HSBC	Buy	1,113,000	892,149	3/19/14	—	(10,052)
Singapore Dollar	JPHQ	Buy	694,000	541,663	3/19/14	8,360	—
Singapore Dollar	HSBC	Sell	1,113,000	883,403	3/19/14	1,306	—
Euro	JPHQ	Sell	143,700	188,283	3/19/14	—	(9,374)
Euro	DBAB	Buy	1,997,000	2,700,244	3/20/14	46,592	—
Euro	DBAB	Sell	1,997,000	2,597,758	3/20/14	—	(149,078)
Euro	JPHQ	Sell	240,000	311,998	3/20/14	—	(18,118)
Euro	JPHQ	Sell	240,000	310,568	3/21/14	—	(19,547)
Euro	JPHQ	Sell	240,000	311,730	3/24/14	—	(18,384)
Euro	JPHQ	Sell	192,000	248,564	3/25/14	—	(15,527)
Euro	DBAB	Sell	333,108	433,807	3/26/14	—	(24,375)
Euro	DBAB	Buy	4,372,555	5,861,847	4/03/14	152,494	—
Euro	DBAB	Sell	4,372,555	5,619,389	4/03/14	—	(394,952)
Euro	BZWS	Sell	132,570	170,624	4/07/14	—	(11,723)
Euro	DBAB	Sell	800,000	1,050,160	4/10/14	—	(50,230)
Euro	DBAB	Sell	949,814	1,243,069	4/11/14	—	(63,390)
Chilean Peso	MSCO	Buy	116,230,000	237,616	4/14/14	—	(18,949)
Euro	HSBC	Sell	142,717	186,807	4/16/14	—	(9,500)

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Chilean Peso	MSCO	Buy	104,150,000	$ 211,451	4/21/14	$ —	$ (15,650)
Euro	DBAB	Buy	29,378	39,211	4/22/14	1,199	—
Euro	BZWS	Sell	130,134	171,384	4/22/14	—	(7,617)
Euro	DBAB	Sell	2,272,254	2,983,015	4/22/14	—	(142,491)
Euro	JPHQ	Sell	36,314	47,536	4/22/14	—	(2,414)
Euro	BZWS	Sell	1,659,340	2,167,430	4/25/14	—	(115,016)
Chilean Peso	JPHQ	Buy	234,301,000	471,668	4/28/14	—	(31,500)
British Pound Sterling	DBAB	Buy	223,551	344,671	4/29/14	25,178	—
British Pound Sterling	DBAB	Sell	223,551	346,750	4/29/14	—	(23,099)
Singapore Dollar	DBAB	Buy	6,168,500	4,985,654	4/30/14	—	(96,512)
Euro	BZWS	Sell	91,515	119,354	4/30/14	—	(6,527)
Singapore Dollar	DBAB	Sell	2,560,000	1,997,815	4/30/14	—	(31,236)
Euro	DBAB	Sell	870,275	1,155,395	4/30/14	—	(41,689)
Euro	DBAB	Sell	71,000	93,969	5/05/14	—	(3,694)
Japanese Yen	DBAB	Buy	97,107,500	982,869	5/07/14	—	(60,004)
Japanese Yen	DBAB	Sell	97,107,500	1,000,000	5/07/14	77,135	—
British Pound Sterling	DBAB	Buy	1,217,294	1,879,811	5/09/14	133,943	—
Chilean Peso	DBAB	Buy	574,000,000	1,167,972	5/09/14	—	(90,844)
British Pound Sterling	DBAB	Sell	1,300,000	2,010,190	5/09/14	—	(140,384)
Chilean Peso	DBAB	Sell	260,000,000	492,891	5/09/14	4,993	—
Euro	DBAB	Sell	700,000	918,925	5/09/14	—	(43,953)
Singapore Dollar	DBAB	Buy	3,707,640	3,013,410	5/12/14	—	(74,661)
Euro	DBAB	Sell	212,145	280,583	5/12/14	—	(11,232)
British Pound Sterling	DBAB	Buy	130,318	200,911	5/15/14	14,661	—
British Pound Sterling	DBAB	Sell	130,318	198,930	5/15/14	—	(16,642)
Euro	JPHQ	Sell	201,376	260,361	5/23/14	—	(16,645)
Japanese Yen	DBAB	Sell	50,435,000	500,000	5/28/14	20,619	—
Singapore Dollar	JPHQ	Buy	4,945,200	3,933,816	6/05/14	—	(13,936)
Euro	DBAB	Sell	992	1,291	6/05/14	—	(74)
Japanese Yen	BZWS	Sell	75,370,000	774,486	6/10/14	58,036	—
Japanese Yen	HSBC	Sell	80,270,000	829,818	6/10/14	66,790	—
Japanese Yen	JPHQ	Sell	54,440,000	553,272	6/10/14	35,778	—
Japanese Yen	DBAB	Buy	26,600,000	271,734	6/11/14	—	(18,878)
Japanese Yen	DBAB	Sell	26,600,000	276,807	6/11/14	23,951	—
Japanese Yen	JPHQ	Sell	74,370,000	774,497	6/11/14	67,548	—
Japanese Yen	JPHQ	Sell	31,400,000	332,328	6/17/14	33,832	—
Singapore Dollar	HSBC	Buy	837,000	664,813	6/20/14	—	(1,331)
Euro	DBAB	Sell	320,700	420,454	6/27/14	—	(20,710)
Japanese Yen	BZWS	Buy	396,000,000	4,006,516	6/30/14	—	(241,702)
Japanese Yen	BZWS	Sell	620,288,000	6,375,005	6/30/14	477,862	—
Euro	UBSW	Sell	4,274,000	5,581,117	6/30/14	—	(298,342)
Japanese Yen	DBAB	Sell	97,929,000	1,000,000	7/01/14	68,970	—
British Pound Sterling	DBAB	Sell	297,656	444,222	7/09/14	—	(47,929)
Euro	DBAB	Sell	312,984	404,094	7/10/14	—	(26,469)
Euro	DBAB	Sell	190,862	252,893	7/25/14	—	(9,681)
Euro	BZWS	Sell	1,993,000	2,639,529	7/28/14	—	(102,308)
Euro	CITI	Sell	648,569	858,916	7/28/14	—	(33,342)
British Pound Sterling	DBAB	Sell	169,385	257,905	7/30/14	—	(22,101)
Euro	DBAB	Sell	900,000	1,191,825	8/01/14	—	(46,348)
Euro	JPHQ	Sell	667,276	882,608	8/06/14	—	(35,407)
Euro	CITI	Sell	317,220	422,315	8/08/14	—	(14,108)

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Chilean Peso	BZWS	Buy	743,650,000	$1,382,121	8/11/14	$ 56	$ —
Euro	CITI	Sell	92,411	123,136	8/11/14	—	(4,001)
Chilean Peso	JPHQ	Buy	1,141,336,600	2,148,196	8/20/14	—	(28,803)
Japanese Yen	HSBC	Sell	65,957,000	679,969	8/20/14	52,604	—
Japanese Yen	JPHQ	Sell	47,983,000	493,588	8/20/14	37,187	—
Euro	JPHQ	Sell	3,500,000	4,678,783	8/21/14	—	(136,583)
Japanese Yen	BZWS	Sell	15,895,000	163,934	8/22/14	12,742	—
Euro	BZWS	Sell	704,462	944,395	8/25/14	—	(24,827)
Japanese Yen	CITI	Sell	31,757,000	326,915	8/25/14	24,836	—
Japanese Yen	HSBC	Sell	31,524,000	323,685	8/25/14	23,823	—
Japanese Yen	BZWS	Sell	44,152,000	449,156	8/26/14	29,170	—
Euro	DBAB	Sell	527,245	704,399	8/26/14	—	(21,004)
Japanese Yen	JPHQ	Sell	31,689,000	322,365	8/26/14	20,931	—
Singapore Dollar	DBAB	Buy	940,000	735,352	8/27/14	9,909	—
Japanese Yen	DBAB	Sell	27,184,000	275,420	8/27/14	16,836	—
Japanese Yen	HSBC	Sell	50,145,000	508,122	8/27/14	31,124	—
Japanese Yen	JPHQ	Sell	15,991,000	162,242	8/27/14	10,130	—
Euro	JPHQ	Sell	211,135	281,762	8/27/14	—	(8,726)
Euro	DBAB	Sell	1,174,984	1,568,731	8/28/14	—	(47,863)
Japanese Yen	JPHQ	Sell	15,743,000	162,024	8/29/14	12,268	—
Euro	BZWS	Sell	178,354	238,281	9/19/14	—	(7,120)
Euro	UBSW	Sell	2,137,312	2,856,732	9/22/14	—	(84,065)
Euro	DBAB	Sell	275,651	374,008	9/23/14	—	(5,269)
Euro	BZWS	Sell	469,210	635,198	9/24/14	—	(10,407)
Euro	DBAB	Sell	1,550,000	2,093,074	9/30/14	—	(39,671)
Euro	JPHQ	Sell	2,850,000	3,886,730	10/07/14	—	(34,860)
Euro	DBAB	Sell	185,654	251,914	10/08/14	—	(3,546)
Euro	BZWS	Sell	2,749,000	3,718,627	10/14/14	—	(64,077)
Euro	DBAB	Sell	121,043	163,672	10/15/14	—	(2,887)
Euro	DBAB	Sell	587,951	795,880	10/17/14	—	(13,166)
Malaysian Ringgit	JPHQ	Buy	763,000	235,851	10/20/14	—	(6,593)
Chilean Peso	CITI	Buy	377,668,000	724,891	10/24/14	—	(28,195)
Malaysian Ringgit	DBAB	Buy	6,892,000	2,140,040	10/24/14	—	(69,780)
Malaysian Ringgit	HSBC	Buy	6,809,796	2,103,087	10/24/14	—	(57,520)
Japanese Yen	JPHQ	Sell	270,990,000	2,763,554	10/24/14	184,191	—
Euro	BZWS	Sell	217,715	299,754	10/27/14	159	—
Euro	GSCO	Sell	369,000	509,146	10/29/14	1,366	—
Euro	DBAB	Sell	243,767	329,122	10/30/14	—	(6,327)
Euro	DBAB	Sell	744,524	1,028,195	10/31/14	3,649	—
Euro	BZWS	Sell	529,706	716,374	11/05/14	—	(12,571)
Japanese Yen	JPHQ	Sell	360,360,000	3,678,695	11/05/14	248,181	—
Japanese Yen	DBAB	Sell	245,702,500	2,500,000	11/07/14	160,933	—
Euro	DBAB	Sell	740,000	997,705	11/07/14	—	(20,640)
Euro	JPHQ	Sell	473,670	631,611	11/12/14	—	(20,237)
Euro	DBAB	Sell	800,000	1,076,736	11/14/14	—	(24,203)
Japanese Yen	MSCO	Sell	12,500,000	125,800	11/14/14	6,791	—
Euro	DBAB	Sell	227,970	306,442	11/17/14	—	(7,288)
Malaysian Ringgit	DBAB	Buy	623,200	191,242	11/19/14	—	(4,374)
Euro	DBAB	Sell	63,419	85,419	11/19/14	—	(1,858)
Malaysian Ringgit	HSBC	Buy	376,000	115,479	11/20/14	—	(2,742)
Euro	JPHQ	Sell	1,702,433	2,304,430	11/20/14	—	(38,462)

Statement of Investments, December 31, 2013 *(continued)*

Franklin Strategic Income Securities Fund

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Euro	DBAB	Sell	1,245,000	$1,688,936	12/04/14	$ —	$ (24,517)
Euro	DBAB	Sell	3,400,000	4,645,114	12/09/14	—	(34,274)
Euro	DBAB	Sell	800,000	1,097,800	12/11/14	—	(3,240)
Euro	DBAB	Sell	1,200,000	1,652,520	12/12/14	955	—
Japanese Yen	JPHQ	Sell	187,760,000	1,833,764	12/12/14	45,545	—
Euro	CITI	Sell	3,868,000	5,309,874	12/17/14	—	(13,761)
Euro	DBAB	Sell	486,875	667,993	12/17/14	—	(2,107)
Euro	DBAB	Sell	501,617	689,772	12/18/14	—	(619)
Unrealized appreciation (depreciation)						5,467,485	(6,077,369)
Net unrealized appreciation (depreciation)							$ (609,884)

[a]May be comprised of multiple contracts using the same currency and settlement date.

At December 31, 2013, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

Credit Default Swap Contracts

Description	Counterparty/ Exchange	Notional Amount[a]	Periodic Payment Rate	Expiration Date	Upfront Premiums Paid (Received)	Unrealized Appreciation	Unrealized Depreciation	Market Value	Rating[b]
OTC Swaps									
Contracts to Sell Protection[c]									
Traded Index									
CMBX.NA.AJ.2	FBCO	6,000,000	1.09%	3/15/49	$(832,641)	$216,038	$ —	$(616,603)	Non Investment Grade
MCDX.NA.20	CITI	13,000,000	1.00%	6/20/18	(243,671)	31,262	—	(212,409)	Non Investment Grade
Net unrealized appreciation (depreciation)						$247,300			

[a]In U.S. dollars unless otherwise indicated. For contracts to sell protection, the notional amount is equal to the maximum potential amount of the future payments and no recourse provisions have been entered into in association with the contracts.
[b]Based on Standard and Poor's (S&P) Rating for single name swaps and internal ratings for index swaps. Internal ratings based on mapping into equivalent ratings from external vendors.
[c]The fund enters contracts to sell protection to create a long credit position. Performance triggers include failure to pay or bankruptcy of the underlying securities for traded index swaps.

See Note 10 regarding other derivative information.

See Abbreviations on page FSI-49.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities

December 31, 2013

	Franklin Strategic Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$ 885,055,744
Cost - Sweep Money Fund (Note 7)	87,788,340
Total cost of investments	$ 972,844,084
Value - Unaffiliated issuers	$ 913,806,799
Value - Sweep Money Fund (Note 7)	87,788,340
Total value of investments	1,001,595,139
Cash	598,393
Restricted cash (Note 1e)	50,400
Foreign currency, at value (cost and $7,729,923)	7,735,869
Receivables:	
Investment securities sold	6,347,654
Capital shares sold	281,076
Interest	12,459,008
Due from brokers	3,010,000
Unrealized appreciation on forward exchange contracts	5,467,485
Unrealized appreciation on OTC swap contracts	247,300
Unrealized appreciation on unfunded loan commitments (Note 9)	4,611
Other assets	32
Total assets	1,037,796,967
Liabilities:	
Payables:	
Investment securities purchased	12,687,637
Capital shares redeemed	1,229,563
Management fees	490,893
Distribution fees	152,977
Due to brokers	50,400
OTC Swaps (premiums received $1,104,423)	1,076,312
Unrealized depreciation on forward exchange contracts	6,077,369
Deferred tax	11,129
Accrued expenses and other liabilities	250,568
Total liabilities	22,026,848
Net assets, at value	$1,015,770,119
Net assets consist of:	
Paid-in capital	$ 918,320,098
Undistributed net investment income	50,393,655
Net unrealized appreciation (depreciation)	28,472,814
Accumulated net realized gain (loss)	18,583,552
Net assets, at value	$1,015,770,119

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*
December 31, 2013

	Franklin Strategic Income Securities Fund
Class 1:	
Net assets, at value	$705,493,101
Shares outstanding	55,803,693
Net asset value and maximum offering price per share	$ 12.64
Class 2:	
Net assets, at value	$175,306,946
Shares outstanding	14,252,287
Net asset value and maximum offering price per share	$ 12.30
Class 4:	
Net assets, at value	$134,970,072
Shares outstanding	10,786,004
Net asset value and maximum offering price per share	$ 12.51

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 year ended December 31, 2013

	Franklin Strategic Income Securities Fund
Investment income:	
Dividends	$ 61,311
Interest	62,431,314
Total investment income	62,492,625
Expenses:	
Management fees (Note 3a)	5,775,493
Administrative fees (Note 3b)	889,691
Distribution fees: (Note 3c)	
Class 2	425,624
Class 4	597,536
Unaffiliated transfer agent fees	273
Custodian fees (Note 4)	194,855
Reports to shareholders	189,635
Registration and filing fees	1,357
Professional fees	79,050
Trustees' fees and expenses	5,245
Other	96,506
Total expenses	8,255,265
Expense reductions (Note 4)	(822)
Net expenses	8,254,443
Net investment income	54,238,182
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	19,771,356
Foreign currency transactions	1,396,950
Swap contracts	852,627
Net realized gain (loss)	22,020,933
Net change in unrealized appreciation (depreciation) on:	
Investments	(36,683,141)
Translation of other assets and liabilities denominated in foreign currencies	(1,506,950)
Change in deferred taxes on unrealized appreciation	198,274
Net change in unrealized appreciation (depreciation)	(37,991,817)
Net realized and unrealized gain (loss)	(15,970,884)
Net increase (decrease) in net assets resulting from operations	$ 38,267,298

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Strategic Income Securities Fund	
	Year Ended December 31,	
	2013	2012
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 54,238,182	$ 68,402,114
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	22,020,933	28,045,425
Net change in unrealized appreciation (depreciation) on investments, translation of other assets and liabilities denominated in foreign currencies and deferred taxes	(37,991,817)	71,828,011
Net increase (decrease) in net assets resulting from operations	38,267,298	168,275,550
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class 1	(54,987,119)	(72,486,947)
Class 2	(10,246,664)	(9,567,293)
Class 4	(10,775,092)	(13,446,008)
Net realized gains:		
Class 1	(11,433,439)	(1,182,191)
Class 2	(2,203,428)	(160,795)
Class 4	(2,384,488)	(230,338)
Total distributions to shareholders	(92,030,230)	(97,073,572)
Capital share transactions: (Note 2)		
Class 1	(275,817,937)	(78,499,832)
Class 2	23,867,593	27,715,617
Class 4	(52,983,286)	(2,176,836)
Total capital share transactions	(304,933,630)	(52,961,051)
Net increase (decrease) in net assets	(358,696,562)	18,240,927
Net assets:		
Beginning of year	1,374,466,681	1,356,225,754
End of year	$1,015,770,119	$1,374,466,681
Undistributed net investment income included in net assets:		
End of year	$ 50,393,655	$ 68,571,868

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

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

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 December 31, 2013, 83.74% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. 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. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. 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 as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. 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 NYSE close 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 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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 OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. 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.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral terms are contract specific for OTC derivatives. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from $100,000 to $250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of fund business each day and any additional collateral required due to changes in derivative values may be delivered by the fund or the counterparty within a few business days. Collateral pledged and/or received by the fund, if any, is held in segregated accounts with the fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives.

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 at a specific exchange rate on a future date.

The Fund entered into credit default swap contracts primarily to manage 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. These agreements may be privately negotiated in the over-the-counter market ("OTC credit default swaps") or may be executed in a multilateral trade facility platform, such as a registered exchange ("centrally cleared credit default swaps"). 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Derivative Financial Instruments (continued)

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. For centrally cleared credit default swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable on the Statement of Assets and Liabilities. 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.

See Note 10 regarding other derivative information.

e. Restricted Cash

At December 31, 2013, the Fund received restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian and is reflected in the Statement of Assets and Liabilities.

f. Loan Participation Notes

The Fund invests in loan participation notes ("Participations"). Participations are loans originally issued to a borrower by one or more financial institutions (the "Lender") and subsequently sold to other investors, such as the Fund. Participations typically result in the Fund having a contractual relationship only with the Lender and not with the borrower. The Fund has the right to receive from the Lender any payments of principal, interest and fees which the Lender received from the borrower. The Fund generally has no rights to either enforce compliance by the borrower with the terms of the loan agreement or to any collateral relating to the original loan. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. The Participations may also involve interest rate risk and liquidity risk, including the potential default or insolvency of the borrower and/or the Lender.

g. FT Holdings Corporation III (FT Subsidiary)

The Fund invests in certain financial instruments through its investment in the FT Subsidiary. The FT Subsidiary is a Delaware Corporation, is a wholly-owned subsidiary of the Fund, and is able to invest in certain financial instruments consistent with the investment objective of the Fund. At December 31, 2013, the FT Subsidiary's investment, Turtle Bay Resort, as well as any other assets and liabilities of the FT Subsidiary are reflected in the Fund's Statement of Investments and Statement of Assets and Liabilities. The financial statements have been consolidated and include the accounts of the Fund and the FT Subsidiary. All intercompany transactions and balances have been eliminated.

h. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a to-be-announced 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 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Mortgage Dollar Rolls (continued)

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.

i. 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 certain restrictions on resale.

j. 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 December 31, 2013, 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.

k. 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.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements *(continued)*

Franklin Strategic Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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.

l. 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.

m. 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 December 31, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2013		2012	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	782,903	$ 10,091,023	3,209,922	$ 41,235,226
Shares issued in reinvestment of distributions	5,373,832	66,420,558	6,063,304	73,669,138
Shares redeemed	(27,765,536)	(352,329,518)	(14,997,522)	(193,404,196)
Net increase (decrease)	(21,608,801)	$(275,817,937)	(5,724,296)	$ (78,499,832)
Class 2 Shares:				
Shares sold	4,461,765	$ 56,022,684	3,441,994	$ 43,341,865
Shares issued in reinvestment of distributions	1,034,061	12,450,092	819,552	9,728,087
Shares redeemed	(3,579,730)	(44,605,183)	(2,012,180)	(25,354,335)
Net increase (decrease)	1,916,096	$ 23,867,593	2,249,366	$ 27,715,617
Class 4 Shares:				
Shares sold	930,235	$ 11,782,444	1,353,603	$ 17,206,420
Shares issued on reinvestment of distributions	1,074,251	13,159,580	1,134,025	13,676,347
Shares redeemed	(6,283,838)	(77,925,310)	(2,599,542)	(33,059,603)
Net increase (decrease)	(4,279,352)	$ (52,983,286)	(111,914)	$ (2,176,836)

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements *(continued)*

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
0.625%	Up to and including $500 million
0.525%	Over $500 million, up to and including $1 billion
0.480%	Over $1 billion, up to and including $1.5 billion
0.435%	Over $1.5 billion, up to and including $6.5 billion
0.415%	Over $6.5 billion, up to and including $11.5 billion
0.400%	Over $11.5 billion, up to and including $16.5 billion
0.390%	Over $16.5 billion, up to and including $19 billion
0.380%	Over $19 billion, up to and including $21.5 billion
0.370%	In excess of $21.5 billion

Effective May 1, 2013, the Fund combined its investment management and administration agreements as approved by the Board. The fees paid under the combined agreement do not exceed the aggregate fees that were paid under the separate agreements.

Prior to May 1, 2013, the Fund paid fees 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

Effective May 1, 2013, under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the average daily net assets, and is not an additional expense of the Fund.

Prior to May 1, 2013, the Fund paid administrative fees to FT Services of 0.20% per year of the average daily net assets of the Fund.

3. TRANSACTIONS WITH AFFILIATES (continued)

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. Some distribution fees are not charged on shares held by affiliates.

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 year ended December 31, 2013, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

The tax character of distributions paid during the years ended December 31, 2013 and 2012, was as follows:

	2013	2012
Distributions paid from:		
Ordinary income	$79,686,221	$95,500,248
Long term capital gain	12,344,009	1,573,324
	$92,030,230	$97,073,572

At December 31, 2013, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	$976,533,231
Unrealized appreciation	$ 42,642,179
Unrealized depreciation	(17,580,271)
Net unrealized appreciation (depreciation)	$ 25,061,908
Undistributed ordinary income	$ 55,929,395
Undistributed long term capital gains	17,502,629
Distributable earnings	$ 73,432,024

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of paydown losses, bond discounts and premiums and tax straddles.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2013, aggregated $511,601,048 and $817,698,989, respectively.

Notes to Financial Statements *(continued)*

Franklin Strategic Income Securities Fund

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 December 31, 2013, the Fund had 51.61% of its portfolio invested in high yield securities, 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 a defaulted security and/or other securities for which the income has been deemed uncollectible. At December 31, 2013, the value of this security represents less than 0.05% 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 security has 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 December 31, 2013, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Patriot Coal Corp., Reimbursement Obligation, 9.50%, 1/17/14	$285,464

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 December 31, 2013 the Fund's investments in derivative contracts 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	$5,467,485	Unrealized depreciation on forward exchange contracts	$6,077,369
Credit contracts	Unrealized appreciation on OTC swap contracts	247,300	Unrealized depreciation on OTC swap contracts	—

Franklin Strategic Income Securities Fund

10. OTHER DERIVATIVE INFORMATION (continued)

For the period ended December 31, 2013 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 Year	Change in Unrealized Appreciation (Depreciation) for the Year
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	$2,250,891	($1,478,379)
Credit contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	852,627	240,077

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

	Gross and Net Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities	
	Assets[a]	Liabilities[a]
Derivatives		
Forward exchange contracts	$5,467,485	$6,077,369
Swap Contracts	247,300	1,076,312
Total	$5,714,785	$7,153,681

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

At December 31, 2013 the Fund's OTC derivative assets which may be offset against the Fund's derivative liabilities, and collateral received from the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets & Liabilities			
	Gross and Net Amounts of Assets Presented in the Statement of Assets & Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received[a,b]	Cash Collateral Received[b]	Net Amount (Not less than zero)
Counterparty					
BZWS	$ 707,006	$ (707,006)	$ —	$—	$ —
CITI	231,153	(231,153)	—	—	
DBAB	1,375,453	(1,375,453)	—	—	—
FBCO	216,038	(216,038)	—	—	—
GSCO	56,478	—	—	—	56,478
HSBC	840,027	(87,000)	(691,773)	—	61,254
JPHQ	1,051,930	(713,620)	(338,310)	—	—
MSCO	6,791	(6,791)	—	—	—
UBSW	1,229,909	(1,017,616)	(120,002)	—	92,291
Total	$5,714,785	$(4,354,677)	$(1,150,085)	$—	$210,023

[a]At December 31, 2013 the Fund received United Kingdom Treasury Bonds and Notes and U.S. Treasury Bonds and Notes as collateral for derivatives.

10. OTHER DERIVATIVE INFORMATION (continued)

[b]In some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit the collateral amounts to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

At December 31, 2013 the Fund's OTC derivative liabilities which may be offset against the Fund's derivative assets, and collateral pledged to the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets & Liabilities			
	Gross and Net Amounts of Liabilities Presented in the Statement of Assets & Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged[a]	Net Amount (Not less than zero)
Counterparty					
BZWS	$ 928,166	$ (707,006)	$—	$ (221,160)	$ —
CITI	337,078	(231,153)	—	(105,925)	—
DBAB	3,202,961	(1,375,453)	—	(1,740,000)	87,508
FBCO	832,641	(216,038)	—	(616,603)	—
GSCO	—	—	—	—	—
HSBC	87,000	(87,000)	—	—	—
JPHQ	713,620	(713,620)	—	—	—
MSCO	34,599	(6,791)	—	—	27,808
UBSW	1,017,616	(1,017,616)	—	—	—
Total	$7,153,681	$(4,354,677)	$—	$(2,683,688)	$115,316

[a]In some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit the collateral amounts to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

For the year ended December 31, 2013 the average month end fair value of derivatives represented 0.94% of average month end net assets. The average month end number of open derivative contracts for the year was 233.

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, after an extension of the original terms, matured on February 14, 2014. 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. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on January 16, 2015.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2013, the Fund did not use the Global Credit Facility.

Notes to Financial Statements *(continued)*

Franklin Strategic Income 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 input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

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 December 31, 2013, 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 Services	$ —	$ 1,749,333	$ —	$ 1,749,333
Energy	—	92,096	—	92,096
Materials	—	900,000	—	900,000
Transportation	—	682,100	—	682,100
Other Equity Investments[b]	668,500	—	—[c]	668,500
Corporate Bonds	—	403,698,100	—	403,698,100
Senior Floating Rate Interests	—	121,046,862	178,471[c]	121,225,333
Foreign Government and Agency Securities	—	189,812,024	—	189,812,024
U.S. Government and Agency Securities	—	21,275,865	—	21,275,865
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	41,348,170	—	41,348,170
Mortgage-Backed Securities	—	44,636,263	—	44,636,263
Municipal Bonds	—	56,733,001	—	56,733,001
Short Term Investments	87,788,340	30,986,014	—	118,774,354
Total Investments in Securities	$88,456,840	$912,959,828	$178,471	$1,001,595,139
Forward Exchange Contracts	—	5,467,485	—	5,467,485
Unfunded Loan Commitments	—	4,611	—	4,611
Swaps	—	247,300	—	247,300
Liabilities:				
Forward Exchange Contracts	—	6,077,369	—	6,077,369

[a]Includes common, preferred, and convertible preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.
[c]Includes securities determined to have no value at December 31, 2013.

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 June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. Management has reveiwed the requirements and believes the adoption of this ASU will not have a material impact on the 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 other than those already disclosed in the financial statements.

ABBREVIATIONS

Counterparty

BZWS - Barclays Bank PLC
CITI - Citigroup, Inc.
DBAB - Deutsche Bank AG
FBCO - Credit Suisse Group AG
GSCO - The Goldman Sachs Group, Inc.
HSBC - HSBC Bank USA, N.A.
JPHQ - JP Morgan Chase & Co.
MSCO - Morgan Stanley
UBSW - UBS AG

Currency

BRL - Brazilian Real
CAD - Canadian Dollar
EUR - Euro
GBP - British Pound
HUF - Hungarian Forint
IDR - Indonesian Rupiah
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
EDA - Economic Development Authority
FGIC - Financial Guaranty Insurance Co.
FICO - Financing Corp.
FRN - Floating Rate Note
GO - General Obligation
HDC - Housing Development Corp.
ISD - Independent School District
L/C - Letter of Credit
NATL - National Public Financial Guarantee Corp.
NATL RE - National Public Financial Guarantee Corp. Reinsured
PIK - Payment-In-Kind
PSF - Permanent School Fund
SF - Single Family

Franklin Templeton Variable Insurance Products Trust

Franklin Strategic Income Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Strategic Income Securities Fund (the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 14, 2014

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Franklin Strategic Income Securities Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than $12,344,009 as a long term capital gain dividend for the fiscal year ended December 31, 2013.

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The indexes are unmanaged and include reinvested distributions.

Russell® is a trademark and Russell™ is a servicemark of the Frank Russell Company.

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 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.

Dow Jones-UBS Commodity Index is a broadly diversified index designed to allow investors to track commodity futures through a single, simple measure. The index reflects the return on fully collateralized positions in the underlying futures contracts on physical commodities, which are reweighted and rebalanced annually on a price-percentage basis. The Dow Jones-UBS Commodity Indices℠ are a joint product of DJI Opco, LLC, a subsidiary of S&P Dow Jones Indices LLC, and UBS Securities LLC ("UBS") and have been licensed for use to S&P Opco, LLC and Franklin Templeton Companies, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC, Dow Jones® and DJ are registered trademarks of Dow Jones Trademark Holdings LLC, and "UBS" is a registered trademark of UBS AG. All content of the Dow Jones-UBS Commodity Indices℠ © S&P Dow Jones Indices LLC and UBS and their respective affiliates 2014. Reproduction of Dow Jones-UBS Commodity Indices℠ in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions, regardless of the cause or for the results obtained from the use of such information. S&P DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any direct, indirect, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with subscriber's or others' use of Dow Jones-UBS Commodity Indices℠.

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 12-month period ended 12/31/13, there were 226 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 12-month period ended 12/31/13, there were 66 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 12-month period ended 12/31/13, there were 50 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12-month period ended 12/31/13, there were 110 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 World Index (ACWI) 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.

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.

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Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupation during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	141	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and **formerly,** Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	114	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products)(1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and **formerly,** Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	141	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of Executive Council, The Boeing Company (aerospace company); and **formerly,** Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas) (1998-2013).
Principal Occupation During at Least the Past 5 Years: Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and **formerly,** Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (until 1987).				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	141	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (July 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	114	None

Principal Occupation During at Least the Past 5 Years:
President, Staples Europe (office supplies) (2012); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly,** Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Gregory E. Johnson** (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since June 2013	152	None

Principal Occupation During at Least the Past 5 Years:
Chairman of the Board, Member – Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Chairman, Investment Company Institute.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Rupert H. Johnson, Jr.** (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since June 2013 and Trustee since 1988	141	None

Principal Occupation During at Least the Past 5 Years:
Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Global Compliance Monitoring; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since March 2013	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since March 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective June 13, 2013, Charles B. Johnson ceased to be a trustee of the Fund.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) 321-8563 or their insurance companies to request the SAI.

Franklin Templeton Variable Insurance Products Trust

Shareholder Information

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.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME

FRANKLIN TEMPLETON INVESTMENTS

< GAIN FROM OUR PERSPECTIVE® >

Annual 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.

VIP A 02/14

DECEMBER 31, 2013

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report Table of Contents

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.

We are pleased to bring you Templeton Growth Securities Fund's annual report for the fiscal year ended December 31, 2013.

Templeton Growth Securities Fund – Class 2

Performance Summary as of 12/31/13

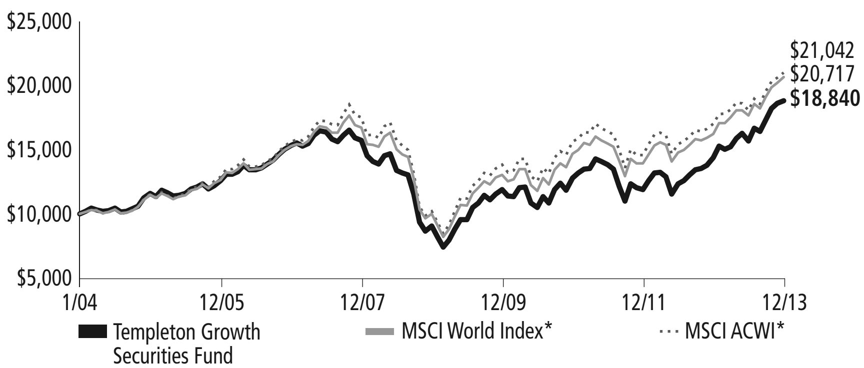
Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/13	1-Year	5-Year	10-Year
Average Annual Total Return	+30.82%	+15.71%	+6.54%

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/04–12/31/13)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the MSCI World Index and the MSCI All Country World Index (ACWI). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



*Source: © 2014 Morningstar. Please see Index Descriptions following the Fund Summaries.

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. 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 that 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 predominantly 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 one-year total return in the Performance Summary. For comparison, the Fund's benchmarks, the MSCI ACWI and the MSCI World Index, had total returns of +23.44% and +27.36% for the period under review.[1]

Economic and Market Overview

The 12 months under review were characterized by reinvigorated policy support and an economic recovery in developed markets. However, differences in global economic trends corresponded with increasingly divergent monetary policies, and growth in emerging market economies tended to slow. The central banks of key developed markets generally reaffirmed their accommodative monetary stances while some emerging market counterparts tightened policy rates as they sought to control inflation and currency depreciation.

In the U.S., economic growth and employment trends generally exceeded expectations. The U.S. Federal Reserve Board (Fed) expanded its asset purchase program to $85 billion per month from $40 billion early in the year. After encouraging economic and employment reports, the Fed announced in December it would reduce its monthly bond purchases by $10 billion beginning in January 2014; however, the Fed committed to keeping interest rates low. In October, the federal government temporarily shut down after Congress failed to authorize routine federal funding amid a disagreement over a new health care law. However, Congress subsequently agreed to fund the government through early 2014 and later passed a two-year budget deal that could ease automatic spending cuts and lower the risk of another shutdown.

Outside the U.S., the eurozone emerged from its longest recession on record during 2013's second half and Japan's growth moderated. The European Central Bank reduced its policy rate to a record low and pledged to maintain systemic support following political turmoil in Greece, Spain, Portugal and Italy. Germany's re-election of Chancellor

1. Source: © 2014 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.

Angela Merkel was largely perceived as a vote of support for ongoing eurozone reform measures. In Asia, the Bank of Japan set an explicit inflation target and pledged to double bond purchases in an unprecedented wave of policy reform. The U.S. dollar fell versus the euro but rose versus the Japanese yen in 2013.

Growth in many emerging markets moderated based on lower domestic demand, falling exports and weakening commodity prices. Political turmoil in certain emerging markets, the Fed's potential tapering of its asset purchase program and the Chinese central bank's effort to tighten liquidity to curb real estate and credit speculation led to a sell-off in emerging market equities and a sharp depreciation in regional currencies against the U.S. dollar. Central banks in Brazil, India and Indonesia raised interest rates in the second half of 2013 as they sought to curb inflation.

The stock market rally in developed markets accelerated during 2013 amid redoubled central bank commitments, continued corporate earnings strength and increasing signs of economic progress. Emerging market stocks rebounded toward period-end, although Latin American stocks trailed their emerging market peers. Oil prices rallied in the third quarter and rose for the year mainly owing to supply concerns related to geopolitical turmoil, but gold posted its largest annual price decline in more than three decades. Increasingly divergent economic and political circumstances during the period resulted in declining market correlations, which many bottom-up investors perceived as more favorable.

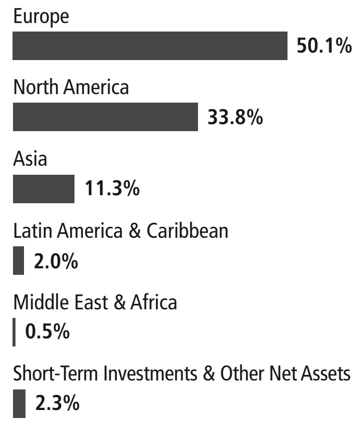
Investment Strategy

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

The year 2013 brought progress to financial markets and the global economy as stabilization for key financial institutions and declining equity correlations allowed investors to refocus on fundamentals, benefiting bottom-up stock pickers like us.

Geographic Breakdown
Templeton Growth Securities Fund
Based on Total Net Assets as of 12/31/13



All of the Fund's major stock sectors and most regional positions delivered double-digit returns. The Fund performed better than its benchmarks during the review period. Encouragingly for us as bottom-up investors, stock selection helped drive performance relative to the MSCI ACWI as market conditions seemed to us to permit value recognition at the stock level following a prolonged period of high stock correlations. Also encouraging to us was the fact that many of the Fund's highest conviction, long-term holdings aided results.

Financials was a top sector contributor, particularly in Europe, where in recent years we acquired positions in out-of-favor banks and insurers amid extreme investor pessimism.[2] For example, French insurer AXA was a leading contributor as its share price reached a post-financial crisis high. In our view, AXA management's focus on margin expansion helped drive cash flow improvements and kept the company on track to meet operating targets. AXA managed its balance sheet and peripheral debt exposure well during the financial crisis and recently benefited from robust earnings momentum created during that uncertain economic environment. Although our European financials stocks rallied from historically low valuations, they continued to trade at significant discounts to their global peers and the broader European market. To us, European financials offered further upside potential as restructuring continued amid an improving economic outlook. Our financials positions also included well-capitalized U.S. and Asian banks with what we viewed as competitive advantages across domestic and international markets.

Economically sensitive industrials holdings also benefited from strategic initiatives and a stabilizing global economy.[3] European airlines were leading sector contributors, including International Consolidated Airlines Group (IAG). The U.K.-based airline conglomerate's share price reached a six-year high and earnings rose as the parent company of British Airways cut costs, rationalized capacity and benefited from recovering air passenger traffic. We believe IAG made significant strides in improving labor relations at its Iberia unit, in completing the acquisition of profitable, low-cost airline Vueling, and in meeting its medium-term operating targets. Although we remained optimistic given the stock's discount to our projection of IAG's long-term business value, we

2. The financials sector comprises capital markets, commercial banks, consumer finance, diversified financial services and insurance in the SOI.
3. The industrials sector comprises aerospace and defense, air freight and logistics, airlines, commercial services and supplies, construction and engineering, electrical equipment, industrial conglomerates, machinery, professional services, and trading companies and distributors in the SOI.

reduced exposure to realize significant gains after the stock price doubled in value in 2013. Dutch staffing firm Randstad Holding, another top industrials sector holding, rallied after strong operating results attested to many investors the company's ability to preserve profitability despite continued labor market tightness.

Health care was a long-standing overweighting that bolstered relative performance, led by Swiss biotechnology specialist Roche Holding.[4] Roche's share price rose to a record level after the company reported higher oncology sales, and we think investors appeared to recognize the depth we see in Roche's product pipeline. In our opinion, shares remained undervalued given Roche's stable outlook, rising margins and strong free cash-flow generation. The company returned much of the cash flow to shareholders as dividends. We continued to find a number of biotechnology stocks like Roche with what we viewed as undervalued growth prospects to complement our more mature pharmaceuticals holdings. In our view, major pharmaceuticals firms still offered opportunities, but have become more fully valued in recent quarters; consistent with our investment thesis in the sector, cost cutting, productivity improvements and strategic mergers and acquisitions have helped big pharmaceutical firms survive the much-feared patent cliffs.

Below-benchmark allocations and stock selection in the materials and consumer staples sectors also contributed to relative performance.[5] Our caution in the sectors was rewarded as what we viewed as expensive materials stocks with dubious fundamentals and consumer staples stocks facing margin pressures trailed broader market gains. We found what we believe to be more attractive opportunities in the consumer discretionary sector as concerns tempered consumer spending expectations.[6] In our view, this uncertainty allowed us to buy valuable brands at discounted prices. Japanese automaker Mazda Motor was a leading sector performer as its share price rose to its highest level since 2009 after yen weakness boosted sales, helping the firm earn its first annual profit in five years. Elsewhere in the sector, we continued to incrementally reduce exposure as what we viewed as lofty valuations allowed us to realize gains on certain contrarian investments made during periods of extreme economic pessimism.

4. The health care sector comprises biotechnology, life sciences tools and services, and pharmaceuticals in the SOI.
5. The materials sector comprises chemicals, construction materials, and metals and mining in the SOI. The consumer staples sector comprises food and staples retailing in the SOI.
6. The consumer discretionary sector comprises auto components, automobiles, media, multiline retail and specialty retail in the SOI.

Top 10 Holdings
Templeton Growth Securities Fund
12/31/13

Company *Sector/Industry, Country*	% of Total Net Assets
Microsoft Corp. *Software, U.S.*	1.9%
Samsung Electronics Co. Ltd. *Semiconductors & Semiconductor Equipment, South Korea*	1.9%
Citigroup Inc. *Diversified Financial Services, U.S.*	1.9%
BNP Paribas SA *Commercial Banks, France*	1.8%
Total SA, B *Oil, Gas & Consumable Fuels, France*	1.8%
Sanofi *Pharmaceuticals, France*	1.7%
Baker Hughes Inc. *Energy Equipment & Services, U.S.*	1.7%
Roche Holding AG *Pharmaceuticals, Switzerland*	1.7%
Deutsche Lufthansa AG *Airlines, Germany*	1.6%
Pfizer Inc. *Pharmaceuticals, U.S.*	1.6%

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).

The Fund's information technology (IT) and telecommunication services holdings supported relative performance.[7] In the IT sector, U.S. PC manufacturer Hewlett-Packard's shares rallied as restructuring initiatives began to positively impact operating results. In contrast, South Korean semiconductor and consumer electronics manufacturer Samsung Electronics was a major detractor, declining amid currency depreciation and concerns about the sustainability of handset margins. We continued to hold Samsung despite weak stock performance during the period. Based on our analysis, the company had a reasonable valuation, self-funding cash position and market leadership across highly profitable business lines. In telecommunication services, U.K. mobile telephone operator Vodafone Group's share price surged after the company divested its stake in U.S. wireless firm Verizon Wireless for $130 billion. However, Turkish mobile telephone operator Turkcell Iletisim Hizmetleri notably detracted from performance as a shareholder dispute and regional political turmoil weighed on the stock. Tuckcell's valuation remained very attractive to us and we identified potential value catalysts, including a more rational Turkish pricing environment and the potential for Turkcell to deploy cash to increase dividends once the shareholder dispute is resolved.

Although stock selection for energy stocks drove sector performance, Brazilian oil multinational Petroleo Brasileiro's (Petrobras) share price retreated after the Brazilian government failed to specify details for phasing out a domestic fuel subsidy that has weighed on earnings and increased debt at the state-controlled company.[8] We continued to view the price subsidy as a temporary headwind and believed that Petrobras neared an inflection point at which the value of its significant exploration and production assets might finally be unlocked. More broadly, our analysis indicated depressed energy sector valuations might understate the long-term cash-flow and shareholder return potential of oil companies with falling capital expenditures and improving production prospects. In addition to finding certain major oil companies, we found what we believed were attractively valued opportunities among oil services firms that could benefit from increased shale gas activity and an improving supply-and-demand balance in major pressure-pumping markets.

7. The IT sector comprises communications equipment; computers and peripherals; electronic equipment, instruments and components; semiconductors and semiconductor equipment; and software in the SOI. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the SOI.
8. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.

From a regional standpoint, stock selection in Europe helped drive performance. We identified many of our European investments during periods of deep pessimism, and we believe our valuation discipline during the European debt crisis served the Fund well. Fundamental improvements we previously anticipated came to fruition during the review period. With valuations still selectively attractive to us, we believe further upside potential exists. From our perspective, policymakers remained committed to growth and stability, fiscal tightening lessened and the ECB's balance sheet returned to near pre-crisis levels, attesting to the continued normalization of financial conditions. Rising domestic demand, improving competitiveness and a current account surplus in peripheral countries helped the eurozone exit its worst recession on record. Even after these notable improvements, eurozone companies overall traded at a material discount relative to their historical valuation average and U.S. peers. Profit margins also remained significantly below those of many U.S. companies, although operating leverage in Europe is considerably greater, further enhancing the potential positive impact of revenue recovery on European corporate profitability. Although the Fund's U.S. holdings contributed to performance, the Fund's underweighting in the U.S. weighed on relative results.

Although considerable risks remained, European companies with globally diversified revenues remained attractive to us as earnings recover over the long term. We had less geographical conviction outside of Europe as regions progressed with reform and recovery at different levels. In our view, this healthy divergence of global economic and financial conditions, combined with a more even overall valuation environment, could continue to favor discerning investors capable of uncovering individual values at the bottom-up level.

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 December 31, 2013, 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, redemption fees, 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 level. 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 7/1/13	Ending Account Value 12/31/13	Fund-Level Expenses Incurred During Period* 7/1/13–12/31/13
Actual	$1,000	$1,200.20	$5.71
Hypothetical (5% return before expenses)	$1,000	$1,020.01	$5.24

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.03%), 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 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Templeton Growth Securities Fund

	Year Ended December 31,				
Class 1	**2013**	**2012**	**2011**	**2010**	**2009**
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.16	$ 10.27	$ 11.19	$ 10.56	$ 8.34
Income from investment operations[a]:					
Net investment income[b]	0.22	0.27	0.25	0.17	0.17
Net realized and unrealized gains (losses)	3.49	1.88	(0.99)	0.62	2.36
Total from investment operations	3.71	2.15	(0.74)	0.79	2.53
Less distributions from net investment income	(0.40)	(0.26)	(0.18)	(0.16)	(0.31)
Net asset value, end of year	$ 15.47	$ 12.16	$ 10.27	$ 11.19	$ 10.56
Total return[c]	31.05%	21.40%	(6.80)%	7.74%	31.33%
Ratios to average net assets					
Expenses[d]	0.78%	0.78%	0.78%	0.77%	0.79%
Net investment income	1.62%	2.31%	2.22%	1.71%	2.00%
Supplemental data					
Net assets, end of year (000's)	$588,409	$476,954	$1,200,682	$1,348,622	$824,575
Portfolio turnover rate	11.60%	18.73%[e]	42.13%[e]	9.61%	14.95%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]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	Year Ended December 31, 2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.97	$ 10.11	$ 11.01	$ 10.40	$ 8.20
Income from investment operations[a]:					
Net investment income[b]	0.19	0.21	0.21	0.15	0.16
Net realized and unrealized gains (losses)	3.44	1.88	(0.96)	0.60	2.32
Total from investment operations	3.63	2.09	(0.75)	0.75	2.48
Less distributions from net investment income	(0.37)	(0.23)	(0.15)	(0.14)	(0.28)
Net asset value, end of year	$ 15.23	$ 11.97	$ 10.11	$ 11.01	$ 10.40
Total return[c]	30.82%	21.07%	(6.97)%	7.39%	31.10%
Ratios to average net assets					
Expenses[d]	1.03%	1.03%	1.03%	1.02%	1.04%
Net investment income	1.37%	2.06%	1.97%	1.46%	1.75%
Supplemental data					
Net assets, end of year (000's)	$1,450,304	$1,352,554	$1,254,193	$1,626,885	$1,718,894
Portfolio turnover rate	11.60%	18.73%[e]	42.13%[e]	9.61%	14.95%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]Excludes the value of portfolio securities delivered as a result of redemption in-kind.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Templeton Growth Securities Fund

Class 4	Year Ended December 31, 2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.07	$ 10.19	$ 11.11	$ 10.50	$ 8.31
Income from investment operations[a]:					
Net investment income[b]	0.17	0.20	0.20	0.14	0.14
Net realized and unrealized gains (losses)	3.47	1.90	(0.98)	0.61	2.36
Total from investment operations	3.64	2.10	(0.78)	0.75	2.50
Less distributions from net investment income	(0.36)	(0.22)	(0.14)	(0.14)	(0.31)
Net asset value, end of year	$ 15.35	$ 12.07	$ 10.19	$ 11.11	$ 10.50
Total return[c]	30.64%	21.02%	(7.14)%	7.31%	30.98%
Ratios to average net assets					
Expenses[d]	1.13%	1.13%	1.13%	1.12%	1.14%
Net investment income	1.27%	1.96%	1.87%	1.36%	1.65%
Supplemental data					
Net assets, end of year (000's)	$ 72,683	$ 67,158	$ 56,170	$60,569	$ 56,218
Portfolio turnover rate	11.60%	18.73%[e]	42.13%[e]	9.61%	14.95%

[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.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]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

Statement of Investments, December 31, 2013

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks 95.7%			
Aerospace & Defense 0.6%			
BAE Systems PLC	United Kingdom	1,730,147	$ 12,455,372
Air Freight & Logistics 2.2%			
FedEx Corp.	United States	100,270	14,415,818
TNT Express NV	Netherlands	646,272	5,998,615
[a]TNT Express NV, 144A	Netherlands	441,000	4,093,306
United Parcel Service Inc., B	United States	213,890	22,475,561
			46,983,300
Airlines 3.0%			
[b]Deutsche Lufthansa AG	Germany	1,609,064	34,128,584
[b]International Consolidated Airlines Group SA	United Kingdom	4,391,327	29,180,924
			63,309,508
Auto Components 1.2%			
Cie Generale des Etablissements Michelin, B	France	237,229	25,207,329
Automobiles 2.4%			
[b]Mazda Motor Corp.	Japan	2,351,180	12,146,647
Nissan Motor Co. Ltd.	Japan	2,342,720	19,667,279
Toyota Motor Corp.	Japan	312,490	19,052,097
			50,866,023
Biotechnology 1.5%			
Amgen Inc.	United States	272,230	31,077,777
Capital Markets 2.9%			
Credit Suisse Group AG	Switzerland	1,026,980	31,394,815
Morgan Stanley	United States	985,150	30,894,304
			62,289,119
Chemicals 1.5%			
Akzo Nobel NV	Netherlands	397,282	30,787,633
Commercial Banks 10.1%			
BNP Paribas SA	France	501,247	39,058,204
[b]Commerzbank AG	Germany	875,260	14,097,904
[b]Credit Agricole SA	France	2,131,406	27,279,923
DBS Group Holdings Ltd.	Singapore	932,690	12,639,879
HSBC Holdings PLC	United Kingdom	1,913,864	20,769,201
ICICI Bank Ltd., ADR	India	261,909	9,735,158
Intesa Sanpaolo SpA	Italy	7,041,594	17,376,167
KB Financial Group Inc.	South Korea	657,984	26,332,448
SunTrust Banks Inc.	United States	478,520	17,614,321
UniCredit SpA	Italy	3,979,321	29,447,730
			214,350,935
Commercial Services & Supplies 0.2%			
Serco Group PLC	United Kingdom	587,700	4,871,701
Communications Equipment 3.5%			
[b]Brocade Communications Systems Inc.	United States	2,133,070	18,920,331
Cisco Systems Inc.	United States	1,266,680	28,436,966
Ericsson, B	Sweden	2,161,202	26,373,125
			73,730,422
Computers & Peripherals 1.4%			
Hewlett-Packard Co.	United States	1,036,700	29,006,866

Statement of Investments, December 31, 2013 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Construction & Engineering 0.6%			
Carillion PLC	United Kingdom	506,846	$ 2,773,002
FLSmidth & Co. AS	Denmark	196,370	10,720,768
			13,493,770
Construction Materials 1.5%			
CRH PLC	Ireland	1,277,393	32,154,088
Diversified Financial Services 4.4%			
Citigroup Inc.	United States	770,990	40,176,289
[b]ING Groep NV, IDR	Netherlands	1,899,376	26,387,174
JPMorgan Chase & Co.	United States	440,760	25,775,645
			92,339,108
Diversified Telecommunication Services 3.4%			
China Telecom Corp. Ltd., ADR	China	179,195	9,061,891
Singapore Telecommunications Ltd.	Singapore	7,063,710	20,489,126
Telefonica SA	Spain	1,371,960	22,334,194
Vivendi SA	France	739,654	19,488,182
			71,373,393
Electrical Equipment 1.3%			
Alstom SA	France	600,827	21,879,933
Dongfang Electric Corp. Ltd., H	China	2,016,600	3,536,822
[b]Osram Licht AG	Germany	20,171	1,137,554
			26,554,309
Electronic Equipment, Instruments & Components 0.5%			
[b]Flextronics International Ltd.	Singapore	1,241,008	9,642,632
Energy Equipment & Services 4.5%			
Baker Hughes Inc.	United States	657,950	36,358,317
Fugro NV, IDR	Netherlands	286,233	17,053,699
Halliburton Co.	United States	461,224	23,407,118
Noble Corp. PLC	United States	470,410	17,626,263
			94,445,397
Food & Staples Retailing 2.5%			
CVS Caremark Corp.	United States	330,420	23,648,159
Metro AG	Germany	156,280	7,566,702
Tesco PLC	United Kingdom	4,054,493	22,452,743
			53,667,604
Health Care Equipment & Supplies 2.1%			
Getinge AB, B	Sweden	438,720	15,003,987
Medtronic Inc.	United States	497,540	28,553,821
			43,557,808
Industrial Conglomerates 2.1%			
Koninklijke Philips NV	Netherlands	459,718	16,848,755
Siemens AG	Germany	201,712	27,548,491
			44,397,246
Insurance 5.4%			
American International Group Inc.	United States	221,040	11,284,092
Aviva PLC	United Kingdom	3,976,260	29,606,255
AXA SA	France	1,091,068	30,330,440

Statement of Investments, December 31, 2013 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	78,511	$ 17,294,899
Swiss Re AG	Switzerland	270,006	24,834,922
			113,350,608
Life Sciences Tools & Services 0.5%			
Lonza Group AG	Switzerland	120,746	11,451,277
Machinery 1.3%			
[b]Navistar International Corp.	United States	725,430	27,704,172
Media 4.3%			
Comcast Corp., Special A	United States	457,122	22,801,245
[b]News Corp., A	United States	319,435	5,756,219
Time Warner Cable Inc.	United States	130,120	17,631,260
Twenty-First Century Fox Inc., A	United States	610,902	21,491,532
The Walt Disney Co.	United States	296,070	22,619,748
			90,300,004
Metals & Mining 1.3%			
Mining and Metallurgical Co. Norilsk Nickel OJSC, ADR	Russia	326,600	5,423,193
POSCO	South Korea	63,730	19,709,531
POSCO, ADR	South Korea	27,740	2,163,720
			27,296,444
Multiline Retail 0.6%			
Target Corp.	United States	191,680	12,127,594
Oil, Gas & Consumable Fuels 8.6%			
BP PLC	United Kingdom	2,807,128	22,690,790
Chevron Corp.	United States	137,470	17,171,378
China Shenhua Energy Co. Ltd., H	China	3,388,200	10,661,381
Eni SpA	Italy	776,759	18,686,875
Galp Energia SGPS SA, B	Portugal	1,575,520	25,821,326
LUKOIL Holdings, ADR	Russia	83,570	5,218,946
Royal Dutch Shell PLC, B	United Kingdom	299,573	11,308,995
Talisman Energy Inc.	Canada	2,690,800	31,286,899
Total SA, B	France	618,659	37,893,489
			180,740,079
Pharmaceuticals 10.2%			
[b]Forest Laboratories Inc.	United States	276,650	16,607,299
GlaxoSmithKline PLC	United Kingdom	1,260,103	33,630,849
Merck & Co. Inc.	United States	558,641	27,959,982
Merck KGaA	Germany	114,777	20,563,317
Pfizer Inc.	United States	1,111,443	34,043,499
Roche Holding AG	Switzerland	128,303	35,842,282
Sanofi	France	346,687	36,776,056
Teva Pharmaceutical Industries Ltd., ADR	Israel	268,460	10,759,877
			216,183,161
Professional Services 0.6%			
Hays PLC	United Kingdom	2,280	4,889
Randstad Holding NV	Netherlands	188,460	12,222,540
			12,227,429

Statement of Investments, December 31, 2013 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Semiconductors & Semiconductor Equipment 1.9%			
Samsung Electronics Co. Ltd.	South Korea	31,260	$ 40,624,897
Software 3.1%			
Microsoft Corp.	United States	1,099,279	41,146,013
Nintendo Co. Ltd.	Japan	99,240	13,203,727
Oracle Corp.	United States	122,950	4,704,067
SAP AG	Germany	80,912	6,934,757
			65,988,564
Specialty Retail 1.2%			
Kingfisher PLC	United Kingdom	4,083,541	26,006,404
Trading Companies & Distributors 0.5%			
ITOCHU Corp.	Japan	770,990	9,511,073
Noble Group Ltd.	Hong Kong	1,602,200	1,358,658
			10,869,731
Wireless Telecommunication Services 2.8%			
[b]Sprint Corp.	United States	1,017,459	10,937,684
[b]Turkcell Iletisim Hizmetleri AS, ADR	Turkey	1,477,723	19,727,602
Vodafone Group PLC	United Kingdom	7,430,079	29,168,447
			59,833,733
Total Common Stocks (Cost $1,466,967,898)			2,021,265,437
Preferred Stocks 1.3%			
Metals & Mining 0.2%			
Vale SA, ADR, pfd., A	Brazil	372,875	5,223,979
Oil, Gas & Consumable Fuels 1.1%			
Petroleo Brasileiro SA, ADR, pfd.	Brazil	1,528,452	22,452,960
Total Preferred Stocks (Cost $34,879,238)			27,676,939
Non-Registered Mutual Funds (Cost $11,942,900) 0.7%			
Diversified Financial Services 0.7%			
[b,c,d,e]Templeton China Opportunities Fund Ltd., Reg D	Cayman Islands	1,195,196	14,031,606
Total Investments before Short Term Investments (Cost $1,513,790,036)			2,062,973,982
		Principal Amount*	
Short Term Investments (Cost $49,000,000) 2.3%			
Time Deposits 2.3%			
Royal Bank of Canada, 0.01%, 1/02/14	Canada	49,000,000	49,000,000
Total Investments (Cost $1,562,790,036) 100.0%			2,111,973,982
Other Assets, less Liabilities (0.0)%†			(578,324)
Net Assets 100.0%			$2,111,395,658

See Abbreviations on page TG-30.

*The principal amount is stated in U.S. dollars unless otherwise indicated.
†Rounds to less than 0.1% of net assets.
[a]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. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2013, the value of this security was $4,093,306, representing 0.19% of net assets.
[b]Non-income producing.
[c]See Note 1(d) 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.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities

December 31, 2013

	Templeton Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$1,550,847,136
Cost - Non-controlled affiliated issuers (Note 9)	11,942,900
Total cost of investments	$1,562,790,036
Value - Unaffiliated issuers	$2,097,942,376
Value - Non-controlled affiliated issuers (Note 9)	14,031,606
Total value of investments	2,111,973,982
Cash	472,849
Receivables:	
Investment securities sold	68,378
Capital shares sold	392,962
Dividends and interest	2,864,435
Other assets	18,352
Total assets	2,115,790,958
Liabilities:	
Payables:	
Investment securities purchased	143,009
Capital shares redeemed	1,837,474
Management fees	1,325,266
Distribution fees	641,845
Reports to shareholders	284,132
Accrued expenses and other liabilities	163,574
Total liabilities	4,395,300
Net assets, at value	$2,111,395,658
Net assets consist of:	
Paid-in capital	$1,729,691,692
Undistributed net investment income	26,566,772
Net unrealized appreciation (depreciation)	549,231,460
Accumulated net realized gain (loss)	(194,094,266)
Net assets, at value	$2,111,395,658

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

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*

December 31, 2013

	Templeton Growth Securities Fund
Class 1:	
Net assets, at value	$ 588,408,710
Shares outstanding	38,027,031
Net asset value and maximum offering price per share	$ 15.47
Class 2:	
Net assets, at value	$1,450,304,170
Shares outstanding	95,237,568
Net asset value and maximum offering price per share	$ 15.23
Class 4:	
Net assets, at value	$ 72,682,778
Shares outstanding	4,734,503
Net asset value and maximum offering price per share	$ 15.35

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the year ended December 31, 2013

	Templeton Growth Securities Fund
Investment income:	
Dividends (net of foreign taxes $3,216,346)	$ 47,694,922
Interest	26,037
Income from securities loaned	741,078
Total investment income	48,462,037
Expenses:	
Management fees (Note 3a)	15,215,428
Distribution fees: (Note 3c)	
Class 2	3,533,134
Class 4	250,125
Unaffiliated transfer agent fees	526
Custodian fees (Note 4)	191,874
Reports to shareholders	257,607
Registration and filing fees	2,000
Professional fees	102,517
Trustees' fees and expenses	7,864
Other	50,001
Total expenses	19,611,076
Expense reductions (Note 4)	(32)
Net expenses	19,611,044
Net investment income	28,850,993
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	99,244,604
Foreign currency transactions	(519,265)
Net realized gain (loss)	98,725,339
Net change in unrealized appreciation (depreciation) on:	
Investments	412,364,156
Translation of other assets and liabilities denominated in foreign currencies	11,414
Net change in unrealized appreciation (depreciation)	412,375,570
Net realized and unrealized gain (loss)	511,100,909
Net increase (decrease) in net assets resulting from operations	$539,951,902

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

	Templeton Growth Securities Fund	
	Year Ended December 31, 2013	2012
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 28,850,993	$ 54,813,475
Net realized gain (loss) from investments and foreign currency transactions	98,725,339	52,034,520
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	412,375,570	384,863,694
Net increase (decrease) in net assets resulting from operations	539,951,902	491,711,689
Distributions to shareholders from:		
Net investment income:		
Class 1	(15,214,157)	(30,925,492)
Class 2	(38,639,867)	(26,587,764)
Class 4	(1,946,523)	(1,228,892)
Total distributions to shareholders	(55,800,547)	(58,742,148)
Capital share transactions: (Note 2)		
Class 1	(17,266,459)	(922,021,789)
Class 2	(240,507,877)	(125,611,247)
Class 4	(11,647,677)	284,692
Total capital share transactions	(269,422,013)	(1,047,348,344)
Net increase (decrease) in net assets	214,729,342	(614,378,803)
Net assets:		
Beginning of year	1,896,666,316	2,511,045,119
End of year	$2,111,395,658	$ 1,896,666,316
Undistributed net investment income included in net assets:		
End of year	$ 26,566,772	$ 54,035,591

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

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

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. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. 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 as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. 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. 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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

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 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. 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. At December 31, 2013, the Fund had no securities on loan.

d. 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Investment in Templeton China Opportunities Fund, Ltd. (continued)

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.

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 December 31, 2013, 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. 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.

Notes to Financial Statements *(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 December 31, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2013		2012	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	896,927	$ 12,053,666	39,146,115	$ 423,930,779
Shares issued in reinvestment of distributions	1,149,106	15,214,157	3,052,862	30,925,492
Shares redeemed in-kind (Note 11)	—	—	(90,515,836)	(1,060,908,757)
Shares redeemed	(3,250,296)	(44,534,282)	(29,409,088)	(315,969,303)
Net increase (decrease)	(1,204,263)	$ (17,266,459)	(77,725,947)	$ (922,021,789)
Class 2 Shares:				
Shares sold	7,540,783	$ 101,234,976	9,278,139	$ 99,327,364
Shares issued in reinvestment of distributions	2,963,180	38,639,867	2,661,438	26,587,764
Shares redeemed	(28,236,625)	(380,382,720)	(23,060,322)	(251,526,375)
Net increase (decrease)	(17,732,662)	$(240,507,877)	(11,120,745)	$ (125,611,247)
Class 4 Shares:				
Shares sold	683,745	$ 9,107,528	712,668	$ 7,687,691
Shares issued on reinvestment of distributions	147,912	1,946,523	121,914	1,228,892
Shares redeemed	(1,660,931)	(22,701,728)	(782,111)	(8,631,891)
Net increase (decrease)	(829,274)	$ (11,647,677)	52,471	$ 284,692

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements *(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 the Fund's average daily net assets, and is not an additional expense 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 0.35% per year of its average daily net assets each class. Some distribution fees are not charged on shares held by affiliates. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

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.

e. Other Affiliated Transactions

At December 31, 2013, Franklin Templeton Variable Insurance Products Trust – Franklin Templeton VIP Founding owned 19.07% of the Fund's outstanding shares. Investment activities of this investment company could have a material impact on the 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 year ended December 31, 2013, 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. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2013, capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2017	$117,602,940
2018	55,299,629
	$172,902,569

During the year ended December 31, 2013, the Fund utilized $97,674,285 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2013 and 2012, was as follows:

	2013	2012
Distributions paid from ordinary income	$55,800,547	$58,742,148

At December 31, 2013, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$1,586,070,444
Unrealized appreciation	$ 589,015,063
Unrealized depreciation	(63,111,525)
Net unrealized appreciation (depreciation)	$ 525,903,538
Distributable earnings – undistributed ordinary income	$ 28,655,514

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, passive foreign investment company shares and wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2013, aggregated $228,082,993 and $551,098,938, 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.

At December 31, 2013, 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
1,195,196	Templeton China Opportunities Fund Ltd., Reg D (Value is 0.66% of Net Assets)	3/17/10-10/9/13	$11,942,900	$14,031,606

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 year ended December 31, 2013, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Capital Gain (Loss)
Non-Controlled Affiliates							
Templeton China Opportunities Fund Ltd., Reg D	1,194,518	678	—	1,195,196	$14,031,606	$—	$—
Total Affiliated Securities (Value is 0.66% 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, after an extension of the original terms, matured on February 14, 2014. 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. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on February 13, 2015.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations.

11. REDEMPTION IN-KIND

During the year ended December 31, 2012, the Fund realized $18,346,694 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 *(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 input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

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 December 31, 2013, 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]				
Diversified Financial Services	$ 92,339,108	$ —	$14,031,606	$ 106,370,714
All Other Equity Investments[b]	1,956,603,268	—	—	1,956,603,268
Short term investments	—	49,000,000	—	49,000,000
Total Investments in Securities	$2,048,942,376	$49,000,000	$14,031,606	$2,111,973,982

[a]Includes common 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 June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the 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 other than those already disclosed in the financial statements.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt
IDR - International Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Templeton Growth Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Templeton Growth Securities Fund (the "Fund") at December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian, transfer agent and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 14, 2014

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Templeton Growth Securities Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Fund hereby reports 20.31% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2013.

At December 31, 2013, 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. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Code. This election will allow shareholders of record as of the 2014 distribution date, 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 indexes are unmanaged and include reinvested distributions.

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 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.

Dow Jones-UBS Commodity Index is a broadly diversified index designed to allow investors to track commodity futures through a single, simple measure. The index reflects the return on fully collateralized positions in the underlying futures contracts on physical commodities, which are reweighted and rebalanced annually on a price-percentage basis. The Dow Jones-UBS Commodity Indices℠ are a joint product of DJI Opco, LLC, a subsidiary of S&P Dow Jones Indices LLC, and UBS Securities LLC ("UBS") and have been licensed for use to S&P Opco, LLC and Franklin Templeton Companies, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC, Dow Jones® and DJ are registered trademarks of Dow Jones Trademark Holdings LLC, and "UBS" is a registered trademark of UBS AG. All content of the Dow Jones-UBS Commodity Indices℠ © S&P Dow Jones Indices LLC and UBS and their respective affiliates 2014. Reproduction of Dow Jones-UBS Commodity Indices℠ in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions, regardless of the cause or for the results obtained from the use of such information. S&P DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P be liable for any direct, indirect, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with subscriber's or others' use of Dow Jones-UBS Commodity Indices℠.

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 12-month period ended 12/31/13, there were 226 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 12-month period ended 12/31/13, there were 66 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 12-month period ended 12/31/13, there were 50 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12-month period ended 12/31/13, there were 110 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 World Index (ACWI) 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.

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.

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Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupation during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	141	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and **formerly,** Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	114	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products)(1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and **formerly,** Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	141	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of Executive Council, The Boeing Company (aerospace company); and **formerly,** Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	141	Hess Corporation (exploration and refining of oil and gas) (1998-2013).
Principal Occupation During at Least the Past 5 Years: Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and **formerly,** Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (until 1987).				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	141	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (July 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	114	None

Principal Occupation During at Least the Past 5 Years:
President, Staples Europe (office supplies) (2012); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly,** Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Gregory E. Johnson** (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since June 2013	152	None

Principal Occupation During at Least the Past 5 Years:
Chairman of the Board, Member – Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Chairman, Investment Company Institute.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Rupert H. Johnson, Jr.** (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since June 2013 and Trustee since 1988	141	None

Principal Occupation During at Least the Past 5 Years:
Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.

Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.

Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).

Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Global Compliance Monitoring; and officer of 46 of the investment companies in Franklin Templeton Investments.

Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.

Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since March 2013	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since March 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective June 13, 2013, Charles B. Johnson ceased to be a trustee of the Fund.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) 321-8563 or their insurance companies to request the SAI.

Franklin Templeton Variable Insurance Products Trust

Shareholder Information

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.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME

FRANKLIN TEMPLETON INVESTMENTS

< GAIN FROM OUR PERSPECTIVE® >

Annual 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.

ANNUAL REPORT
December 31, 2013

MFS®

MFS® CORE EQUITY SERIES

MFS® Variable Insurance Trust

VVS-ANN

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.

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

As a new year begins, the global economy is recovering. U.S. economic growth accelerated in the second half of 2013. Now that the speculation is over regarding the timing of the U.S. Federal Reserve's move to scale back its bond-buying program, investors are viewing the central bank's decision to taper as a signal of confidence in the economic recovery.

The eurozone broke out of its lengthy recession halfway through the year. However, persistently high unemployment, particularly in Spain and Greece, continues to hinder the region's economic growth.

China is progressing in its transition to a more consumption-based, domestic economy. Japan has succeeded in jump-starting its sluggish economy; driving down the yen's value has made exports more attractive, leading to profit growth and a stock market surge. Although Japan could face a deterrent to growth in April, when its national sales tax rises to 8% from 5%, in the longer term the tax increase will help bolster the nation's finances.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

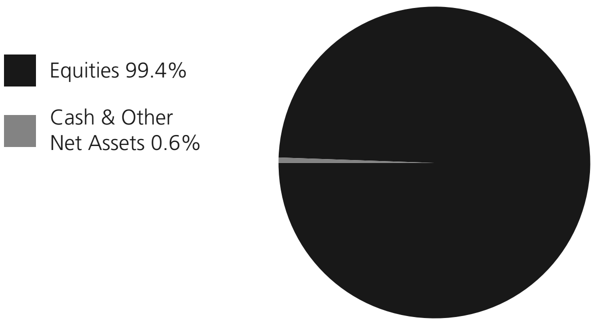
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 14, 2014

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)

Exxon Mobil Corp.	3.1%
Apple, Inc.	2.3%
Hewlett-Packard Co.	1.9%
Google, Inc., "A"	1.8%
ACE Ltd.	1.6%
MetLife, Inc.	1.4%
Procter & Gamble Co.	1.4%
Pfizer, Inc.	1.4%
Wells Fargo & Co.	1.4%
JPMorgan Chase & Co.	1.3%

Equity sectors (i)

Financial Services	18.2%
Technology	15.3%
Health Care	12.5%
Energy	9.0%
Industrial Goods & Services	7.3%
Retailing	6.6%
Consumer Staples	6.6%
Leisure	6.5%
Utilities & Communications	5.4%
Special Products & Services	3.6%
Basic Materials	3.5%
Autos & Housing	2.8%
Transportation	2.1%

(i) For purposes of this presentation, the components include the market value of securities, less any securities sold short, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. 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.

Percentages are based on net assets as of 12/31/13.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2013, Initial Class shares of the MFS Core Equity Series ("fund") provided a total return of 34.60%, while Service Class shares of the fund provided a total return of 34.23%. These compare with a return of 33.55% over the same period for the fund's benchmark, the Russell 3000 Index.

Market Environment

Just prior to the beginning of the period, a last minute political agreement concerning the US debt ceiling averted the worst-case scenario and markets gravitated towards risk assets. However, the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first part of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve ("Fed") would begin tapering its quantitative easing ("QE") program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed's decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014.

Contributors to Performance

Strong stock selection in the *health care* sector contributed to performance relative to the Russell 3000 Index. Holdings of specialty pharmaceutical company Valeant Pharmaceuticals [b] boosted returns as the stock appreciated throughout the period with the help of some key acquisitions, most notably, their acquisition of Bausch and Lomb.

Stock selection was also a positive factor for relative performance in both the *special products & services* and *financial services* sectors. Within *special products & services*, overweight positions in payment solutions provider FleetCor Technologies and online travel company Priceline.com aided relative results. Shares of FleetCor Technologies rose steadily throughout the period as the company enjoyed strong organic revenue growth across all lines of business and solid operating margin performance. Much of the growth was attributable to acquisitions made by the company back in 2011 that began to be realized in earnings during 2013. Within *financial services*, an overweight position in insurance company MetLife was a top relative contributor.

Elsewhere, overweight positions in transportation services company Swift Transportation, computer products and services provider Hewlett-Packard, merchandising software company ChannelAdvisor, casino resorts operator Wynn Resorts and automotive parts manufacturer Delphi Automotive boosted relative performance. The timing of ownership in shares of diversified technology products and services company International Business Machines (IBM) [h] was also a positive factor for relative returns. Shares of IBM declined steadily throughout the reporting period because of soft demand in emerging markets, primarily China.

Detractors from Performance

Weak stock selection in the *technology* sector hurt relative performance during the reporting period. Overweight positions in semiconductor company Altera, cloud computing services company Rackspace Hosting [h] and enterprise and online service provider Citrix Systems detracted from relative results. Shares of Citrix plummeted late in the reporting period as the stock suffered from decreased demand in their mobile and desktop businesses and a subdued macro environment. The fund's holdings of computer and personal electronics maker Apple also held back relative performance as the stock underperformed the benchmark.

Stock selection in the *industrial goods & services* sector was another negative factor for relative performance, led by the fund's overweight position in weak-performing mining equipment manufacturer Joy Global.

Elsewhere, overweight positions in apartment real estate investment trust Mid-America Apartment Communities, integrated oil & gas company Exxon Mobil, outlet shopping center real estate investment trust Tanger Factory Outlet Centers and general merchandise retailer Target weakened relative returns.

The fund's cash and/or cash equivalents position during the period also held back relative performance. Under normal market conditions, the fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Respectfully,

Joseph MacDougall
Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

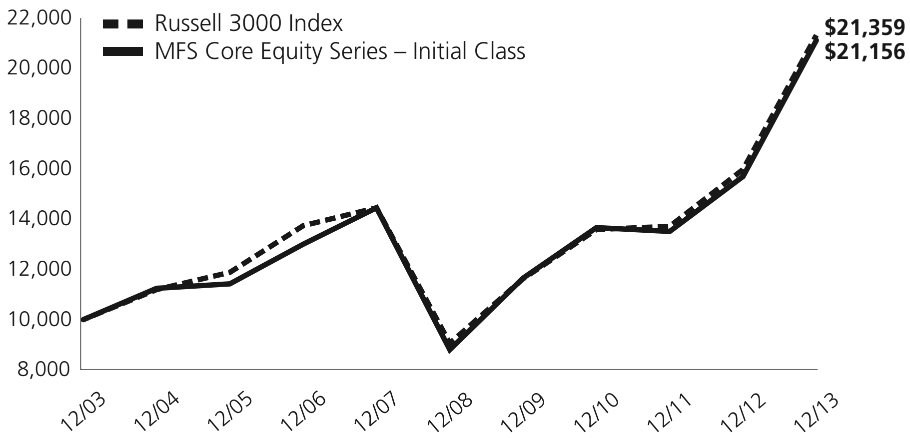
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/13

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/13

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	8/14/96	34.60%	19.17%	7.78%
Service Class	5/01/00	34.23%	18.88%	7.50%

Comparative benchmark

		1-yr	5-yr	10-yr
Russell 3000 Index (f)		33.55%	18.71%	7.88%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Russell 3000 Index – constructed to provide a comprehensive barometer for the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2013 through December 31, 2013

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 July 1, 2013 through December 31, 2013.

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 7/01/13	Ending Account Value 12/31/13	Expenses Paid During Period (p) 7/01/13-12/31/13
Initial Class	Actual	0.90%	$1,000.00	$1,169.99	$4.92
	Hypothetical (h)	0.90%	$1,000.00	$1,020.67	$4.58
Service Class	Actual	1.15%	$1,000.00	$1,168.03	$6.28
	Hypothetical (h)	1.15%	$1,000.00	$1,019.41	$5.85

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/13

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 – 99.4%		
Aerospace – 3.1%		
Honeywell International, Inc.	8,680	$ 793,079
Precision Castparts Corp.	2,132	574,148
United Technologies Corp.	6,430	731,734
		$ 2,098,961
Alcoholic Beverages – 0.3%		
Constellation Brands, Inc., "A" (a)	2,420	$ 170,320
Apparel Manufacturers – 1.6%		
Guess?, Inc.	4,700	$ 146,029
Michael Kors Holdings Ltd. (a)	1,820	147,766
NIKE, Inc., "B"	4,090	321,638
PVH Corp.	1,685	229,194
VF Corp.	3,524	219,686
		$ 1,064,313
Automotive – 2.0%		
Delphi Automotive PLC	7,770	$ 467,210
General Motors Co. (a)	14,220	581,171
Johnson Controls, Inc.	5,460	280,098
		$ 1,328,479
Biotechnology – 1.7%		
Alexion Pharmaceuticals, Inc. (a)	1,660	$ 220,880
Biogen Idec, Inc. (a)	1,743	487,604
Gilead Sciences, Inc. (a)	5,650	424,598
Illumina, Inc. (a)	350	38,717
		$ 1,171,799
Broadcasting – 3.0%		
RetailMeNot, Inc. (a)	15,210	$ 437,896
Time Warner, Inc.	4,960	345,811
Twenty-First Century Fox, Inc.	23,970	843,265
Walt Disney Co.	4,730	361,372
		$ 1,988,344
Brokerage & Asset Managers – 1.8%		
Affiliated Managers Group, Inc. (a)	652	$ 141,406
BlackRock, Inc.	646	204,440
Franklin Resources, Inc.	4,065	234,672
FXCM, Inc., "A"	6,020	107,397
IntercontinentalExchange Group, Inc.	1,311	294,870
NASDAQ OMX Group, Inc.	5,143	204,691
		$ 1,187,476
Business Services – 1.7%		
Accenture PLC, "A"	3,140	$ 258,171
Bright Horizons Family Solutions, Inc. (a)	5,480	201,335
Fidelity National Information Services, Inc.	6,400	343,552
FleetCor Technologies, Inc. (a)	1,620	189,815
Forrester Research, Inc.	3,150	120,519
		$ 1,113,392

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Cable TV – 1.4%		
Comcast Corp., "Special A"	11,870	$ 592,076
Time Warner Cable, Inc.	2,620	355,010
		$ 947,086
Chemicals – 1.5%		
Agrium, Inc.	2,300	$ 210,394
Celanese Corp.	5,160	285,400
LyondellBasell Industries N.V., "A"	3,500	280,980
Monsanto Co.	2,159	251,631
		$ 1,028,405
Computer Software – 3.7%		
Check Point Software Technologies Ltd. (a)	9,570	$ 617,456
Citrix Systems, Inc. (a)	6,030	381,398
Microsoft Corp.	2,270	84,966
Oracle Corp.	11,620	444,581
Qlik Technologies, Inc. (a)	11,480	305,712
Salesforce.com, Inc. (a)	6,087	335,942
Symantec Corp.	14,530	342,617
		$ 2,512,672
Computer Software – Systems – 6.4%		
Apple, Inc.	2,789	$ 1,564,936
EMC Corp.	19,450	489,168
Hewlett-Packard Co.	46,130	1,290,717
NCR Corp. (a)	3,020	102,861
SS&C Technologies Holdings, Inc. (a)	7,330	324,426
Vantiv, Inc., "A" (a)	15,660	510,673
		$ 4,282,781
Construction – 0.8%		
Pool Corp.	1,540	$ 89,536
Sherwin-Williams Co.	1,535	281,673
Stanley Black & Decker, Inc.	1,960	158,152
		$ 529,361
Consumer Products – 2.4%		
Colgate-Palmolive Co.	7,299	$ 475,968
Newell Rubbermaid, Inc.	6,620	214,554
Procter & Gamble Co.	11,420	929,702
		$ 1,620,224
Consumer Services – 1.9%		
Grand Canyon Education, Inc. (a)	2,380	$ 103,768
HomeAway, Inc. (a)	9,910	405,121
ITT Educational Services, Inc. (a)	3,000	100,740
Priceline.com, Inc. (a)	592	688,141
		$ 1,297,770
Containers – 0.4%		
Crown Holdings, Inc. (a)	1,940	$ 86,466
Packaging Corp. of America	3,250	205,660
		$ 292,126

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Electrical Equipment – 1.5%		
AMETEK, Inc.	4,675	$ 246,232
Danaher Corp.	4,630	357,436
Sensata Technologies Holding B.V. (a)	7,410	287,286
W.W. Grainger, Inc.	410	104,722
		$ 995,676
Electronics – 1.9%		
Altera Corp.	13,910	$ 452,492
KLA-Tencor Corp.	5,080	327,457
Microchip Technology, Inc.	11,930	533,868
		$ 1,313,817
Energy – Independent – 3.8%		
Anadarko Petroleum Corp.	3,120	$ 247,478
Antero Resources Corp. (a)	1,620	102,773
Athlon Energy, Inc. (a)	2,100	63,525
Cabot Oil & Gas Corp.	3,910	151,552
Concho Resources, Inc. (a)	920	99,360
CONSOL Energy, Inc.	1,370	52,115
EOG Resources, Inc.	1,256	210,807
EQT Corp.	770	69,131
Goodrich Petroleum Corp. (a)	3,730	63,485
Gulfport Energy Corp. (a)	1,650	104,198
Marathon Petroleum Corp.	7,280	667,794
Noble Energy, Inc.	4,832	329,108
PDC Energy, Inc. (a)	890	47,366
Peabody Energy Corp.	1,490	29,100
Pioneer Natural Resources Co.	1,710	314,760
		$ 2,552,552
Energy – Integrated – 3.7%		
Exxon Mobil Corp. (s)	20,580	$ 2,082,696
Hess Corp.	5,050	419,150
		$ 2,501,846
Entertainment – 0.2%		
Cinemark Holdings, Inc.	4,020	$ 133,987
Food & Beverages – 2.8%		
Coca-Cola Co.	18,280	$ 755,147
Coca-Cola Enterprises, Inc.	3,910	172,548
General Mills, Inc.	6,130	305,948
Mead Johnson Nutrition Co., "A"	2,020	169,195
Mondelez International, Inc.	13,000	458,900
		$ 1,861,738
Food & Drug Stores – 1.1%		
CVS Caremark Corp.	7,710	$ 551,805
Fairway Group Holdings Corp. (a)	9,610	174,133
		$ 725,938
Gaming & Lodging – 0.8%		
Wynn Resorts Ltd.	2,892	$ 561,655
General Merchandise – 1.5%		
Kohl's Corp.	6,330	$ 359,228
Target Corp.	10,460	661,804
		$ 1,021,032

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Health Maintenance Organizations – 0.8%		
Aetna, Inc.	5,570	$ 382,046
UnitedHealth Group, Inc.	1,880	141,564
		$ 523,610
Insurance – 4.5%		
ACE Ltd.	10,660	$ 1,103,630
American International Group, Inc.	16,270	830,584
MetLife, Inc.	17,340	934,973
Third Point Reinsurance Ltd. (a)	8,590	159,173
		$ 3,028,360
Internet – 3.1%		
ChannelAdvisor Corp. (a)	3,900	$ 162,669
eBay, Inc. (a)	6,350	348,552
Facebook, Inc., "A" (a)	5,710	312,109
Google, Inc., "A" (a)	1,110	1,243,988
		$ 2,067,318
Machinery & Tools – 2.7%		
Allison Transmission Holdings, Inc.	6,250	$ 172,563
Eaton Corp. PLC	5,820	443,018
Joy Global, Inc.	6,050	353,865
Kennametal, Inc.	4,070	211,925
Roper Industries, Inc.	4,699	651,657
		$ 1,833,028
Major Banks – 4.1%		
Goldman Sachs Group, Inc.	1,575	$ 279,185
JPMorgan Chase & Co. (s)	15,320	895,914
Morgan Stanley	10,830	339,629
State Street Corp.	4,550	333,925
Wells Fargo & Co.	20,100	912,540
		$ 2,761,193
Medical & Health Technology & Services – 1.1%		
Catamaran Corp. (a)	3,010	$ 142,915
Cerner Corp. (a)	1,600	89,184
Express Scripts Holding Co. (a)	6,020	422,845
Henry Schein, Inc. (a)	1,030	117,688
		$ 772,632
Medical Equipment – 4.0%		
Abbott Laboratories	16,320	$ 625,546
AtriCure, Inc. (a)	6,370	118,992
Cooper Cos., Inc.	2,802	347,000
Covidien PLC	7,920	539,352
DexCom, Inc. (a)	1,000	35,410
Endologix, Inc. (a)	3,500	61,040
GenMark Diagnostics, Inc. (a)	5,040	67,082
Heartware International, Inc. (a)	1,230	115,571
Sirona Dental Systems, Inc. (a)	1,260	88,452
Stryker Corp.	4,720	354,661
TearLab Corp. (a)	5,970	55,760
Thermo Fisher Scientific, Inc.	2,740	305,099
		$ 2,713,965

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Metals & Mining – 0.4%		
First Quantum Minerals Ltd.	7,000	$ 126,129
Lundin Mining Corp. (a)	29,470	127,618
		$ 253,747
Natural Gas – Distribution – 0.2%		
Spectra Energy Corp.	4,320	$ 153,878
Natural Gas – Pipeline – 0.6%		
Enbridge, Inc.	6,040	$ 263,827
Kinder Morgan, Inc.	4,100	147,600
		$ 411,427
Network & Telecom – 0.2%		
Juniper Networks, Inc. (a)	3,420	$ 77,189
Qualcomm, Inc.	860	63,855
		$ 141,044
Oil Services – 1.5%		
Cameron International Corp. (a)	6,130	$ 364,919
Dresser-Rand Group, Inc. (a)	1,150	68,575
Halliburton Co.	7,740	392,805
Schlumberger Ltd.	2,150	193,737
		$ 1,020,036
Other Banks & Diversified Financials – 5.0%		
American Express Co.	3,930	$ 356,569
BB&T Corp.	6,960	259,747
Cathay General Bancorp, Inc.	5,840	156,103
Citigroup, Inc.	15,660	816,043
EuroDekania Ltd. (z)	50,820	47,191
Fifth Third Bancorp	21,620	454,669
PrivateBancorp, Inc.	13,310	385,058
TCF Financial Corp.	12,460	202,475
Visa, Inc., "A"	3,188	709,904
		$ 3,387,759
Pharmaceuticals – 4.8%		
Actavis PLC (a)	1,620	$ 272,160
Bristol-Myers Squibb Co.	8,490	451,244
Endo Health Solutions, Inc. (a)	3,130	211,150
Mylan, Inc. (a)	3,600	156,240
Perrigo Co. PLC	2,015	309,222
Pfizer, Inc.	30,109	922,239
Valeant Pharmaceuticals International, Inc. (a)	5,340	626,916
Zoetis, Inc.	8,310	271,654
		$ 3,220,825
Railroad & Shipping – 1.1%		
Canadian Pacific Railway Ltd.	1,314	$ 198,834
Diana Shipping, Inc. (a)	9,940	132,103
Union Pacific Corp.	2,421	406,728
		$ 737,665
Real Estate – 2.9%		
Digital Realty Trust, Inc., REIT	6,540	$ 321,245
Equity Lifestyle Properties, Inc., REIT	9,090	329,331

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Real Estate – continued		
Mid-America Apartment Communities, Inc., REIT	6,850	$ 416,069
Public Storage, Inc., REIT	800	120,416
Tanger Factory Outlet Centers, Inc., REIT	10,310	330,126
Weyerhaeuser Co., REIT	13,080	412,936
		$ 1,930,123
Restaurants – 1.1%		
McDonald's Corp.	3,127	$ 303,413
YUM! Brands, Inc.	6,030	455,928
		$ 759,341
Specialty Chemicals – 1.1%		
FMC Corp.	4,820	$ 363,717
W.R. Grace & Co. (a)	4,080	403,390
		$ 767,107
Specialty Stores – 2.5%		
AutoZone, Inc. (a)	892	$ 426,322
Bed Bath & Beyond, Inc. (a)	4,940	396,682
Children's Place Retail Stores, Inc. (a)	3,540	201,674
Dick's Sporting Goods, Inc.	6,670	387,527
Sally Beauty Holdings, Inc. (a)	8,040	243,049
		$ 1,655,254
Telecommunications – Wireless – 0.9%		
American Tower Corp., REIT	7,700	$ 614,614
Telephone Services – 1.3%		
Verizon Communications, Inc.	18,050	$ 886,977
Tobacco – 1.2%		
Lorillard, Inc.	3,380	$ 171,298
Philip Morris International, Inc.	7,090	617,752
		$ 789,050
Trucking – 1.0%		
Expeditors International of Washington, Inc.	7,130	$ 315,503
Swift Transportation Co. (a)	16,690	370,685
		$ 686,188
Utilities – Electric Power – 2.3%		
AES Corp.	10,210	$ 148,147
American Electric Power Co., Inc.	4,960	231,830
Calpine Corp. (a)	10,030	195,685
CMS Energy Corp.	8,840	236,647
Dominion Resources, Inc.	2,240	144,906
Edison International	4,010	185,663
Great Plains Energy, Inc.	8,010	194,162
NextEra Energy, Inc.	1,470	125,861
NRG Yield, Inc.	820	32,808
PG&E Corp.	1,530	61,628
		$ 1,557,337
Total Common Stocks (Identified Cost, $52,719,972)		**$66,974,228**

Issuer/Expiration Date/Strike Price	Number of Contracts	Value ($)
CALL OPTIONS PURCHASED – 0.0%		
Business Services – 0.0%		
Equinix, Inc. – June 2014 @ $190 (Identified Cost, $3,279)	3	$ 2,520
Issuer	**Shares/Par**	
MONEY MARKET FUNDS – 1.0%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	704,325	$ 704,325
Total Investments (Identified Cost, $53,427,576)		**$67,681,073**
OTHER ASSETS, LESS LIABILITIES – (0.4)%		**(269,745)**
Net Assets – 100.0%		**$67,411,328**

(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.

(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	$47,191
% of Net assets			0.1%

At December 31, 2013, the fund had cash collateral of $1,644 and other liquid securities with an aggregate value of $605,768 to cover any commitments for securities sold short and certain derivative contracts. Cash collateral is comprised of "Deposits with brokers" in the Statement of Assets and Liabilities.

The following abbreviations are used in this report and are defined:

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/13

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $52,723,251)	$66,976,748	
Underlying affiliated funds, at cost and value	704,325	
Total investments, at value (identified cost, $53,427,576)	$67,681,073	
Deposits with brokers	1,644	
Receivables for		
Fund shares sold	8,921	
Dividends	50,612	
Receivable from investment adviser	2,631	
Other assets	755	
Total assets		$67,745,636
Liabilities		
Payables for		
Investments purchased	$35,702	
Fund shares reacquired	239,698	
Payable to affiliates		
Shareholder servicing costs	161	
Distribution and/or service fees	60	
Payable for independent Trustees' compensation	7	
Accrued expenses and other liabilities	58,680	
Total liabilities		$334,308
Net assets		$67,411,328
Net assets consist of		
Paid-in capital	$60,156,462	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	14,253,497	
Accumulated net realized gain (loss) on investments and foreign currency	(7,493,220)	
Undistributed net investment income	494,589	
Net assets		$67,411,328
Shares of beneficial interest outstanding		2,862,082

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$63,166,296	2,681,303	$23.56
Service Class	4,245,032	180,779	23.48

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

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.

Year ended 12/31/13

Net investment income		
Income		
Dividends	$1,073,911	
Interest	1,877	
Dividends from underlying affiliated funds	670	
Foreign taxes withheld	(2,808)	
Total investment income		$1,073,650
Expenses		
Management fee	$471,296	
Distribution and/or service fees	9,700	
Shareholder servicing costs	14,016	
Administrative services fee	19,039	
Independent Trustees' compensation	2,643	
Custodian fee	16,612	
Shareholder communications	28,613	
Audit and tax fees	55,378	
Legal fees	619	
Dividend and interest expense on securities sold short	2,142	
Miscellaneous	18,258	
Total expenses		$638,316
Fees paid indirectly	(1)	
Reduction of expenses by investment adviser	(60,630)	
Net expenses		$577,685
Net investment income		$495,965
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$9,199,218	
Written options	3,315	
Securities sold short	(76,468)	
Foreign currency	(32)	
Net realized gain (loss) on investments and foreign currency		$9,126,033
Change in unrealized appreciation (depreciation)		
Investments	$8,865,500	
Written options	(3,180)	
Securities sold short	9,067	
Translation of assets and liabilities in foreign currencies	25	
Net unrealized gain (loss) on investments and foreign currency translation		$8,871,412
Net realized and unrealized gain (loss) on investments and foreign currency		$17,997,445
Change in net assets from operations		$18,493,410

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.

For years ended 12/31	2013	2012
Change in net assets		
From operations		
Net investment income	$495,965	$616,884
Net realized gain (loss) on investments and foreign currency	9,126,033	4,753,714
Net unrealized gain (loss) on investments and foreign currency translation	8,871,412	3,550,454
Change in net assets from operations	$18,493,410	$8,921,052
Distributions declared to shareholders		
From net investment income	$(618,002)	$(445,589)
Change in net assets from fund share transactions	$(7,406,477)	$(9,541,139)
Total change in net assets	$10,468,931	$(1,065,676)
Net assets		
At beginning of period	56,942,397	58,008,073
At end of period (including undistributed net investment income of $494,589 and $616,442, respectively)	$67,411,328	$56,942,397

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 past 5 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	**Years ended 12/31**				
	2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$17.68	$15.33	$15.65	$13.49	$10.38
Income (loss) from investment operations					
Net investment income (d)	$0.17	$0.18	$0.11	$0.13	$0.14
Net realized and unrealized gain (loss) on investments and foreign currency	5.92	2.30	(0.28)	2.18	3.16
Total from investment operations	$6.09	$2.48	$(0.17)	$2.31	$3.30
Less distributions declared to shareholders					
From net investment income	$(0.21)	$(0.13)	$(0.15)	$(0.15)	$(0.19)
Net asset value, end of period (x)	$23.56	$17.68	$15.33	$15.65	$13.49
Total return (%) (k)(r)(s)(x)	34.60	16.23	(1.02)	17.21	32.43
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.00	1.00	1.00	1.01	1.01
Expenses after expense reductions (f)	0.90	0.90	0.91	0.91	0.90
Net investment income	0.80	1.05	0.72	0.93	1.20
Portfolio turnover	57	64	68	69	90
Net assets at end of period (000 omitted)	$63,166	$53,504	$54,471	$62,602	$61,856
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.90	0.90	0.90	0.90	0.90

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$17.63	$15.28	$15.59	$13.45	$10.32
Income (loss) from investment operations					
Net investment income (d)	$0.11	$0.14	$0.07	$0.09	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	5.90	2.29	(0.27)	2.17	3.17
Total from investment operations	$6.01	$2.43	$(0.20)	$2.26	$3.28
Less distributions declared to shareholders					
From net investment income	$(0.16)	$(0.08)	$(0.11)	$(0.12)	$(0.15)
Net asset value, end of period (x)	$23.48	$17.63	$15.28	$15.59	$13.45
Total return (%) (k)(r)(s)(x)	34.23	15.95	(1.28)	16.86	32.24
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.25	1.25	1.25	1.26	1.26
Expenses after expense reductions (f)	1.15	1.15	1.16	1.16	1.15
Net investment income	0.55	0.81	0.47	0.67	0.95
Portfolio turnover	57	64	68	69	90
Net assets at end of period (000 omitted)	$4,245	$3,438	$3,537	$4,623	$4,783
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.15	1.15	1.15	1.15	1.15

(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.

(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

(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 increases and decreases in net assets from operations 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 the disclosure provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 ("ASU 2011-11"), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 ("ASU 2013-01") entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to a Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. The disclosures required by ASU 2011-11, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the 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 December 31, 2013 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$64,483,365	$—	$—	$64,483,365
Canada	1,696,633	—	—	1,696,633
Israel	617,456	—	—	617,456
Greece	132,103	—	—	132,103
United Kingdom	—	—	47,191	47,191
Mutual Funds	704,325	—	—	704,325
Total Investments	$67,633,882	$—	$47,191	$67,681,073

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 12/31/12	$65,906
Change in unrealized appreciation (depreciation)	(18,715)
Balance as of 12/31/13	$47,191

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2013 is $(18,715).

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. The fund's period end derivatives, as presented in the Portfolio of Investments, 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 December 31, 2013 as reported in the Statement of Assets and Liabilities:

		Fair Value (a)
Risk	**Derivative Contracts**	**Asset Derivatives**
Equity	Purchased Equity Options	$2,520

(a) The value of purchased options outstanding is included in total investments, at value, within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2013 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)	Written Options
Equity	$(6,826)	$3,315

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2013 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)	Written Options
Equity	$3,068	$(3,180)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, 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. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right 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.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared 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 that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as "Restricted cash" or "Deposits with brokers." Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

The fund's accounting policy with respect to balance sheet offsetting is that, 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 financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

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 in 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.

The following table represents the written option activity in the fund during the year ended December 31, 2013:

	Number of contracts	Premiums received
Outstanding, beginning of period	75	$32,000
Options written	62	3,583
Options closed	(75)	(32,000)
Options exercised	(15)	(604)
Options expired	(47)	(2,979)
Outstanding, end of period	—	$—

Purchased Options – The fund purchased call options for a premium. Purchased call options entitle the holder to buy 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 hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or increase the fund's exposure to an underlying instrument.

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 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 purchased.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. 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 year ended December 31, 2013, this expense amounted to $2,142. 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 December 31, 2013, the fund had no short sales outstanding.

Security Loans – Under its Securities Lending Agency Agreement with the fund, 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. In the event of Borrower default, State Street will for the benefit of the fund either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. 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 in 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. At December 31, 2013, there were no securities on loan or collateral outstanding.

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 year ended December 31, 2013, is shown as a reduction of total expenses in 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. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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.

During the year ended December 31, 2013, there were no significant adjustments due to differences between book and tax.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/13	**12/31/12**
Ordinary income (including any short-term capital gains)	$618,002	$445,589

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/13	
Cost of investments	$53,435,987
Gross appreciation	15,387,062
Gross depreciation	(1,141,976)
Net unrealized appreciation (depreciation)	$14,245,086
Undistributed ordinary income	494,589
Capital loss carryforwards	(7,474,349)
Other temporary differences	(10,460)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized for fund fiscal years beginning after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or

Notes to Financial Statements – continued

long-term losses ("post-enactment losses"). Previously, net capital losses were carried forward for eight years and treated as short-term losses ("pre-enactment losses"). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/17	$(7,474,349)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/13	**Year ended 12/31/12**
Initial Class	$587,561	$428,757
Service Class	30,441	16,832
Total	$618,002	$445,589

(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%

Effective April 1, 2013, MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the period April 1, 2013 through December 31, 2013, this management fee reduction amounted to $597, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2013 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 as short sale dividend and interest expenses incurred in connection with the fund's investment activity), 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, 2015. For the year ended December 31, 2013, this reduction amounted to $59,876 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 year ended December 31, 2013, the fee was $13,477, which equated to 0.0214% 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 year ended December 31, 2013, these costs amounted to $539.

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 year ended December 31, 2013 was equivalent to an annual effective rate of 0.0303% 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 year ended December 31, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $385 and are included in "Miscellaneous" expense in 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 $157, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 purchased option transactions, and short-term obligations, aggregated $35,117,468 and $42,669,439, 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:

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	378,017	$7,890,348	320,287	$5,394,125
Service Class	28,308	593,152	11,414	193,883
	406,325	$8,483,500	331,701	$5,588,008
Shares issued to shareholders in reinvestment of distributions				
Initial Class	28,006	$587,561	25,236	$428,757
Service Class	1,454	30,441	992	16,832
	29,460	$618,002	26,228	$445,589
Shares reacquired				
Initial Class	(751,219)	$(15,580,081)	(872,197)	$(14,755,256)
Service Class	(44,031)	(927,898)	(48,838)	(819,480)
	(795,250)	$(16,507,979)	(921,035)	$(15,574,736)
Net change				
Initial Class	(345,196)	$(7,102,172)	(526,674)	$(8,932,374)
Service Class	(14,269)	(304,305)	(36,432)	(608,765)
	(359,465)	$(7,406,477)	(563,106)	$(9,541,139)

(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 year ended December 31, 2013, the fund's commitment fee and interest expense were $288 and $0, respectively, and are included in "Miscellaneous" expense in the Statement of Operations.

Notes to Financial Statements – continued

(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	353,894	15,972,143	(15,621,712)	704,325

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$670	$704,325

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Core Equity Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Core Equity Series (one of the series comprising MFS Variable Insurance Trust) (the "Fund") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Core Equity Series as of December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 14, 2014

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
INTERESTED TRUSTEES				
Robert J. Manning (k) (age 50)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 52)	Trustee	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 71)	Trustee and Chair of Trustees	January 2004	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman
Robert E. Butler (age 72)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 58)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 72)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 69)	Trustee	December 2004	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 59)	Trustee	January 2009	Private investor	N/A
Laurie J. Thomsen (age 56)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 72)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran (k) (age 48)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President	N/A
Christopher R. Bohane (k) (age 40)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 45)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 54)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey (k) (age 50)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo (k) (age 45)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 38)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Brian E. Langenfeld [k] (age 40)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 63)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 43)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 43)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 61)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 69)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 43)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 53)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., “public companies”).

(k) “Interested person” of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach) has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust’s Audit Committee.

Each of the Fund’s Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Manager
Joseph MacDougall

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2012 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 2nd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 2nd quintile for each of the one- and five-year periods ended December 31, 2012 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the existing breakpoint and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" 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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

rev. 3/11

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS®

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

MFS®

ANNUAL REPORT
December 31, 2013

MFS®

MFS® GROWTH SERIES

MFS® Variable Insurance Trust

VEG-ANN

MFS® GROWTH 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.

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

As a new year begins, the global economy is recovering. U.S. economic growth accelerated in the second half of 2013. Now that the speculation is over regarding the timing of the U.S. Federal Reserve's move to scale back its bond-buying program, investors are viewing the central bank's decision to taper as a signal of confidence in the economic recovery.

The eurozone broke out of its lengthy recession halfway through the year. However, persistently high unemployment, particularly in Spain and Greece, continues to hinder the region's economic growth.

China is progressing in its transition to a more consumption-based, domestic economy. Japan has succeeded in jump-starting its sluggish economy; driving down the yen's value has made exports more attractive, leading to profit growth and a stock market surge. Although Japan could face a deterrent to growth in April, when its national sales tax rises to 8% from 5%, in the longer term the tax increase will help bolster the nation's finances.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J. Manning

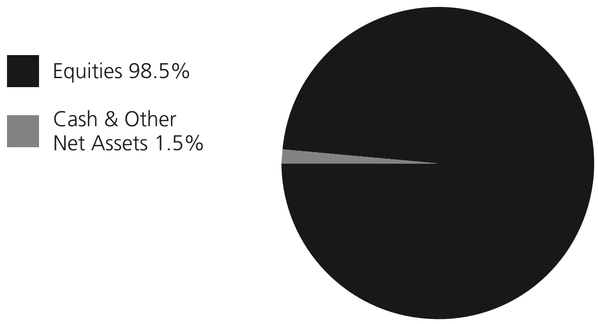
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 14, 2014

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

Google, Inc., "A"	5.0%
Visa, Inc., "A"	2.6%
Precision Castparts Corp.	2.3%
MasterCard, Inc., "A"	2.2%
Danaher Corp.	2.2%
Thermo Fisher Scientific, Inc.	2.1%
American Tower Corp., REIT	1.9%
Priceline.com, Inc.	1.9%
Gilead Sciences, Inc.	1.7%
Twenty-First Century Fox, Inc.	1.7%

Equity sectors

Technology	18.7%
Health Care	16.8%
Leisure	13.0%
Financial Services	10.6%
Retailing	10.4%
Industrial Goods & Services	8.3%
Consumer Staples	5.2%
Special Products & Services	4.9%
Energy	3.8%
Basic Materials	2.2%
Utilities & Communications	1.9%
Transportation	1.5%
Autos & Housing	1.2%

Percentages are based on net assets as of 12/31/13.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2013, Initial Class shares of the MFS Growth Series ("fund") provided a total return of 36.85%, while Service Class shares of the fund provided a total return of 36.49%. These compare with a return of 33.48% over the same period for the fund's benchmark, the Russell 1000 Growth Index.

Market Environment

Just prior to the beginning of the period, a last minute political agreement concerning the US debt ceiling averted the worst-case scenario and markets gravitated towards risk assets. However, the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first part of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve ("Fed") would begin tapering its quantitative easing ("QE") program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed's decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014.

Contributors to Performance

Stock selection in the *financial services* sector contributed to the fund's performance relative to the Russell 1000 Growth Index. An overweight position in strong-performing global payments technology company MasterCard bolstered relative performance. The stock appreciated during the period as the company reported strong earnings that beat consensus estimates on the back of higher gross-dollar-volumes in the US.

Security selection in both the *leisure* and *health care* sectors aided relative performance. Within the *leisure* sector, an overweight position in casino resorts operator Wynn Resorts positively impacted relative returns as the stock outperformed the benchmark. Within *health care*, holdings of medical device company Thermo Fisher Scientific[(b)], and overweight positions in medical research firm Celgene and biotechnology company Biogen, benefited relative performance as all three stocks outperformed the benchmark during the reporting period. Shares of Thermo Fisher Scientific rose late in the reporting period as the company reported strong earnings results that beat market expectations. Robust growth came despite an operating margin headwind from the medical device tax and a negative foreign exchange impact as well as the suspension of the company's stock buybacks. Additionally, the merger agreement with LIFE Technologies that is expected to be finalized in early 2014 strengthened the company's outlook.

Elsewhere, an underweight position in poor-performing technology company Apple, and overweight positions in online travel company Priceline.com, commercial fuel card operator FleetCor Technologies and online search engine Google, benefited relative performance. Additionally, the fund's avoidance of technology company International Business Machines (IBM) helped relative results as the stock turned in weak performance during the reporting period. Shares of IBM declined steadily throughout the reporting period because of soft demand in emerging markets, primarily China.

Detractors from Performance

Individual stocks that detracted from relative performance included overweight positions in telecommunications company American Tower, data storage systems provider EMC, semiconductor firm Altera, enterprise and online service provider Citrix Systems, online marketplace eBay, tool company Stanley Black & Decker, and diversified energy company Anadarko Petroleum. Not holding stand-out-performing airline manufacturer Boeing and software company Microsoft also dampened relative performance as both stocks outperformed the benchmark during the reporting period. Shares of Citrix plummeted late in the reporting period as the stock suffered from decreased demand in their mobile and desktop businesses and a subdued macro environment. Shares of Anadarko Petroleum traded lower after a US bankruptcy judge ruled the company was potentially liable for up to $14 billion in a case involving bankrupt paint producer Tronox.

The fund's cash and/or cash equivalents position during the period was another detractor from relative performance. Under normal market conditions, the fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Respectfully,

Eric Fischman
Portfolio Manager

(b) Security is not a benchmark constituent.

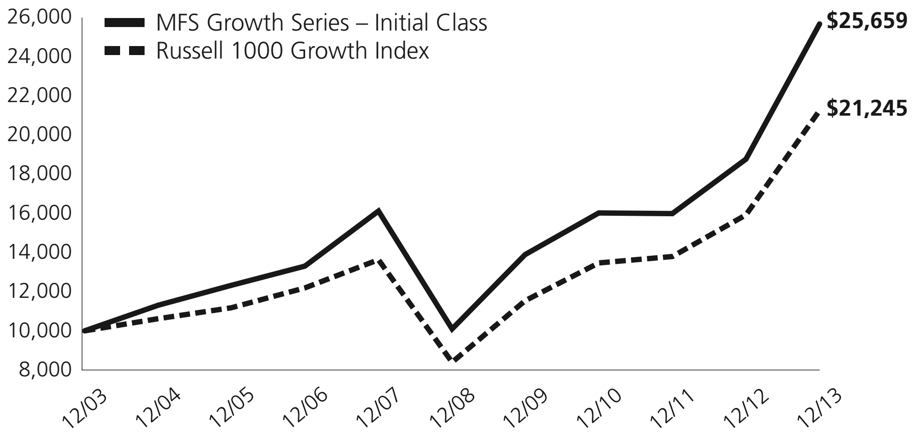
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/13

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/13

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/24/95	36.85%	20.52%	9.88%
Service Class	5/01/00	36.49%	20.21%	9.61%

Comparative benchmark

Russell 1000 Growth Index (f)	33.48%	20.39%	7.83%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Russell 1000 Growth Index – constructed to provide a comprehensive barometer for growth securities in the large-cap segment of the U.S. equity universe. Companies in this index generally have higher price-to-book ratios and higher forecasted growth values.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period,
July 1, 2013 through December 31, 2013

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 July 1, 2013 through December 31, 2013.

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 7/01/13	Ending Account Value 12/31/13	Expenses Paid During Period (p) 7/01/13-12/31/13
Initial Class	Actual	0.77%	$1,000.00	$1,228.34	$4.32
	Hypothetical (h)	0.77%	$1,000.00	$1,021.32	$3.92
Service Class	Actual	1.02%	$1,000.00	$1,226.84	$5.73
	Hypothetical (h)	1.02%	$1,000.00	$1,020.06	$5.19

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/13

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 – 98.5%		
Aerospace – 3.4%		
Honeywell International, Inc.	187,100	$ 17,095,323
Precision Castparts Corp.	133,665	35,995,985
		$ 53,091,308
Alcoholic Beverages – 1.3%		
Constellation Brands, Inc., "A" (a)	72,150	$ 5,077,917
Diageo PLC	271,086	8,978,097
Pernod Ricard S.A.	56,286	6,412,195
		$ 20,468,209
Apparel Manufacturers – 3.3%		
LVMH Moet Hennessy Louis Vuitton S.A.	51,818	$ 9,452,522
Michael Kors Holdings Ltd. (a)	92,500	7,510,075
NIKE, Inc., "B"	156,182	12,282,152
PVH Corp.	38,921	5,294,034
VF Corp.	274,012	17,081,908
		$ 51,620,691
Automotive – 0.4%		
LKQ Corp. (a)	172,190	$ 5,665,051
Biotechnology – 6.9%		
Alexion Pharmaceuticals, Inc. (a)	132,620	$ 17,646,417
Biogen Idec, Inc. (a)	91,256	25,528,866
Celgene Corp. (a)	126,796	21,423,452
Gilead Sciences, Inc. (a)	360,860	27,118,629
Illumina, Inc. (a)	63,790	7,056,450
Regeneron Pharmaceuticals, Inc. (a)	27,840	7,662,682
		$ 106,436,496
Broadcasting – 5.9%		
Discovery Communications, Inc., "A" (a)	201,270	$ 18,198,833
Time Warner, Inc.	204,390	14,250,071
Twenty-First Century Fox, Inc.	748,940	26,347,709
Viacom, Inc., "B"	128,700	11,240,658
Walt Disney Co.	280,170	21,404,988
		$ 91,442,259
Brokerage & Asset Managers – 3.3%		
Affiliated Managers Group, Inc. (a)	78,313	$ 16,984,523
BlackRock, Inc.	30,766	9,736,516
IntercontinentalExchange Group, Inc.	109,368	24,599,051
		$ 51,320,090
Business Services – 3.0%		
Cognizant Technology Solutions Corp., "A" (a)	229,386	$ 23,163,398
FleetCor Technologies, Inc. (a)	105,060	12,309,880
Verisk Analytics, Inc., "A" (a)	173,680	11,414,250
		$ 46,887,528
Cable TV – 2.1%		
Comcast Corp., "Special A"	438,400	$ 21,867,392
Time Warner Cable, Inc.	74,200	10,054,100
		$ 31,921,492

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Chemicals – 1.5%		
Monsanto Co.	202,960	$ 23,654,988
Computer Software – 4.1%		
Autodesk, Inc. (a)	201,840	$ 10,158,607
Citrix Systems, Inc. (a)	208,642	13,196,607
Oracle Corp.	358,640	13,721,566
PTC, Inc. (a)	120,130	4,251,401
Salesforce.com, Inc. (a)	277,817	15,332,720
TIBCO Software, Inc. (a)	142,800	3,210,144
VMware, Inc., "A" (a)	47,730	4,281,858
		$ 64,152,903
Computer Software – Systems – 2.9%		
Apple, Inc.	30,933	$ 17,356,816
EMC Corp.	1,035,010	26,030,502
Teradata Corp. (a)	50,970	2,318,625
		$ 45,705,943
Construction – 0.8%		
Sherwin-Williams Co.	42,863	$ 7,865,361
Stanley Black & Decker, Inc.	63,020	5,085,084
		$ 12,950,445
Consumer Products – 1.4%		
Colgate-Palmolive Co.	137,640	$ 8,975,504
Estee Lauder Cos., Inc., "A"	168,269	12,674,021
		$ 21,649,525
Consumer Services – 1.9%		
Priceline.com, Inc. (a)	25,045	$ 29,112,308
Electrical Equipment – 3.2%		
AMETEK, Inc.	293,760	$ 15,472,339
Danaher Corp.	434,000	33,504,800
		$ 48,977,139
Electronics – 1.1%		
Altera Corp.	349,870	$ 11,381,271
Linear Technology Corp.	127,540	5,809,447
		$ 17,190,718
Energy – Independent – 3.2%		
Anadarko Petroleum Corp.	127,070	$ 10,079,192
Antero Resources Corp. (a)	61,430	3,897,119
Cabot Oil & Gas Corp.	199,850	7,746,186
Noble Energy, Inc.	164,575	11,209,203
Pioneer Natural Resources Co.	88,785	16,342,655
		$ 49,274,355
Entertainment – 0.1%		
AMC Networks, Inc., "A" (a)	34,040	$ 2,318,464
Food & Beverages – 1.8%		
Groupe Danone	81,074	$ 5,835,430
Mead Johnson Nutrition Co., "A"	95,306	7,982,831
Mondelez International, Inc.	405,400	14,310,620
		$ 28,128,881

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Food & Drug Stores – 0.8%		
CVS Caremark Corp.	165,100	$ 11,816,207
Gaming & Lodging – 2.8%		
Hilton Worldwide Holdings, Inc. (a)	61,530	$ 1,369,043
Las Vegas Sands Corp.	244,310	19,268,730
Wynn Resorts Ltd.	116,867	22,696,740
		$ 43,334,513
General Merchandise – 0.9%		
Costco Wholesale Corp.	113,493	$ 13,506,802
Insurance – 0.7%		
ACE Ltd.	44,260	$ 4,582,238
MetLife, Inc.	101,940	5,496,605
		$ 10,078,843
Internet – 8.9%		
eBay, Inc. (a)	364,530	$ 20,009,052
Facebook, Inc., "A" (a)	407,680	22,283,789
Google, Inc., "A" (a)	69,857	78,289,438
LinkedIn Corp., "A" (a)	34,102	7,394,337
Twitter, Inc. (a)	36,470	2,321,316
Yahoo!, Inc. (a)	202,190	8,176,564
		$ 138,474,496
Leisure & Toys – 0.3%		
Polaris Industries, Inc.	33,489	$ 4,877,338
Machinery & Tools – 1.8%		
Cummins, Inc.	63,585	$ 8,963,577
Joy Global, Inc.	76,111	4,451,732
Roper Industries, Inc.	100,670	13,960,916
		$ 27,376,225
Major Banks – 0.6%		
Morgan Stanley	308,560	$ 9,676,442
Medical & Health Technology & Services – 2.3%		
Catamaran Corp. (a)	136,990	$ 6,504,285
Cerner Corp. (a)	205,344	11,445,875
Express Scripts Holding Co. (a)	262,668	18,449,800
		$ 36,399,960
Medical Equipment – 3.3%		
Cooper Cos., Inc.	24,149	$ 2,990,612
Covidien PLC	217,568	14,816,381
Thermo Fisher Scientific, Inc.	299,359	33,333,625
		$ 51,140,618
Network & Telecom – 1.6%		
Qualcomm, Inc.	333,919	$ 24,793,486
Oil Services – 0.6%		
Cameron International Corp. (a)	154,370	$ 9,189,646
Other Banks & Diversified Financials – 6.0%		
American Express Co.	200,140	$ 18,158,702
MasterCard, Inc., "A"	41,230	34,446,016
Visa, Inc., "A"	179,741	40,024,726
		$ 92,629,444

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Pharmaceuticals – 4.3%		
Actavis PLC (a)	78,850	$ 13,246,800
Bristol-Myers Squibb Co.	396,550	21,076,633
Perrigo Co. PLC	79,834	12,251,326
Valeant Pharmaceuticals International, Inc. (a)	123,950	14,551,730
Zoetis, Inc.	170,850	5,585,087
		$ 66,711,576
Railroad & Shipping – 0.9%		
Kansas City Southern Co.	52,002	$ 6,439,408
Union Pacific Corp.	41,958	7,048,944
		$ 13,488,352
Restaurants – 1.8%		
Starbucks Corp.	227,920	$ 17,866,649
YUM! Brands, Inc.	124,051	9,379,496
		$ 27,246,145
Specialty Chemicals – 0.6%		
Airgas, Inc.	88,700	$ 9,921,095
Specialty Stores – 5.5%		
Amazon.com, Inc. (a)	64,429	$ 25,693,641
AutoZone, Inc. (a)	14,679	7,015,681
PetSmart, Inc.	90,520	6,585,330
Ross Stores, Inc.	251,732	18,862,279
Tiffany & Co.	90,850	8,429,063
TJX Cos., Inc.	167,790	10,693,257
Tractor Supply Co.	96,614	7,495,314
		$ 84,774,565
Telecommunications – Wireless – 1.9%		
American Tower Corp., REIT	373,166	$ 29,786,110
Tobacco – 0.7%		
Philip Morris International, Inc.	126,320	$ 11,006,262
Trucking – 0.6%		
Expeditors International of Washington, Inc.	222,871	$ 9,862,042
Total Common Stocks (Identified Cost, $1,059,381,762)		**$1,528,058,960**
MONEY MARKET FUNDS – 1.5%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	22,764,729	$ 22,764,729
Total Investments (Identified Cost, $1,082,146,491)		**$1,550,823,689**
OTHER ASSETS, LESS LIABILITIES – (0.0)%		**(246,319)**
Net Assets – 100.0%		**$1,550,577,370**

(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:

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/13

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,059,381,762)	$1,528,058,960	
Underlying affiliated funds, at cost and value	22,764,729	
Total investments, at value (identified cost, $1,082,146,491)	$1,550,823,689	
Receivables for		
Investments sold	2,257,354	
Fund shares sold	1,039,389	
Dividends	851,258	
Other assets	9,975	
Total assets		$1,554,981,665
Liabilities		
Payable for fund shares reacquired	$4,165,613	
Payable to affiliates		
Investment adviser	57,726	
Shareholder servicing costs	671	
Distribution and/or service fees	3,303	
Payable for independent Trustees' compensation	10	
Accrued expenses and other liabilities	176,972	
Total liabilities		$4,404,295
Net assets		$1,550,577,370
Net assets consist of		
Paid-in capital	$990,024,616	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	468,677,198	
Accumulated net realized gain (loss) on investments and foreign currency	90,634,242	
Undistributed net investment income	1,241,314	
Net assets		$1,550,577,370
Shares of beneficial interest outstanding		39,828,686

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$1,308,360,930	33,491,303	$39.07
Service Class	242,216,440	6,337,383	38.22

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

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.

Year ended 12/31/13

Net investment income		
Income		
Dividends	$11,825,177	
Interest	81,333	
Dividends from underlying affiliated funds	23,195	
Foreign taxes withheld	(75,374)	
Total investment income		$11,854,331
Expenses		
Management fee	$9,542,146	
Distribution and/or service fees	449,308	
Shareholder servicing costs	63,977	
Administrative services fee	170,381	
Independent Trustees' compensation	25,792	
Custodian fee	125,743	
Shareholder communications	130,771	
Audit and tax fees	58,351	
Legal fees	5,486	
Miscellaneous	67,014	
Total expenses		$10,638,969
Fees paid indirectly	(16)	
Reduction of expenses by investment adviser	(16,310)	
Net expenses		$10,622,643
Net investment income		$1,231,688
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$101,350,147	
Foreign currency	11,660	
Net realized gain (loss) on investments and foreign currency		$101,361,807
Change in unrealized appreciation (depreciation)		
Investments	$315,012,851	
Translation of assets and liabilities in foreign currencies	8	
Net unrealized gain (loss) on investments and foreign currency translation		$315,012,859
Net realized and unrealized gain (loss) on investments and foreign currency		$416,374,666
Change in net assets from operations		$417,606,354

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.

For years ended 12/31 **Change in net assets**	2013	2012
From operations		
Net investment income	$1,231,688	$2,894,532
Net realized gain (loss) on investments and foreign currency	101,361,807	49,498,669
Net unrealized gain (loss) on investments and foreign currency translation	315,012,859	48,166,563
Change in net assets from operations	$417,606,354	$100,559,764
Distributions declared to shareholders		
From net investment income	$(2,907,322)	$—
From net realized gain on investments	(9,897,269)	—
Total distributions declared to shareholders	$(12,804,591)	$—
Change in net assets from fund share transactions	$4,106,615	$522,916,983
Total change in net assets	$408,908,378	$623,476,747
Net assets		
At beginning of period	1,141,668,992	518,192,245
At end of period (including undistributed net investment income of $1,241,314 and $2,905,288, respectively)	$1,550,577,370	$1,141,668,992

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 past 5 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	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$28.83	$24.56	$24.69	$21.43	$15.62
Income (loss) from investment operations					
Net investment income (loss) (d)	$0.04	$0.13	$(0.00)(w)	$0.05	$0.03
Net realized and unrealized gain (loss) on investments and foreign currency	10.53	4.14	(0.08)	3.24	5.83
Total from investment operations	$10.57	$4.27	$(0.08)	$3.29	$5.86
Less distributions declared to shareholders					
From net investment income	$(0.08)	$—	$(0.05)	$(0.03)	$(0.05)
From net realized gain on investments	(0.25)	—	—	—	—
Total distributions declared to shareholders	$(0.33)	$—	$(0.05)	$(0.03)	$(0.05)
Net asset value, end of period (x)	$39.07	$28.83	$24.56	$24.69	$21.43
Total return (%) (k)(r)(s)(x)	36.85	17.39	(0.32)	15.34	37.67
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.77	0.82	0.84	0.85	0.86
Expenses after expense reductions (f)	0.77	0.82	0.84	0.85	0.86
Net investment income	0.13	0.45	(0.00)(w)	0.24	0.14
Portfolio turnover	43	52	75	100	100
Net assets at end of period (000 omitted)	$1,308,361	$1,007,422	$461,382	$503,497	$498,288

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$28.25	$24.13	$24.27	$21.10	$15.37
Income (loss) from investment operations					
Net investment income (loss) (d)	$(0.04)	$0.07	$(0.06)	$0.00(w)	$(0.02)
Net realized and unrealized gain (loss) on investments and foreign currency	10.30	4.05	(0.08)	3.17	5.76
Total from investment operations	$10.26	$4.12	$(0.14)	$3.17	$5.74
Less distributions declared to shareholders					
From net investment income	$(0.04)	$—	$(0.00)(w)	$—	$(0.01)
From net realized gain on investments	(0.25)	—	—	—	—
Total distributions declared to shareholders	$(0.29)	$—	$(0.00)(w)	$—	$(0.01)
Net asset value, end of period (x)	$38.22	$28.25	$24.13	$24.27	$21.10
Total return (%) (k)(r)(s)(x)	36.49	17.07	(0.56)	15.02	37.33
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.02	1.07	1.09	1.10	1.10
Expenses after expense reductions (f)	1.02	1.07	1.09	1.10	1.10
Net investment income (loss)	(0.12)	0.26	(0.25)	0.02	(0.11)
Portfolio turnover	43	52	75	100	100
Net assets at end of period (000 omitted)	$242,216	$134,247	$56,810	$43,161	$31,861

(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.

(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

(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 increases and decreases in net assets from operations 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 the disclosure provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 ("ASU 2011-11"), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 ("ASU 2013-01") entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to a Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. The disclosures required by ASU 2011-11, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the 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 December 31, 2013 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities	$1,528,058,960	$—	$—	$1,528,058,960
Mutual Funds	22,764,729	—	—	22,764,729
Total Investments	$1,550,823,689	$—	$—	$1,550,823,689

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 1 investments presented above, equity investments amounting to $30,678,244 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 – Under its Securities Lending Agency Agreement with the fund, 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. In the event of Borrower default, State Street will for the benefit of the fund either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. 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 in 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. At December 31, 2013, there were no securities on loan or collateral outstanding.

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 year ended December 31, 2013, is shown as a reduction of total expenses in 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. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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 two fiscal years is as follows:

	12/31/13	**12/31/12**
Ordinary income (including any short-term capital gains)	$2,907,322	$—
Long-term capital gains	9,897,269	—
Total distributions	$12,804,591	$—

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/13	
Cost of investments	$1,083,019,046
Gross appreciation	473,762,140
Gross depreciation	(5,957,497)
Net unrealized appreciation (depreciation)	$467,804,643
Undistributed ordinary income	28,432,981
Undistributed long-term capital gain	74,651,916
Capital loss carryforwards	(10,171,567)
Other temporary differences	(165,219)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses ("post-enactment losses"). Previously, net capital losses were carried forward for eight years and treated as short-term losses ("pre-enactment 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, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/16	$(4,835,046)
12/31/17	(5,336,521)
Total	$(10,171,567)

The availability of $4,835,046 of the capital loss carryforwards which were acquired on August 17, 2012 in connection with the MFS Growth Portfolio merger, may be limited in a given year. The availability of $5,336,521 of the capital loss carryforwards of the fund may be limited in a given year due to the acquisition of SC WMC Large Cap Growth Fund on December 7, 2012.

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income		From net realized gain on investments	
	Year ended 12/31/13	Year ended 12/31/12	Year ended 12/31/13	Year ended 12/31/12
Initial Class	$2,673,098	$—	$8,467,219	$—
Service Class	234,224	—	1,430,050	—
Total	$2,907,322	$—	$9,897,269	$—

(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%

Effective April 1, 2013, MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the period April 1, 2013 through December 31, 2013, this management fee reduction amounted to $13,157, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2013 was equivalent to an annual effective rate of 0.72% 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 year ended December 31, 2013, the fee was $61,526, which equated to 0.0047% 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 year ended December 31, 2013, these costs amounted to $2,451.

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 year ended December 31, 2013 was equivalent to an annual effective rate of 0.0129% 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 year ended December 31, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $7,456 and are included in "Miscellaneous" expense in 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 $3,153, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 short-term obligations, aggregated $550,244,506 and $567,074,171, 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:

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	5,035,809	$169,845,931	4,032,529	$110,039,913
Service Class	2,764,608	91,199,853	2,536,052	68,492,337
	7,800,417	$261,045,784	6,568,581	$178,532,250
Shares issued in connection with acquisition of MFS Growth Portfolio				
Initial Class			5,123,763	$144,080,230
Service Class			491,709	13,561,334
			5,615,472	$157,641,564
Shares issued in connection with acquisition of SC WMC Large Cap Growth Fund				
Initial Class			11,289,645	$321,190,385
Service Class			556,484	15,514,779
			11,846,129	$336,705,164
Shares issued to shareholders in reinvestment of distributions				
Initial Class	330,769	$11,140,317	—	$—
Service Class	50,463	1,664,274	—	—
	381,232	$12,804,591	—	$—
Shares reacquired				
Initial Class	(6,822,186)	$(229,194,954)	(4,281,886)	$(118,022,809)
Service Class	(1,230,190)	(40,548,806)	(1,186,136)	(31,939,186)
	(8,052,376)	$(269,743,760)	(5,468,022)	$(149,961,995)
Net change				
Initial Class	(1,455,608)	$(48,208,706)	16,164,051	$457,287,719
Service Class	1,584,881	52,315,321	2,398,109	65,629,264
	129,273	$4,106,615	18,562,160	$522,916,983

The fund is one of several mutual funds in which the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 13%, 4%, and 4%, respectively, of the value of outstanding voting shares of the fund.

(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 year ended December 31, 2013, the fund's commitment fee and interest expense were $6,134 and $0, respectively, and are included in "Miscellaneous" expense in 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	11,917,356	264,546,796	(253,699,423)	22,764,729

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$23,195	$22,764,729

(8) Acquisitions

At close of business on August 17, 2012, the fund with net assets of approximately $629,077,130, acquired all of the assets and liabilities of MFS Growth Portfolio, a series of MFS Variable Insurance Trust. The purpose of the transaction was to provide shareholders of the MFS Growth Portfolio the opportunity to participate in a larger combined portfolio with an identical investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 5,615,472 shares of the fund (valued at approximately $157,641,564) for all of the assets and liabilities of MFS Growth Portfolio. MFS Growth Portfolio then distributed the shares of the fund that MFS Growth Portfolio received from the fund to its shareholders. MFS Growth Portfolio's investments on that date were valued at approximately $158,214,214 with a cost basis of approximately $127,245,941. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from MFS Growth Portfolio were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

At close of business on December 7, 2012 the fund with net assets of approximately $781,080,976, acquired all of the assets and liabilities of SC WMC Large Cap Growth Fund, a series of Sun Capital Advisers Trust. The purpose of the transaction was to provide shareholders of the SC WMC Large Cap Growth Fund the opportunity to participate in a larger combined portfolio with a similar investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 11,846,129 shares of the fund (valued at approximately $336,705,164) for all of the assets and liabilities of SC WMC Large Cap Growth Fund. SC WMC Large Cap Growth Fund then distributed the shares of the fund that SC WMC Large Cap Growth Fund received from the fund to its shareholders. SC WMC Large Cap Growth Fund's investments on that date were valued at approximately $328,346,705 with a cost basis of approximately $315,494,167. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from SC WMC Large Cap Growth Fund were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Growth Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Growth Series (one of the series comprising MFS Variable Insurance Trust) (the "Fund") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Growth Series as of December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 14, 2014

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
INTERESTED TRUSTEES				
Robert J. Manning (k) (age 50)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 52)	Trustee	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 71)	Trustee and Chair of Trustees	January 2004	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman
Robert E. Butler (age 72)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 58)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 72)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 69)	Trustee	December 2004	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 59)	Trustee	January 2009	Private investor	N/A
Laurie J. Thomsen (age 56)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 72)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran (k) (age 48)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President	N/A
Christopher R. Bohane (k) (age 40)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 45)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 54)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey (k) (age 50)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo (k) (age 45)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 38)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
Brian E. Langenfeld (k) (age 40)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 63)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira (k) (age 43)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 43)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum (k) (age 61)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 69)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 43)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost (k) (age 53)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., “public companies”).

(k) “Interested person” of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach) has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust’s Audit Committee.

Each of the Fund’s Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Manager
Eric Fischman

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2012 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 2nd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 2nd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2012 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the existing breakpoint and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" 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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

The fund designates $10,887,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS®

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

MFS®

ANNUAL REPORT
December 31, 2013

MFS®

MFS® HIGH YIELD PORTFOLIO

MFS® Variable Insurance Trust II

HYS-ANN

MFS® HIGH YIELD PORTFOLIO

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.

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

As a new year begins, the global economy is recovering. U.S. economic growth accelerated in the second half of 2013. Now that the speculation is over regarding the timing of the U.S. Federal Reserve's move to scale back its bond-buying program, investors are viewing the central bank's decision to taper as a signal of confidence in the economic recovery.

The eurozone broke out of its lengthy recession halfway through the year. However, persistently high unemployment, particularly in Spain and Greece, continues to hinder the region's economic growth.

China is progressing in its transition to a more consumption-based, domestic economy. Japan has succeeded in jump-starting its sluggish economy; driving down the yen's value has made exports more attractive, leading to profit growth and a stock market surge. Although Japan could face a deterrent to growth in April, when its national sales tax rises to 8% from 5%, in the longer term the tax increase will help bolster the nation's finances.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J Manning

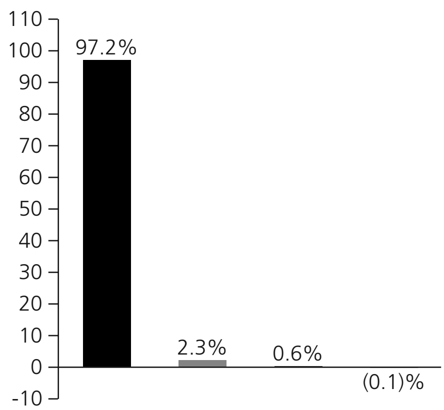
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 14, 2014

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)



Bonds	97.2%
Floating Rate Loans	2.3%
Equities	0.6%
Cash & Other Net Assets	(0.1)%

Composition including fixed income credit quality (a)(i)

BBB	3.1%
BB	35.6%
B	43.5%
CCC	16.3%
C	0.2%
D (o)	0.0%
Not Rated	0.8%
Non-Fixed Income	0.6%
Cash & Other	(0.1)%

Portfolio facts (i)

Average Duration (d)	4.4
Average Effective Maturity (m)	6.9 yrs.

Top five industries (i)

Energy — Independent	8.8%
Medical & Health Technology & Services	5.3%
Broadcasting	4.8%
Telecommunications — Wireless	4.1%
Transportation — Services	3.6%

(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. 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. The bond component will include any accrued interest amounts.

(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.

(o) Less than 0.1%.

From time to time "Cash & Other Net Assets" may be negative due to timing of cash receipts and/or equivalent exposure from any derivative holdings.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Percentages are based on net assets as of 12/31/13.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2013, Initial Class shares of the MFS High Yield Portfolio ("fund") provided a total return of 6.42%, while Service Class shares of the fund provided a total return of 6.10%. These compare with a return of 7.44% over the same period for the fund's benchmark, the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index.

Market Environment

Just prior to the beginning of the period, a last minute political agreement concerning the US debt ceiling averted the worst-case scenario and markets gravitated towards risk assets. However, the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first part of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve ("Fed") would begin tapering its quantitative easing ("QE") program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed's decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for the term beginning in early 2014.

Detractors from Performance

Relative to the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index, the fund's lesser exposure to "BB" (r) and below "BB" rated securities detracted from performance as lower-quality issues outperformed higher-quality issues during the reporting period.

The portion of the fund's return derived from yield, which was less than that of the benchmark, weighed on relative results. A greater exposure to the *industrial* sector also hindered relative returns as this market segment lagged the benchmark during the reporting period.

Top individual detractors for the period included debt holdings of energy company El Paso, regulated energy company Energy Future, mining company IAMGOLD Corp. and natural gas and oil exploration and production company QEP Resources.

Contributors to Performance

Yield curve (y) positioning, particularly the fund's greater exposure to shifts in the long end of the yield curve (centered around maturities of 10 years), was a key positive factor for relative results.

Strong bond selection also aided relative results. Top individual contributors during the reporting period included the fund's debt holdings of banker Abbey National (h), financial services firm JPMorgan Chase, radio and television stations operator LBI Media, steel products company Edgen Murray and specialized real estate finance company Arbor Realty.

The fund does not actively manage currency exposure. It does employ forward currency contracts to hedge its exposure to non US dollar issues. As a result, currency overall had an immaterial impact on the performance of the fund.

Respectfully,

William Adams	David Cole
Portfolio Manager	Portfolio Manager

(h) Security was not held in the portfolio at period end.

(r) Bonds rated "BBB", "Baa", or higher are considered investment grade; bonds rated "BB", "Ba", or below are considered non-investment grade. The sources for bond quality ratings are Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using 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). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

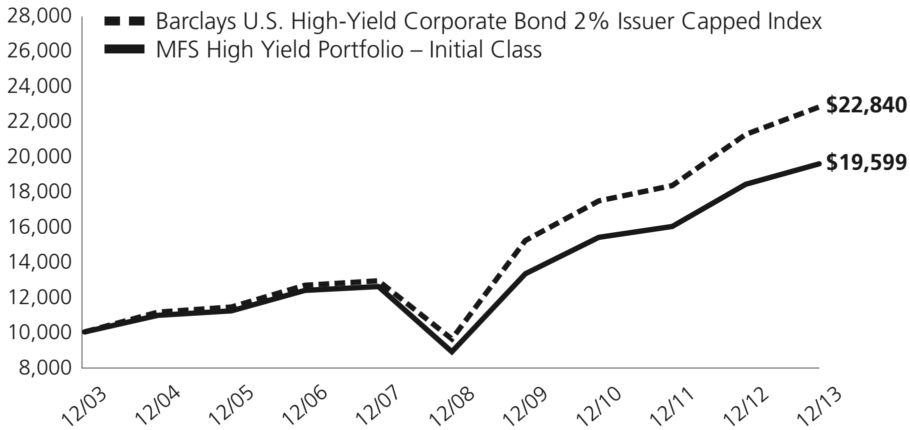
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/13

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/13

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	6/12/85	6.42%	17.15%	6.96%
Service Class	8/24/01	6.10%	16.87%	6.69%

Comparative benchmark

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)	7.44%	18.96%	8.61%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index – a component of the Barclays U.S. High-Yield Corporate Bond Index, which measures performance of non-investment grade, fixed rate debt. The index limits the maximum exposure to any one issuer to 2%.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2013 through December 31, 2013

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 July 1, 2013 through December 31, 2013.

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 7/01/13	Ending Account Value 12/31/13	Expenses Paid During Period (p) 7/01/13-12/31/13
Initial Class	Actual	0.75%	$1,000.00	$1,055.52	$3.89
	Hypothetical (h)	0.75%	$1,000.00	$1,021.42	$3.82
Service Class	Actual	1.00%	$1,000.00	$1,053.94	$5.18
	Hypothetical (h)	1.00%	$1,000.00	$1,020.16	$5.09

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/13

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 – 94.8%		
Aerospace – 2.2%		
Alliant Techsystems, Inc., 5.25%, 2021 (n)	$ 830,000	$ 832,075
Bombardier, Inc., 7.5%, 2018 (n)	1,790,000	2,036,125
Bombardier, Inc., 7.75%, 2020 (n)	1,265,000	1,435,775
Bombardier, Inc., 6.125%, 2023 (n)	1,505,000	1,493,713
CPI International, Inc., 8%, 2018	2,279,000	2,381,555
Huntington Ingalls Industries, Inc., 7.125%, 2021	3,085,000	3,385,788
Kratos Defense & Security Solutions, Inc., 10%, 2017	3,825,000	4,126,219
		$ 15,691,250
Apparel Manufacturers – 1.0%		
Hanesbrands, Inc., 6.375%, 2020	$ 1,990,000	$ 2,174,075
Jones Group, Inc., 6.875%, 2019	1,225,000	1,298,500
PVH Corp., 7.375%, 2020	2,180,000	2,400,725
PVH Corp., 4.5%, 2022	1,030,000	975,925
		$ 6,849,225
Asset-Backed & Securitized – 0.4%		
Arbor Realty Mortgage Securities, CDO, FRN, 2.542%, 2038 (z)	$ 1,136,457	$ 727,332
Citigroup Commercial Mortgage Trust, FRN, 5.705%, 2049	2,086,863	233,123
Crest Ltd., CDO, 7%, 2040 (a)(p)	1,275,235	63,762
CWCapital Cobalt Ltd., CDO, 6.23%, 2045 (a)(p)(z)	2,571,829	26
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.538%, 2050 (p)(z)	1,068,964	11
First Union National Bank Commercial Mortgage Trust, 6.75%, 2032	1,285,813	640,094
G-Force LLC, CDO, "A2", 4.83%, 2036 (z)	78,664	80,553
JPMorgan Chase Commercial Mortgage Securities Corp., "C", FRN, 5.999%, 2051	1,550,000	854,515
		$ 2,599,416
Automotive – 3.1%		
Accuride Corp., 9.5%, 2018	$ 2,680,000	$ 2,619,700
Allison Transmission, Inc., 7.125%, 2019 (n)	3,525,000	3,798,188
General Motors Financial Co., Inc., 4.75%, 2017 (n)	430,000	456,338
General Motors Financial Co., Inc., 6.75%, 2018	2,485,000	2,832,900
General Motors Financial Co., Inc., 4.25%, 2023 (n)	1,295,000	1,231,869
Goodyear Tire & Rubber Co., 6.5%, 2021	2,670,000	2,830,200
Goodyear Tire & Rubber Co., 7%, 2022	1,220,000	1,313,025
Jaguar Land Rover PLC, 7.75%, 2018 (n)	525,000	565,031
Jaguar Land Rover PLC, 8.125%, 2021 (n)	3,350,000	3,810,625

Issuer	Shares/Par	Value ($)
BONDS – continued		
Automotive – continued		
Jaguar Land Rover PLC, 5.625%, 2023 (n)	$ 955,000	$ 955,000
Lear Corp., 8.125%, 2020	610,000	672,525
Lear Corp., 4.75%, 2023 (n)	605,000	567,188
		$ 21,652,589
Broadcasting – 4.7%		
AMC Networks, Inc., 7.75%, 2021	$ 2,885,000	$ 3,245,625
Clear Channel Communications, Inc., 9%, 2021	2,099,000	2,119,990
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022	650,000	658,938
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022	1,595,000	1,628,894
Clear Channel Worldwide Holdings, Inc., "A", 7.625%, 2020	85,000	88,400
Clear Channel Worldwide Holdings, Inc., "B", 7.625%, 2020	895,000	940,869
Hughes Network Systems LLC, 7.625%, 2021	1,035,000	1,154,025
IAC/InterActive Corp., 4.875%, 2018 (n)	370,000	378,325
IAC/InterActive Corp., 4.75%, 2022	1,720,000	1,603,900
Intelsat Jackson Holdings S.A., 6.625%, 2022 (n)	2,155,000	2,219,650
Intelsat Jackson Holdings S.A., 6.625%, 2022	1,695,000	1,745,850
Intelsat S.A., 8.125%, 2023 (n)	2,935,000	3,147,788
LBI Media, Inc., 13.5% to 2015, 11.5% to 2020 (n)(p)	952,635	704,950
Liberty Media Corp., 8.5%, 2029	1,840,000	1,982,600
Netflix, Inc., 5.375%, 2021 (n)	1,645,000	1,665,563
Nexstar Broadcasting, Inc., 6.875%, 2020	2,020,000	2,161,400
SIRIUS XM Radio, Inc., 4.25%, 2020 (n)	500,000	472,500
SIRIUS XM Radio, Inc., 5.875%, 2020 (n)	255,000	260,100
SIRIUS XM Radio, Inc., 5.25%, 2022 (n)	1,755,000	1,772,550
Univision Communications, Inc., 6.875%, 2019 (n)	1,285,000	1,373,344
Univision Communications, Inc., 7.875%, 2020 (n)	1,980,000	2,175,525
Univision Communications, Inc., 8.5%, 2021 (n)	1,170,000	1,287,000
Univision Communications, Inc., 6.75%, 2022 (n)	250,000	273,750
		$ 33,061,536
Brokerage & Asset Managers – 0.7%		
E*TRADE Financial Corp., 6.75%, 2016	$ 100,000	$ 108,500
E*TRADE Financial Corp., 6.375%, 2019	4,200,000	4,509,750
		$ 4,618,250

Issuer	Shares/Par	Value ($)
BONDS – continued		
Building – 3.3%		
Allegion U.S. Holding Co., Inc., 5.75%, 2021 (n)	$ 1,225,000	$ 1,274,000
Boise Cascade Co., 6.375%, 2020	850,000	894,625
Building Materials Holding Corp., 6.875%, 2018 (n)	1,085,000	1,152,813
Building Materials Holding Corp., 7%, 2020 (n)	825,000	886,875
Building Materials Holding Corp., 6.75%, 2021 (n)	1,620,000	1,753,650
CEMEX Espana S.A., 9.25%, 2020 (n)	650,000	713,375
CEMEX S.A.B. de C.V., 5.875%, 2019 (n)	467,000	468,168
CEMEX S.A.B. de C.V., 9.25%, 2020	1,785,000	1,959,038
CEMEX S.A.B. de C.V., 7.25%, 2021 (n)	1,269,000	1,313,415
Gibraltar Industries, Inc., 6.25%, 2021	885,000	909,338
HD Supply, Inc., 8.125%, 2019	1,320,000	1,470,150
HD Supply, Inc., 7.5%, 2020	2,320,000	2,499,800
Headwaters Inc., 7.25%, 2019 (z)	150,000	154,125
Headwaters Inc., 7.625%, 2019	620,000	668,050
Nortek, Inc., 8.5%, 2021	2,535,000	2,807,513
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 (n)	1,337,000	1,497,440
USG Corp., 6.3%, 2016	1,643,000	1,762,118
USG Corp., 7.875%, 2020 (n)	830,000	933,750
		$ 23,118,243
Business Services – 2.1%		
Equinix, Inc., 4.875%, 2020	$ 1,325,000	$ 1,318,375
Equinix, Inc., 5.375%, 2023	790,000	772,225
Fidelity National Information Services, Inc., 5%, 2022	2,640,000	2,696,100
First Data Corp., 10.625%, 2021 (n)	2,500,000	2,709,375
iGATE Corp., 9%, 2016	2,843,000	3,020,688
Iron Mountain, Inc., 8.375%, 2021	1,515,000	1,632,413
Lender Processing Services, Inc., 5.75%, 2023	795,000	822,825
NeuStar, Inc., 4.5%, 2023	1,980,000	1,786,950
		$ 14,758,951
Cable TV – 3.3%		
CCO Holdings LLC, 8.125%, 2020	$ 2,635,000	$ 2,858,975
CCO Holdings LLC, 7.375%, 2020	905,000	979,663
CCO Holdings LLC, 6.5%, 2021	1,370,000	1,407,675
CCO Holdings LLC, 5.25%, 2022	250,000	233,438
CCO Holdings LLC/CCO Capital Corp., 5.75%, 2024	1,020,000	963,900
Cequel Communications Holdings, 6.375%, 2020 (n)	1,200,000	1,230,000
DISH DBS Corp., 6.75%, 2021	1,165,000	1,234,900
DISH DBS Corp., 5%, 2023	725,000	676,063
Lynx I Corp., 5.375%, 2021 (n)	1,085,000	1,085,000
Lynx II Corp., 6.375%, 2023 (n)	725,000	737,688
Nara Cable Funding Ltd., 8.875%, 2018 (n)	360,000	387,000
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR 1,175,000	1,737,680

Issuer	Shares/Par	Value ($)
BONDS – continued		
Cable TV – continued		
Time Warner Cable, Inc., 4.5%, 2042	$ 1,825,000	$ 1,378,005
Unitymedia Hessen, 5.5%, 2023 (n)	1,605,000	1,556,850
UPC Holding B.V., 9.875%, 2018 (n)	1,410,000	1,512,225
UPC Holding B.V., 8.375%, 2020	EUR 500,000	756,635
UPC Holding B.V., 6.375%, 2022 (n)	EUR 250,000	353,383
UPCB Finance III Ltd., 6.625%, 2020 (n)	$ 1,630,000	1,731,875
UPCB Finance Ltd., 7.625%, 2020	EUR 250,000	371,920
UPCB Finance VI Ltd., 6.875%, 2022 (n)	$ 350,000	371,875
Virgin Media Finance PLC, 8.375%, 2019	265,000	289,513
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR 945,000	1,378,350
		$ 23,232,613
Chemicals – 2.7%		
Celanese U.S. Holdings LLC, 5.875%, 2021	$ 433,000	$ 461,145
Celanese U.S. Holdings LLC, 4.625%, 2022	965,000	923,988
Flash Dutch 2 B.V./U.S. Coatings Acquisition, 7.375%, 2021 (n)	1,370,000	1,460,763
Hexion U.S. Finance Corp., 6.625%, 2020	1,180,000	1,209,500
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018	1,690,000	1,755,488
Huntsman International LLC, 8.625%, 2020	400,000	442,500
Huntsman International LLC, 8.625%, 2021	2,200,000	2,486,000
INEOS Finance PLC, 8.375%, 2019 (n)	1,715,000	1,907,938
INEOS Finance PLC, 7.5%, 2020 (n)	100,000	109,625
INEOS Group Holdings PLC, 7.875%, 2016	EUR 505,243	700,275
INEOS Group Holdings S.A., 6.125%, 2018 (n)	$ 1,380,000	1,386,900
NOVA Chemicals Corp., 5.25%, 2023 (n)	840,000	865,200
Polypore International, Inc., 7.5%, 2017	775,000	819,563
Taminco Global Chemical Corp., 9.75%, 2020 (z)	1,995,000	2,264,325
Tronox Finance LLC, 6.375%, 2020	2,480,000	2,529,600
		$ 19,322,810
Computer Software – 0.9%		
Infor (US), Inc., 11.5%, 2018	$ 1,210,000	$ 1,394,525
Syniverse Holdings, Inc., 9.125%, 2019	2,915,000	3,184,638
VeriSign, Inc., 4.625%, 2023	1,775,000	1,695,125
		$ 6,274,288
Computer Software – Systems – 0.5%		
Audatex North America, Inc., 6%, 2021 (n)	$ 740,000	$ 775,150
Audatex North America, Inc., 6.125%, 2023 (n)	455,000	468,650
CDW LLC/CDW Finance Corp., 12.535%, 2017	109,000	113,905
CDW LLC/CDW Finance Corp., 8.5%, 2019	1,885,000	2,082,925
		$ 3,440,630

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Conglomerates – 2.1%		
Amsted Industries, Inc., 8.125%, 2018 (n)	$ 2,415,000	$ 2,544,806
BC Mountain LLC, 7%, 2021 (n)	1,250,000	1,262,500
Dynacast International LLC, 9.25%, 2019	1,775,000	1,956,938
Griffon Corp., 7.125%, 2018	1,437,000	1,523,220
Renaissance Acquisition, 6.875%, 2021 (n)	3,145,000	3,137,138
Rexel S.A., 6.125%, 2019 (n)	1,490,000	1,557,050
Rexel S.A., 5.25%, 2020 (n)	540,000	542,700
Silver II Borrower, 7.75%, 2020 (n)	2,085,000	2,210,100
WESCO Distribution, Inc., 5.375%, 2021 (n)	300,000	300,000
		$ 15,034,452
Construction – 0.2%		
Empresas ICA S.A.B. de C.V., 8.9%, 2021	$ 1,430,000	$ 1,394,250
Consumer Products – 1.1%		
Elizabeth Arden, Inc., 7.375%, 2021	$ 2,060,000	$ 2,245,400
Jarden Corp., 7.5%, 2017	500,000	578,750
Jarden Corp., 7.5%, 2020	1,315,000	1,420,200
Prestige Brands, Inc., 8.125%, 2020	971,000	1,087,520
Prestige Brands, Inc., 5.375%, 2021 (z)	780,000	787,800
Spectrum Brands Escrow Corp., 6.375%, 2020 (n)	1,825,000	1,948,188
		$ 8,067,858
Consumer Services – 1.1%		
ADT Corp., 6.25%, 2021 (n)	$ 1,310,000	$ 1,375,500
ADT Corp., 4.125%, 2023	885,000	784,225
Monitronics International, Inc., 9.125%, 2020	2,105,000	2,231,300
QVC, Inc., 7.375%, 2020 (n)	895,000	964,559
Service Corp. International, 7%, 2017	1,840,000	2,060,800
		$ 7,416,384
Containers – 3.5%		
ARD Finance S.A., 11.125%, 2018 (n)	$ 263,163	$ 281,584
Ardagh Packaging Finance PLC, 7%, 2020 (n)	1,340,000	1,353,400
Ardagh Packaging Finance PLC, 7.375%, 2017 (n)	1,290,000	1,385,138
Ardagh Packaging Finance PLC, 7.375%, 2017 (n)	200,000	215,000
Ardagh Packaging Finance PLC, 7.375%, 2017	EUR 200,000	294,757
Ardagh Packaging Finance PLC, 9.125%, 2020 (n)	$ 200,000	219,000
Ardagh Packaging Finance PLC, 9.125%, 2020 (n)	1,660,000	1,809,400
Ball Corp., 5%, 2022	1,393,000	1,379,070
Ball Corp., 4%, 2023	355,000	317,725
Berry Plastics Group, Inc., 9.5%, 2018	1,065,000	1,142,213
Berry Plastics Group, Inc., 9.75%, 2021	1,050,000	1,215,375
Beverage Packaging Holdings Group, 6%, 2017 (z)	300,000	303,750
BONDS – continued		
Containers – continued		
Crown American LLC, 4.5%, 2023	$ 3,215,000	$ 3,006,025
Crown Euro Holdings S.A., 7.125%, 2018	EUR 50,000	73,256
Exopack Holdings S.A., 7.875%, 2019 (n)	$ 1,375,000	1,402,500
Greif, Inc., 6.75%, 2017	650,000	719,875
Greif, Inc., 7.75%, 2019	1,245,000	1,413,075
Reynolds Group, 8.5%, 2018	250,000	263,750
Reynolds Group, 7.125%, 2019	1,615,000	1,719,975
Reynolds Group, 9%, 2019	500,000	536,250
Reynolds Group, 9.875%, 2019	1,320,000	1,468,500
Reynolds Group, 5.75%, 2020	1,265,000	1,290,300
Reynolds Group, 8.25%, 2021	2,625,000	2,802,188
		$ 24,612,106
Defense Electronics – 0.2%		
Ducommun, Inc., 9.75%, 2018	$ 1,359,000	$ 1,511,888
Electrical Equipment – 0.3%		
Avaya, Inc., 9.75%, 2015	$ 785,000	$ 779,113
Avaya, Inc., 7%, 2019 (n)	1,425,000	1,396,500
		$ 2,175,613
Electronics – 0.8%		
Nokia Corp., 5.375%, 2019	$ 570,000	$ 591,375
Nokia Corp., 6.625%, 2039	900,000	884,250
NXP B.V., 5.75%, 2021 (n)	585,000	611,325
NXP B.V., 5.75%, 2023 (n)	1,495,000	1,521,163
Sensata Technologies B.V., 6.5%, 2019 (n)	2,175,000	2,332,688
		$ 5,940,801
Energy – Independent – 8.5%		
Antero Resources Finance Corp., 6%, 2020	$ 1,025,000	$ 1,076,250
Antero Resources Finance Corp., 5.375%, 2021 (n)	1,440,000	1,454,400
Bill Barrett Corp., 7%, 2022	915,000	949,313
BreitBurn Energy Partners LP, 8.625%, 2020	1,270,000	1,365,250
BreitBurn Energy Partners LP, 7.875%, 2022	2,455,000	2,553,200
Carrizo Oil & Gas, Inc., 8.625%, 2018	415,000	449,238
Carrizo Oil & Gas, Inc., 7.5%, 2020	1,010,000	1,105,950
Chaparral Energy, Inc., 7.625%, 2022	2,290,000	2,450,300
Concho Resources, Inc., 6.5%, 2022	2,980,000	3,225,850
Concho Resources, Inc., 5.5%, 2023	1,685,000	1,735,550
Continental Resources, Inc., 7.375%, 2020	855,000	961,875
Denbury Resources, Inc., 8.25%, 2020	2,864,000	3,153,980
Denbury Resources, Inc., 4.625%, 2023	765,000	690,413
Energy XXI Gulf Coast, Inc., 9.25%, 2017	2,475,000	2,753,438
Energy XXI Gulf Coast, Inc., 7.5%, 2021 (n)	1,520,000	1,584,600
EP Energy LLC, 6.875%, 2019	875,000	941,719
EP Energy LLC, 9.375%, 2020	2,875,000	3,317,031
EP Energy LLC, 7.75%, 2022	2,565,000	2,872,800
EPL Oil & Gas, Inc., 8.25%, 2018	2,465,000	2,649,875

Issuer	Shares/Par	Value ($)
BONDS – continued		
Energy – Independent – continued		
Halcon Resources Corp., 8.875%, 2021	$ 2,220,000	$ 2,242,200
Harvest Operations Corp., 6.875%, 2017	1,880,000	2,058,600
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n)	605,000	654,913
Laredo Petroleum, Inc., 9.5%, 2019	810,000	905,175
Laredo Petroleum, Inc., 7.375%, 2022	250,000	271,250
LINN Energy LLC, 8.625%, 2020	1,030,000	1,112,400
LINN Energy LLC, 7.75%, 2021	1,429,000	1,511,168
MEG Energy Corp., 6.5%, 2021 (n)	1,095,000	1,152,488
Oasis Petroleum, Inc., 6.875%, 2022 (n)	1,055,000	1,118,300
QEP Resources, Inc., 6.875%, 2021	3,205,000	3,437,363
Range Resources Corp., 6.75%, 2020	150,000	162,375
Range Resources Corp., 5.75%, 2021	250,000	265,000
Range Resources Corp., 5%, 2022	510,000	501,075
Samson Investment Co., 10.5%, 2020 (n)	1,060,000	1,155,400
SandRidge Energy, Inc., 7.5%, 2021	1,250,000	1,309,375
SandRidge Energy, Inc., 8.125%, 2022	2,140,000	2,268,400
SM Energy Co., 6.5%, 2021	1,940,000	2,056,400
Whiting Petroleum Corp., 6.5%, 2018	1,505,000	1,599,063
Whiting Petroleum Corp., 5%, 2019	940,000	961,150
		$ 60,033,127
Engineering – Construction – 0.3%		
BakerCorp International, Inc., 8.25%, 2019	$ 2,030,000	$ 2,024,925
Entertainment – 1.5%		
Activision Blizzard, Inc., 6.125%, 2023 (n)	$ 1,325,000	$ 1,381,313
AMC Entertainment, Inc., 8.75%, 2019	1,200,000	1,282,500
Cedar Fair LP, 9.125%, 2018	1,265,000	1,372,525
Cedar Fair LP, 5.25%, 2021	1,935,000	1,910,813
Cinemark USA, Inc., 5.125%, 2022	1,415,000	1,369,013
Cinemark USA, Inc., 4.875%, 2023	1,245,000	1,170,300
Six Flags Entertainment Corp., 5.25%, 2021 (n)	2,200,000	2,150,500
		$ 10,636,964
Financial Institutions – 5.6%		
Aircastle Ltd., 4.625%, 2018	$ 1,810,000	$ 1,823,575
Aviation Capital Group, 4.625%, 2018 (n)	1,460,000	1,510,779
Aviation Capital Group, 6.75%, 2021 (n)	1,285,000	1,395,696
CIT Group, Inc., 5%, 2017	250,000	266,875
CIT Group, Inc., 4.25%, 2017	500,000	520,625
CIT Group, Inc., 5.25%, 2018	1,655,000	1,774,988
CIT Group, Inc., 6.625%, 2018 (n)	1,925,000	2,163,219
CIT Group, Inc., 5.5%, 2019 (n)	1,313,000	1,408,193
CIT Group, Inc., 5%, 2022	3,345,000	3,261,375
Credit Acceptance Corp., 9.125%, 2017	1,650,000	1,732,500
Icahn Enterprises LP, 8%, 2018	4,075,000	4,238,000
International Lease Finance Corp., 7.125%, 2018 (n)	1,619,000	1,873,993
Nationstar Mortgage LLC/Capital Corp., 10.875%, 2015	1,270,000	1,298,575
Nationstar Mortgage LLC/Capital Corp., 6.5%, 2018	1,145,000	1,165,038

Issuer	Shares/Par	Value ($)
BONDS – continued		
Financial Institutions – continued		
Nationstar Mortgage LLC/Capital Corp., 9.625%, 2019	$ 595,000	$ 669,375
Nationstar Mortgage LLC/Capital Corp., 7.875%, 2020	2,660,000	2,759,750
PHH Corp., 7.375%, 2019	1,960,000	2,092,300
PHH Corp., 6.375%, 2021	815,000	815,000
SLM Corp., 8.45%, 2018	1,790,000	2,085,350
SLM Corp., 4.875%, 2019	490,000	487,994
SLM Corp., 8%, 2020	3,650,000	4,133,577
SLM Corp., 7.25%, 2022	1,745,000	1,845,338
		$ 39,322,115
Food & Beverages – 1.2%		
B&G Foods, Inc., 4.625%, 2021	$ 1,005,000	$ 964,800
Constellation Brands, Inc., 3.75%, 2021	335,000	314,900
Constellation Brands, Inc., 4.25%, 2023	2,255,000	2,102,788
Darling Escrow Corp., 5.375%, 2022 (z)	1,695,000	1,707,713
Hawk Acquisition Sub, Inc., 4.25%, 2020 (n)	1,710,000	1,654,425
Sun Merger Sub, Inc., 5.875%, 2021 (n)	1,895,000	1,942,375
		$ 8,687,001
Forest & Paper Products – 0.8%		
Appvion, Inc., 9%, 2020 (n)	$ 1,680,000	$ 1,696,800
Smurfit Kappa Group PLC, 4.875%, 2018 (n)	290,000	300,875
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 1,280,000	1,919,376
Tembec Industries, Inc., 11.25%, 2018	$ 1,325,000	1,450,875
		$ 5,367,926
Gaming & Lodging – 2.7%		
Caesars Entertainment Operating Co., Inc., 8.5%, 2020	$ 1,075,000	$ 1,034,688
CCM Merger, Inc., 9.125%, 2019 (z)	1,480,000	1,546,600
Chester Downs & Marina LLC, 9.25%, 2020 (n)	835,000	837,088
Hilton Worldwide Finance Co., 5.625%, 2021 (n)	1,410,000	1,462,875
Isle of Capri Casinos, Inc., 8.875%, 2020	795,000	848,663
Isle of Capri Casinos, Inc., 5.875%, 2021	395,000	388,088
MGM Resorts International, 11.375%, 2018	1,180,000	1,498,600
MGM Resorts International, 6.625%, 2021	1,990,000	2,104,425
Pinnacle Entertainment, Inc., 8.75%, 2020	1,355,000	1,493,888
Playa Resorts Holdings B.V., 8%, 2020 (n)	172,000	182,535
PNK Finance Corp., 6.375%, 2021 (n)	1,015,000	1,037,838
Ryman Hospitality Properties, Inc., REIT, 5%, 2021	1,175,000	1,160,313
Seven Seas Cruises S. DE R.L., 9.125%, 2019	2,780,000	3,061,475
Wynn Las Vegas LLC, 7.75%, 2020	2,025,000	2,273,063
		$ 18,930,139

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Health Maintenance Organizations – 0.1%		
Wellcare Health Plans, Inc., 5.75%, 2020	$ 820,000	$ 838,450
Industrial – 1.3%		
Dematic S.A., 7.75%, 2020 (n)	$ 2,785,000	$ 2,959,063
Howard Hughes Corp., 6.875%, 2021 (n)	1,755,000	1,825,200
Hyva Global B.V., 8.625%, 2016 (n)	1,412,000	1,422,590
Mueller Water Products, Inc., 8.75%, 2020	931,000	1,042,720
SPL Logistics Escrow LLC, 8.875%, 2020 (n)	2,065,000	2,194,063
		$ 9,443,636
Insurance – Property & Casualty – 0.3%		
XL Group PLC, 6.5% to 2017, FRN to 2049	$ 2,495,000	$ 2,454,456
International Market Quasi-Sovereign – 0.3%		
Eksportfinans A.S.A., 5.5%, 2016	$ 735,000	$ 775,425
Eksportfinans A.S.A., 5.5%, 2017	1,055,000	1,112,498
		$ 1,887,923
Machinery & Tools – 2.2%		
Case New Holland, Inc., 7.875%, 2017	$ 3,500,000	$ 4,130,000
CNH Capital LLC, 3.625%, 2018	1,660,000	1,682,825
H&E Equipment Services Co., 7%, 2022	2,355,000	2,566,950
NESCO LLC/NESCO Holdings Corp., 11.75%, 2017 (n)	2,615,000	2,941,875
RSC Equipment Rental, Inc., 8.25%, 2021	1,845,000	2,080,238
United Rentals North America, Inc., 5.75%, 2018	525,000	561,094
United Rentals North America, Inc., 7.375%, 2020	250,000	277,188
United Rentals North America, Inc., 7.625%, 2022	1,028,000	1,142,365
		$ 15,382,535
Major Banks – 1.6%		
Bank of America Corp., FRN, 5.2%, 2049	$ 2,690,000	$ 2,367,200
Barclays Bank PLC, 7.625%, 2022	1,905,000	2,028,825
Credit Suisse Group AG, 6.5%, 2023 (n)	813,000	864,829
JPMorgan Chase & Co., 6% to 2023, FRN to 2043	3,110,000	2,973,938
RBS Capital Trust A, FRN, 2.393%, 2043	EUR 50,000	62,319
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2043 (n)	$ 850,000	905,250
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2043	1,850,000	1,933,250
		$ 11,135,611
Medical & Health Technology & Services – 5.2%		
AmSurg Corp., 5.625%, 2020	$ 1,190,000	$ 1,237,600
Davita, Inc., 6.375%, 2018	3,205,000	3,365,250
Davita, Inc., 6.625%, 2020	1,930,000	2,069,925
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	1,085,000	1,198,925
Fresenius Medical Care Capital Trust III, 5.625%, 2019 (n)	1,215,000	1,312,200

Issuer	Shares/Par	Value ($)
BONDS – continued		
Medical & Health Technology & Services – continued		
Fresenius Medical Care Capital Trust III, 5.875%, 2022 (n)	$ 1,265,000	$ 1,334,575
HCA, Inc., 7.25%, 2020	1,020,000	1,111,800
HCA, Inc., 7.5%, 2022	3,125,000	3,429,688
HCA, Inc., 5.875%, 2022	1,935,000	1,997,888
HCA, Inc., 4.75%, 2023	200,000	188,000
HealthSouth Corp., 8.125%, 2020	3,075,000	3,370,969
IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 2019	1,975,000	2,093,500
Kinetic Concepts, Inc., 12.5%, 2019	1,365,000	1,535,625
Lifepoint Hospitals, Inc., 5.5%, 2021 (n)	2,265,000	2,273,494
Tenet Healthcare Corp., 8%, 2020	2,500,000	2,715,625
Tenet Healthcare Corp., 4.5%, 2021	2,210,000	2,093,975
Tenet Healthcare Corp., 8.125%, 2022	1,215,000	1,309,163
Universal Health Services, Inc., 7%, 2018	1,480,000	1,579,900
Universal Health Services, Inc., 7.625%, 2020	2,005,000	2,115,275
		$ 36,333,377
Medical Equipment – 0.7%		
Biomet, Inc., 6.5%, 2020	$ 2,015,000	$ 2,115,750
Physio-Control International, Inc., 9.875%, 2019 (n)	969,000	1,085,280
Teleflex, Inc., 6.875%, 2019	1,705,000	1,790,250
		$ 4,991,280
Metals & Mining – 3.1%		
ArcelorMittal S.A., 6.75%, 2022	$ 630,000	$ 685,125
ArcelorMittal S.A., 7.25%, 2041	1,080,000	1,031,400
Arch Coal, Inc., 8%, 2019 (z)	460,000	458,850
Arch Coal, Inc., 7.25%, 2020	1,185,000	921,338
Arch Coal, Inc., 7.25%, 2021	250,000	191,250
Century Aluminum Co., 7.5%, 2021 (n)	1,335,000	1,301,625
Commercial Metals Co., 4.875%, 2023	1,328,000	1,235,040
Consol Energy, Inc., 8%, 2017	1,900,000	2,002,125
Consol Energy, Inc., 8.25%, 2020	2,415,000	2,614,238
First Quantum Minerals Ltd., 7.25%, 2019 (n)	3,186,000	3,098,385
FMG Resources, 6.875%, 2022 (n)	500,000	545,000
Fortescue Metals Group Ltd., 8.25%, 2019 (n)	1,650,000	1,852,125
Peabody Energy Corp., 6%, 2018	1,225,000	1,304,625
Peabody Energy Corp., 6.25%, 2021	725,000	732,250
TMS International Corp., 7.625%, 2021 (n)	1,570,000	1,668,125
Walter Energy, Inc., 9.5%, 2019 (n)	660,000	696,300
Walter Energy, Inc., 8.5%, 2021	2,095,000	1,744,088
		$ 22,081,889
Municipals – 0.1%		
New Jersey Tobacco Settlement Financing Corp., "1-A", 4.5%, 2023	$ 1,095,000	$ 1,008,517
Natural Gas – Distribution – 0.7%		
AmeriGas Finance LLC, 6.75%, 2020	$ 3,070,000	$ 3,353,975
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021	1,040,000	1,060,800

Issuer	Shares/Par	Value ($)
BONDS – continued		
Natural Gas – Distribution – continued		
Ferrellgas LP/Ferrellgas Finance Corp., 6.75%, 2022 (n)	$ 455,000	$ 461,825
		$ 4,876,600
Natural Gas – Pipeline – 3.3%		
Access Midstream Partners Co., 5.875%, 2021	$ 645,000	$ 686,925
Access Midstream Partners Co., 4.875%, 2023	2,885,000	2,784,025
Atlas Pipeline Partners LP, 4.75%, 2021 (n)	660,000	603,900
Atlas Pipeline Partners LP, 5.875%, 2023 (n)	1,275,000	1,214,438
Crestwood Midstream Partners LP, 6%, 2020	1,945,000	2,003,350
Crestwood Midstream Partners LP, 6.125%, 2022 (n)	455,000	466,375
Crosstex Energy, Inc., 7.125%, 2022	240,000	273,000
El Paso Corp., 7%, 2017	1,395,000	1,576,674
El Paso Corp., 8.05%, 2030	1,010,000	1,022,040
El Paso Corp., 7.75%, 2032	3,270,000	3,311,696
Energy Transfer Equity LP, 7.5%, 2020	2,105,000	2,362,863
MarkWest Energy Partners LP, 5.5%, 2023	1,205,000	1,214,038
MarkWest Energy Partners LP, 4.5%, 2023	1,108,000	1,038,750
Sabine Pass Liquefaction, 5.625%, 2021 (n)	2,020,000	1,974,550
Sabine Pass Liquefaction, 5.625%, 2023 (n)	2,180,000	2,038,300
Summit Midstream Holdings LLC, 7.5%, 2021 (n)	570,000	595,650
		$ 23,166,574
Network & Telecom – 1.3%		
Centurylink, Inc., 7.65%, 2042	$ 2,470,000	$ 2,204,475
Citizens Communications Co., 9%, 2031	1,710,000	1,692,900
Frontier Communications Corp., 8.125%, 2018	495,000	565,538
TW Telecom Holdings, Inc., 5.375%, 2022 (n)	600,000	589,500
TW Telecom Holdings, Inc., 5.375%, 2022	1,295,000	1,272,338
Windstream Corp., 8.125%, 2018	365,000	392,375
Windstream Corp., 7.75%, 2020	935,000	992,269
Windstream Corp., 7.75%, 2021	1,040,000	1,102,400
		$ 8,811,795
Oil Services – 1.7%		
Bristow Group, Inc., 6.25%, 2022	$ 2,035,000	$ 2,148,350
Dresser-Rand Group, Inc., 6.5%, 2021	915,000	974,475
Edgen Murray Corp., 8.75%, 2020 (n)	1,500,000	1,717,500
Pacific Drilling S.A., 5.375%, 2020 (n)	2,085,000	2,095,425
Shale-Inland Holdings LLC/Finance Co., 8.75%, 2019 (n)	2,640,000	2,732,400
Unit Corp., 6.625%, 2021	2,405,000	2,537,275
		$ 12,205,425

Issuer	Shares/Par	Value ($)
BONDS – continued		
Other Banks & Diversified Financials – 1.3%		
Ally Financial, Inc., 0%, 2015	$ 500,000	$ 480,000
Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)	2,447,000	3,193,335
LBG Capital No. 1 PLC, 7.875%, 2020 (n)	3,510,000	3,777,504
UBS AG, 7.625%, 2022	1,290,000	1,475,499
		$ 8,926,338
Pharmaceuticals – 1.5%		
Capsugel FinanceCo. SCA, 9.875%, 2019 (n)	EUR 760,000	$ 1,168,381
Capsugel S.A., 7%, 2019 (n)(p)	$ 610,000	621,438
Endo Finance Co., 5.75%, 2022 (z)	880,000	884,400
Endo Health Solutions, Inc., 7.25%, 2022	1,480,000	1,583,600
Salix Pharmaceuticals Ltd., 6%, 2021 (z)	1,050,000	1,076,250
Valeant Pharmaceuticals International, Inc., 6.75%, 2017 (n)	100,000	106,500
Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)	3,035,000	3,270,213
Valeant Pharmaceuticals International, Inc., 7.25%, 2022 (n)	1,135,000	1,221,544
Vantage Point Imaging, 7.5%, 2021 (n)	320,000	351,200
		$ 10,283,526
Precious Metals & Minerals – 0.5%		
Eldorado Gold Corp., 6.125%, 2020 (n)	$ 1,350,000	$ 1,299,375
IAMGOLD Corp., 6.75%, 2020 (n)	2,724,000	2,342,640
		$ 3,642,015
Printing & Publishing – 0.6%		
American Media, Inc., 13.5%, 2018 (z)	$ 194,964	$ 210,561
Gannett Co., Inc., 6.375%, 2023 (n)	1,390,000	1,438,650
Gannett Co., Inc., 5.125%, 2020 (n)	935,000	946,688
Lamar Media Corp., 5%, 2023	1,620,000	1,539,000
		$ 4,134,899
Railroad & Shipping – 0.2%		
Watco Cos. LLC, 6.375%, 2023 (n)	$ 1,515,000	$ 1,499,850
Real Estate – 1.9%		
Aviv Healthcare Properties LP, 6%, 2021 (n)	$ 1,625,000	$ 1,653,438
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019	1,655,000	1,704,650
DuPont Fabros Technology LP, REIT, 5.875%, 2021	1,900,000	1,961,750
ERP Properties, REIT, 7.75%, 2020	1,520,000	1,734,484
ERP Properties, REIT, 5.75%, 2022	1,300,000	1,323,618
Felcor Lodging LP, REIT, 5.625%, 2023	1,115,000	1,087,125
MPT Operating Partnership LP, REIT, 6.875%, 2021	2,340,000	2,503,800
MPT Operating Partnership LP, REIT, 6.375%, 2022	1,380,000	1,428,300
		$ 13,397,165
Retailers – 1.5%		
Academy Ltd., 9.25%, 2019 (n)	$ 800,000	$ 884,000
Burlington Coat Factory Warehouse Corp., 10%, 2019	2,070,000	2,331,338

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Retailers – continued		
CST Brands, Inc., 5%, 2023	$ 210,000	$ 202,650
Jo-Ann Stores Holdings, Inc., 9.75%, 2019 (n)(p)	1,695,000	1,773,394
Limited Brands, Inc., 7%, 2020	580,000	651,050
Limited Brands, Inc., 6.95%, 2033	735,000	723,975
Rite Aid Corp., 9.25%, 2020	2,395,000	2,748,263
Sally Beauty Holdings, Inc., 6.875%, 2019	585,000	646,425
William Carter Co., 5.25%, 2021 (n)	385,000	390,775
		$ 10,351,870
Specialty Chemicals – 0.5%		
Chemtura Corp., 5.75%, 2021	$ 1,950,000	$ 1,976,813
Koppers, Inc., 7.875%, 2019	1,265,000	1,366,200
		$ 3,343,013
Specialty Stores – 0.3%		
Michaels Stores, Inc., 11.375%, 2016	$ 499,000	$ 510,861
Michaels Stores, Inc., 7.75%, 2018	1,365,000	1,481,025
Michaels Stores, Inc., 5.875%, 2020 (z)	445,000	447,225
		$ 2,439,111
Telecommunications – Wireless – 4.0%		
Crown Castle International Corp., 5.25%, 2023	$ 1,125,000	$ 1,102,500
Digicel Group Ltd., 8.25%, 2017 (n)	2,550,000	2,652,000
Digicel Group Ltd., 10.5%, 2018 (n)	710,000	759,700
Digicel Group Ltd., 8.25%, 2020 (n)	765,000	792,731
Eileme 2 AB, 11.625%, 2020 (n)	1,690,000	2,025,852
MetroPCS Wireless, Inc., 7.875%, 2018	1,325,000	1,422,719
MetroPCS Wireless, Inc., 6.25%, 2021 (n)	1,360,000	1,411,000
Sprint Capital Corp., 6.875%, 2028	1,615,000	1,522,138
Sprint Corp., 7.875%, 2023 (n)	1,745,000	1,875,875
Sprint Corp., 7.125%, 2024 (z)	445,000	451,675
Sprint Nextel Corp., 8.375%, 2017	1,750,000	2,025,625
Sprint Nextel Corp., 9%, 2018 (n)	250,000	301,250
Sprint Nextel Corp., 6%, 2022	1,985,000	1,935,375
Sprint Nextel Corp., 8.75%, 2032	500,000	536,250
T-Mobile USA, Inc, 6.5%, 2024	920,000	931,500
T-Mobile USA, Inc., 6.125%, 2022	300,000	305,250
T-Mobile USA, Inc., 5.25%, 2018 (n)	800,000	842,000
T-Mobile USA, Inc., 6.633%, 2021	455,000	480,025
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	1,055,000	1,122,256
Wind Acquisition Finance S.A., 12.25%, 2017 (n)(p)	2,415,000	2,401,265
Wind Acquisition Finance S.A., 7.25%, 2018 (n)	3,210,000	3,378,525
		$ 28,275,511
Telephone Services – 0.4%		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	$ 790,000	$ 857,150
Level 3 Financing, Inc., 9.375%, 2019	1,435,000	1,605,406
Level 3 Financing, Inc., 8.625%, 2020	460,000	515,200
		$ 2,977,756

Issuer	Shares/Par	Value ($)
BONDS – continued		
Transportation – Services – 3.1%		
Aguila American Resources Ltd., 7.875%, 2018 (n)	$ 2,560,000	$ 2,713,600
Avis Budget Car Rental LLC, 8.25%, 2019	1,305,000	1,422,450
Avis Budget Car Rental LLC, 9.75%, 2020	625,000	732,813
CEVA Group PLC, 8.375%, 2017 (n)	2,675,000	2,795,375
Jack Cooper Finance Co., 9.25%, 2020 (n)	1,855,000	1,998,763
Navios Maritime Acquisition Corp., 8.125%, 2021 (n)	1,620,000	1,652,400
Navios Maritime Holding, Inc., 7.375%, 2022 (n)	1,875,000	1,884,375
Navios South American Logistics, Inc., 9.25%, 2019	1,514,000	1,633,228
Swift Services Holdings, Inc., 10%, 2018	3,595,000	3,999,438
Syncreon Group BV/Syncre, 8.625%, 2021 (n)	1,405,000	1,454,175
Ultrapetrol (Bahamas) Ltd., 8.875%, 2021	964,000	1,043,530
Ultrapetrol (Bahamas) Ltd., 8.875%, 2021 (n)	206,000	222,995
		$ 21,553,142
Utilities – Electric Power – 2.3%		
AES Corp., 7.75%, 2015	$ 99,000	$ 109,395
AES Corp., 8%, 2017	148,000	173,900
AES Corp., 7.375%, 2021	1,190,000	1,341,725
Calpine Corp., 7.875%, 2020 (n)	1,818,000	1,990,710
Calpine Corp., 6%, 2022 (n)	305,000	312,625
Covanta Holding Corp., 7.25%, 2020	1,570,000	1,713,330
Energy Future Holdings Corp., 10%, 2020	1,968,000	2,091,000
Energy Future Holdings Corp., 10%, 2020 (n)	2,307,000	2,445,420
InterGen N.V., 7%, 2023 (n)	1,255,000	1,298,925
NRG Energy, Inc., 8.25%, 2020	1,645,000	1,821,838
NRG Energy, Inc., 6.625%, 2023	1,195,000	1,203,963
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	1,810,000	1,330,350
		$ 15,833,181
Total Bonds (Identified Cost, $657,175,501)		**$667,050,795**
FLOATING RATE LOANS (g)(r) – 2.3%		
Aerospace – 0.2%		
TransDigm, Inc., Term Loan C, 3.75%, 2020	$ 1,162,177	$ 1,164,115
Conglomerates – 0.2%		
Silver II U.S. Holdings LLC, Term Loan, 4%, 2019	$ 1,134,009	$ 1,133,655
Consumer Services – 0.1%		
Realogy Corp., Extended Term Loan, 4.5%, 2020	$ 759,260	$ 766,142

Issuer	Shares/Par	Value ($)
FLOATING RATE LOANS (g)(r) – continued		
Energy – Independent – 0.1%		
MEG Energy Corp., Term Loan B, 3.75%, 2020	$ 1,111,062	$ 1,118,006
Entertainment – 0.1%		
Cedar Fair LP, Term Loan B, 3.25%, 2020	$ 975,215	$ 978,059
Food & Beverages – 0.3%		
Aramark Corp., Term Loan D, 4%, 2019	$ 1,174,389	$ 1,179,283
H.J. Heinz Co., Term Loan B2, 3.5%, 2020	667,283	671,829
		$ 1,851,112
Gaming & Lodging – 0.1%		
Hilton Worldwide Finance LLC, Term Loan B2, 3.75%, 2020	$ 764,979	$ 770,185
Metals & Mining – 0.2%		
FMG Resources Ltd., Term Loan B, 4.25%, 2019	$ 1,109,714	$ 1,124,510
Retailers – 0.2%		
Rite Aid Corp., 2nd Lien Term Loan, 4.87%, 2021	$ 428,335	$ 434,046
Toys "R" Us Property Co. I LLC, Term Loan B, 6%, 2019	1,273,760	1,216,441
		$ 1,650,487
Transportation – Services – 0.5%		
Commercial Barge Line Co., 1st Lien Term Loan, 7.5%, 2019	$ 3,674,564	$ 3,633,225
Utilities – Electric Power – 0.3%		
Calpine Construction Finance Co., Term Loan B1, 3%, 2020	$ 2,337,807	$ 2,316,182
Total Floating Rate Loans (Identified Cost, $16,526,047)		**$ 16,505,678**
PREFERRED STOCKS – 0.3%		
Other Banks & Diversified Financials – 0.3%		
Ally Financial, Inc., 7% (z)	874	$ 834,752
GMAC Capital Trust I, 8.125%	48,300	1,291,542
Total Preferred Stocks (Identified Cost, $2,038,572)		**$ 2,126,294**
CONVERTIBLE BONDS – 0.2%		
Network & Telecom – 0.2%		
Nortel Networks Corp., 2.125%, 2014 (a)(d) (Identified Cost, $1,211,362)	$ 1,225,000	$ 1,216,578
COMMON STOCKS – 0.1%		
Automotive – 0.0%		
Accuride Corp. (a)	42,065	$ 156,902
Printing & Publishing – 0.1%		
American Media Operations, Inc. (a)	49,961	$ 244,309
Total Common Stocks (Identified Cost, $1,382,062)		**$ 401,211**
MONEY MARKET FUNDS – 0.9%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	6,453,869	$ 6,453,869
Total Investments (Identified Cost, $684,787,413)		**$693,754,425**
OTHER ASSETS, LESS LIABILITIES – 1.4%		**9,855,239**
Net Assets – 100.0%		**$703,609,664**

(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 $231,507,214, representing 32.9% 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	$819,375	$834,752
American Media, Inc., 13.5%, 2018	12/22/10	197,162	210,561
Arbor Realty Mortgage Securities, CDO, FRN, 2.542%, 2038	12/20/05	1,136,457	727,332
Arch Coal, Inc., 8%, 2019	12/12/13-12/13/13	458,460	458,850

Restricted Securities – continued	Acquisition Date	Cost	Value
Beverage Packaging Holdings Group, 6%, 2017	12/04/13	$300,000	$303,750
CCM Merger, Inc., 9.125%, 2019	12/09/13	1,577,218	1,546,600
CWCapital Cobalt Ltd., CDO, 6.23%, 2045	3/20/06-8/16/13	2,205,951	26
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.538%, 2050	4/12/06	1,069,406	11
Darling Escrow Corp., 5.375%, 2022	12/18/13	1,700,519	1,707,713
Endo Finance Co., 5.75%, 2022	12/11/13	880,000	884,400
G-Force LLC, CDO, "A2", 4.83%, 2036	1/20/11-2/14/11	76,680	80,553
Headwaters Inc., 7.25%, 2019	12/05/13	150,000	154,125
Michaels Stores, Inc., 5.875%, 2020	12/16/13	445,000	447,225
Prestige Brands, Inc., 5.375%, 2021	12/03/13-12/04/13	780,747	787,800
Salix Pharmaceuticals Ltd., 6%, 2021	12/12/13-12/13/13	1,065,226	1,076,250
Sprint Corp., 7.125%, 2024	12/09/13	445,000	451,675
Taminco Global Chemical Corp., 9.75%, 2020	12/12/13	2,275,289	2,264,325
Total Restricted Securities			$11,935,948
% of Net assets			1.7%

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

Derivative Contracts at 12/31/13

Forward Foreign Currency Exchange Contracts at 12/31/13

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
BUY	EUR	Deutsche Bank AG	258,908	1/17/14	$ 351,933	$ 356,177	$ 4,244
BUY	EUR	Goldman Sachs International	292,428	1/17/14	395,284	402,290	7,006
							$ 11,250
Liability Derivatives							
BUY	EUR	Citibank N.A.	348,578	1/17/14	$ 480,483	$ 479,535	$ (948)
BUY	EUR	Goldman Sachs International	108,015	1/17/14	148,918	148,596	(322)
SELL	EUR	Deutsche Bank AG	3,912,743	1/17/14	5,281,941	5,382,723	(100,782)
SELL	EUR	JPMorgan Chase Bank N.A.	3,912,743	1/17/14	5,281,941	5,382,723	(100,782)
							$(202,834)

Swap Agreements at 12/31/13

Expiration	Currency	Notional Amount	Counterparty	Cash Flows to Receive	Cash Flows to Pay	Fair Value
Asset Derivatives						
Credit Default Swap Agreements						
12/20/17	USD	4,800,000	Goldman Sachs International (a)	5.00% (fixed rate)	(1)	$487,355

(1) Fund, as protection seller, to pay notional amount upon a defined credit event by a reference obligation specified in the CDX.NA.HY.19 Index, a B+ rated credit default index. The fund entered into the agreement to manage market/sector exposure.

(a) Net unamortized premiums paid by the fund amounted to $171,022.

The credit ratings presented here are an indicator of the current payment/performance risk of the related swap agreement, the reference obligation for which may be either a single security or, in the case of a credit default index, a basket of securities issued by corporate or sovereign issuers. Ratings are assigned to each reference security, including each individual security within a reference basket of 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). The ratings for a credit default index are calculated by MFS as a weighted average of the external credit ratings of the individual securities that compose the index's reference basket of securities.

At December 31, 2013, the fund had cash collateral of $80,000 to cover any commitments for certain derivative contracts. Cash collateral is comprised of "Restricted cash" in the Statement of Assets and Liabilities.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/13

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $678,333,544)	$687,300,556	
Underlying affiliated funds, at cost and value	6,453,869	
Total investments, at value (identified cost, $684,787,413)	$693,754,425	
Cash	192,415	
Restricted cash	80,000	
Foreign currency, at value (identified cost, $409)	408	
Receivables for		
Forward foreign currency exchange contracts	11,250	
Investments sold	190,886	
Fund shares sold	36,623	
Interest	11,723,459	
Swaps, at value (net unamortized premiums paid, $171,022)	487,355	
Other assets	6,158	
Total assets		$706,482,979
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$202,834	
Investments purchased	1,700,519	
Fund shares reacquired	820,768	
Payable to affiliates		
Investment adviser	22,922	
Shareholder servicing costs	96	
Distribution and/or service fees	1,407	
Payable for independent Trustees' compensation	17	
Accrued expenses and other liabilities	124,752	
Total liabilities		$2,873,315
Net assets		$703,609,664
Net assets consist of		
Paid-in capital	$716,326,487	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	9,093,976	
Accumulated net realized gain (loss) on investments and foreign currency	(56,284,467)	
Undistributed net investment income	34,473,668	
Net assets		$703,609,664
Shares of beneficial interest outstanding		112,224,344

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$600,993,604	95,704,184	$6.28
Service Class	102,616,060	16,520,160	6.21

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

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.

Year ended 12/31/13

Net investment income		
Income		
Interest	$36,528,705	
Dividends	124,329	
Dividends from underlying affiliated funds	12,079	
Foreign taxes withheld	(3)	
Total investment income		$36,665,110
Expenses		
Management fee	$3,922,234	
Distribution and/or service fees	262,273	
Shareholder servicing costs	9,405	
Administrative services fee	79,071	
Independent Trustees' compensation	10,017	
Custodian fee	61,433	
Shareholder communications	75,696	
Audit and tax fees	75,666	
Legal fees	15,211	
Miscellaneous	31,499	
Total expenses		$4,542,505
Fees paid indirectly	(822)	
Reduction of expenses by investment adviser	(72,998)	
Net expenses		$4,468,685
Net investment income		$32,196,425
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$14,977,986	
Swap agreements	152,855	
Foreign currency	(339,487)	
Net realized gain (loss) on investments and foreign currency		$14,791,354
Change in unrealized appreciation (depreciation)		
Investments	$(8,231,053)	
Swap agreements	316,333	
Translation of assets and liabilities in foreign currencies	(123,034)	
Net unrealized gain (loss) on investments and foreign currency translation		$(8,037,754)
Net realized and unrealized gain (loss) on investments and foreign currency		$6,753,600
Change in net assets from operations		$38,950,025

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.

For years ended 12/31	2013	2012
Change in net assets		
From operations		
Net investment income	$32,196,425	$16,255,469
Net realized gain (loss) on investments and foreign currency	14,791,354	1,099,753
Net unrealized gain (loss) on investments and foreign currency translation	(8,037,754)	15,517,435
Change in net assets from operations	$38,950,025	$32,872,657
Distributions declared to shareholders		
From net investment income	$(17,013,351)	$(15,115,079)
Change in net assets from fund share transactions	$202,347,725	$232,394,674
Total change in net assets	$224,284,399	$250,152,252
Net assets		
At beginning of period	479,325,265	229,173,013
At end of period (including undistributed net investment income of $34,473,668 and $16,969,268, respectively)	$703,609,664	$479,325,265

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 past 5 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	**Years ended 12/31**				
	2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$6.05	$5.64	$5.96	$5.67	$4.25
Income (loss) from investment operations					
Net investment income (d)	$0.36	$0.40	$0.41	$0.42	$0.44
Net realized and unrealized gain (loss) on investments and foreign currency	0.02	0.42	(0.18)	0.42	1.49
Total from investment operations	$0.38	$0.82	$0.23	$0.84	$1.93
Less distributions declared to shareholders					
From net investment income	$(0.15)	$(0.41)	$(0.55)	$(0.55)	$(0.51)
Net asset value, end of period (x)	$6.28	$6.05	$5.64	$5.96	$5.67
Total return (%) (k)(r)(s)(x)	6.42	14.91	4.13	15.53	50.00
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.76	0.81	0.86	0.88	0.87
Expenses after expense reductions (f)	0.75	0.79	0.81	0.83	0.82
Net investment income	5.79	6.65	6.97	7.42	9.21
Portfolio turnover	52	48	57	62	58
Net assets at end of period (000 omitted)	$600,994	$368,899	$145,773	$122,666	$121,416

Service Class	**Years ended 12/31**				
	2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$5.99	$5.59	$5.91	$5.63	$4.21
Income (loss) from investment operations					
Net investment income (d)	$0.34	$0.38	$0.40	$0.41	$0.43
Net realized and unrealized gain (loss) on investments and foreign currency	0.02	0.41	(0.19)	0.40	1.49
Total from investment operations	$0.36	$0.79	$0.21	$0.81	$1.92
Less distributions declared to shareholders					
From net investment income	$(0.14)	$(0.39)	$(0.53)	$(0.53)	$(0.50)
Net asset value, end of period (x)	$6.21	$5.99	$5.59	$5.91	$5.63
Total return (%) (k)(r)(s)(x)	6.10	14.54	3.86	15.17	49.97
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.01	1.06	1.11	1.13	1.12
Expenses after expense reductions (f)	1.00	1.04	1.06	1.08	1.07
Net investment income	5.56	6.46	6.73	7.18	9.01
Portfolio turnover	52	48	57	62	58
Net assets at end of period (000 omitted)	$102,616	$110,426	$83,400	$101,189	$108,217

(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.

(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

(1) Business and Organization

MFS High Yield Portfolio (the fund) is a series of MFS Variable Insurance Trust II (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 increases and decreases in net assets from operations 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 the disclosure provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 ("ASU 2011-11"), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 ("ASU 2013-01") entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to a Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. The disclosures required by ASU 2011-11, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the 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. Swap agreements are generally valued at valuations provided by a third-party pricing service, which for cleared swaps includes an evaluation of any trading activity at the clearinghouses. 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 and swap agreements. The following is a summary of the levels used as of December 31, 2013 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	$1,448,444	$834,752	$244,309	$2,527,505
Non-U.S. Sovereign Debt	—	1,887,923	—	1,887,923
Municipal Bonds	—	1,008,517	—	1,008,517
U.S. Corporate Bonds	—	541,810,375	—	541,810,375
Commercial Mortgage-Backed Securities	—	1,727,732	—	1,727,732
Asset-Backed Securities (including CDOs)	—	871,684	—	871,684
Foreign Bonds	—	120,961,142	—	120,961,142
Floating Rate Loans	—	16,505,678	—	16,505,678
Mutual Funds	6,453,869	—	—	6,453,869
Total Investments	$7,902,313	$685,607,803	$244,309	$693,754,425
Other Financial Instruments				
Swap Agreements	$—	$487,355	$—	$487,355
Forward Foreign Currency Exchange Contracts	—	(191,584)	—	(191,584)

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 12/31/12	$148,986
Realized gain (loss)	(19,619)
Change in unrealized appreciation (depreciation)	(197,336)
Acquired in merger	346,005
Sales	(33,727)
Balance as of 12/31/13	$244,309

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2013 is $(223,841).

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, forward foreign currency exchange contracts, and swap agreements. 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 December 31, 2013 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$11,250	$(202,834)
Credit	Credit Default Swaps	487,355	—
Total		$498,605	$(202,834)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2013 as reported in the Statement of Operations:

Risk	Swap Agreements	Foreign Currency	Investments (Purchased Options)
Foreign Exchange	$—	$(360,299)	$—
Equity	—	—	681,011
Credit	152,855	—	—
Total	$152,855	$(360,299)	$681,011

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2013 as reported in the Statement of Operations:

Risk	Swap Agreements	Translation of Assets and Liabilities in Foreign Currencies	Investments (Purchased Options)
Foreign Exchange	$—	$(126,946)	$—
Equity	—	—	(9,458)
Credit	316,333	—	—
Total	$316,333	$(126,946)	$(9,458)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, 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. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right 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.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared 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 that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as "Restricted cash" or "Deposits with brokers." Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

The fund's accounting policy with respect to balance sheet offsetting is that, 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 financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Purchased Options – The fund purchased call options for a premium. Purchased call options entitle the holder to buy 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 hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or increase the fund's exposure to an underlying instrument.

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 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 purchased.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. 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.

Swap Agreements – During the period the fund entered into swap agreements. Effective June 10, 2013, certain types of swaps ("cleared swaps") are required to be centrally cleared under provisions of the Dodd-Frank Regulatory Reform Bill. In a cleared swap transaction, the swap agreement is novated to a central counterparty (the "clearinghouse") immediately following execution of the swap contract with an executing broker. Thereafter, throughout the term of the cleared swap, the fund interfaces indirectly with the clearinghouse through a clearing broker.

A swap agreement is generally an exchange of cash payments, at specified intervals or upon the occurrence of specified events, between the fund and a counterparty. The net cash payments exchanged are recorded as a realized gain or loss on swap agreements in the Statement of Operations. The value of the swap agreement, which is adjusted daily and includes any related interest accruals to be paid or received by the fund, is recorded in the Statement of Assets and Liabilities, as "Swaps, at value" for uncleared swaps and is included in "Due from brokers" or "Due to brokers" for cleared swaps. The daily change in value, including any related interest accruals to be paid or received, is recorded as unrealized appreciation or depreciation on swap agreements in the Statement of Operations. The daily change in valuation of centrally cleared swaps is recorded as a receivable or payable for variation margin in the Statement of Assets and Liabilities. Amounts paid or received at the inception of the swap agreement are reflected as premiums paid or received in the Statement of Assets and Liabilities and are amortized using the effective interest method over the term of the agreement. A liquidation payment received or made upon early termination is recorded as a realized gain or loss on swap agreements in the Statement of Operations.

Risks related to swap agreements include the possible lack of a liquid market, unfavorable market and interest rate movements of the underlying instrument and the failure of the counterparty to perform under the terms of the agreements. To address counterparty risk, swap agreements are limited to only highly-rated counterparties. For uncleared swaps, that risk is further reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. Although not covered by an ISDA Master Agreement, the fund's counterparty risk due to cleared swaps is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

The fund entered into credit default swap agreements in order to manage its exposure to the market or certain sectors of the market, to reduce its credit risk exposure to defaults of corporate and sovereign issuers or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed. In a credit default swap agreement, the protection buyer can make an upfront payment and will make a stream of payments based on a fixed percentage applied to the agreement notional amount to the protection seller in exchange for the right to receive a specified return upon the occurrence of a defined credit event on the reference obligation (which may be either a single security or a basket of securities issued by corporate or sovereign issuers) and, with respect to the rare cases where physical settlement applies, the delivery by the buyer to the seller of a defined deliverable obligation. Although agreement-specific, credit events generally consist of a combination of the following: bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium, each as defined in the 2003 ISDA Credit Derivatives Definitions as amended by the relevant agreement. Restructuring is generally not applicable when the reference obligation is issued by a North American corporation and obligation acceleration, obligation default, or repudiation/moratorium are generally only applicable when the reference obligation is issued by a sovereign entity or an entity in an emerging country. Upon determination of the final price for the deliverable obligation (or upon delivery of the deliverable obligation in the case of physical settlement), the difference between the value of the deliverable obligation and the swap agreement's notional amount is recorded as realized gain or loss on swap agreements in the Statement of Operations.

Credit default swap agreements are considered to have credit-risk-related contingent features since they trigger payment by the protection seller to the protection buyer upon the occurrence of a defined credit event. The maximum amount of future, undiscounted payments that the fund, as protection seller, could be required to make is equal to the swap agreement's notional amount. The protection seller's payment obligation would be offset to the extent of the value of the agreement's deliverable obligation. At December 31, 2013, the fund did not hold any credit default swap agreements at an unrealized loss where it is the protection seller.

The fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the agreement. For uncleared swaps, counterparty risk is reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. For cleared swaps, the fund's counterparty risk is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

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 year ended December 31, 2013, is shown as a reduction of total expenses in 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. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/13	**12/31/12**
Ordinary income (including any short-term capital gains)	$17,013,351	$15,115,079

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/13	
Cost of investments	$688,117,451
Gross appreciation	20,217,950
Gross depreciation	(14,580,976)
Net unrealized appreciation (depreciation)	$5,636,974
Undistributed ordinary income	34,697,011
Capital loss carryforwards	(52,946,429)
Other temporary differences	(104,379)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized for fund fiscal years beginning after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses ("post-enactment losses"). Previously, net capital losses were carried forward for eight years and treated as short-term losses ("pre-enactment losses"). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

12/31/15	$(10,983,737)
12/31/16	(30,768,220)
12/31/17	(11,194,472)
Total	$(52,946,429)

The availability of $18,508,585 of the capital loss carryforwards, which were acquired on August 16, 2013 in connection with the MFS High Income Series merger, may be limited in a given year.

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/13	Year ended 12/31/12
Initial Class	$14,745,171	$9,977,961
Service Class	2,268,180	5,137,118
Total	$17,013,351	$15,115,079

(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%

Effective April 1, 2013, MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the period April 1, 2013 through December 31, 2013, this management fee reduction amounted to $6,056, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2013 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 0.75% of average daily net assets for the Initial Class shares and 1.00% 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 August 31, 2015. For the year ended December 31, 2013, this reduction amounted to $65,702 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 – Effective April 1, 2013, 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 period from April 1, 2013 through December 31, 2013, the fee was $9,306, which equated to 0.0017% 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 period from April 1, 2013 through December 31, 2013, these costs amounted to $99.

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 year ended December 31, 2013 was equivalent to an annual effective rate of 0.0141% 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 year ended December 31, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $3,433 and are included in "Miscellaneous" expense in 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 $1,240, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 purchased option transactions and short-term obligations, aggregated $273,586,990 and $293,681,514, respectively. Purchases exclude the value of securities acquired in connection with the MFS High Income Series merger. (See Note 8.)

(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:

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	6,128,557	$37,619,278	1,603,075	$9,608,510
Service Class	2,045,810	12,424,302	1,053,975	6,297,096
	8,174,367	$50,043,580	2,657,050	$15,905,606
Shares issued in connection with acquisition of SC PIMCO High Yield Fund				
Initial Class			36,405,923	$218,799,595
Service Class			5,600,264	33,321,569
			42,006,187	$252,121,164
Shares issued in connection with acquisition of MFS High Income Series				
Initial Class	40,398,005	$250,063,649		
Service Class	857,657	5,248,862		
	41,255,662	$255,312,511		
Shares issued to shareholders in reinvestment of distributions				
Initial Class	2,453,439	$14,745,171	1,726,291	$9,977,961
Service Class	381,207	2,268,180	898,098	5,137,118
	2,834,646	$17,013,351	2,624,389	$15,115,079
Shares reacquired				
Initial Class	(14,297,350)	$(88,123,651)	(4,555,720)	$(27,054,094)
Service Class	(5,214,014)	(31,898,066)	(4,035,220)	(23,693,081)
	(19,511,364)	$(120,021,717)	(8,590,940)	$(50,747,175)
Net change				
Initial Class	34,682,651	$214,304,447	35,179,569	$211,331,972
Service Class	(1,929,340)	(11,956,722)	3,517,117	21,062,702
	32,753,311	$202,347,725	38,696,686	$232,394,674

The fund is one of several mutual funds in which the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Conservative Allocation Portfolio, and the MFS Growth Allocation Portfolio were the owners of record of approximately 16%, 6%, and 4%, respectively, of the value of outstanding voting shares of the fund.

(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 year ended December 31, 2013, the fund's commitment fee and interest expense were $2,630 and $0, respectively, and are included in "Miscellaneous" expense in 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	13,317,185	173,964,606	(180,827,922)	6,453,869

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$12,079	$6,453,869

(8) Acquisitions

At close of business on December 7, 2012, the fund with net assets of approximately $230,425,881, acquired all of the assets and liabilities of SC PIMCO High Yield Fund, a series of Sun Capital Advisers Trust. The purpose of the transaction was to provide shareholders of SC PIMCO High Yield Fund the opportunity to participate in a larger combined portfolio with a similar investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 42,006,187 shares of the fund (valued at approximately $252,121,164) for all of the assets and liabilities of SC PIMCO High Yield Fund. SC PIMCO High Yield Fund then distributed the shares of the fund that SC PIMCO High Yield Fund received from the fund to its shareholders. SC PIMCO High Yield Fund's investments on that date were valued at approximately $229,224,942 with a cost basis of approximately $219,889,002. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from SC PIMCO High Yield Fund were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

At close of business on August 16, 2013, the fund with net assets of approximately $449,129,071, acquired all of the assets and liabilities of MFS High Income Series, a series of MFS Variable Insurance Trust. The purpose of the transaction was to provide shareholders of MFS High Income Series the opportunity to participate in a larger combined portfolio with an identical investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 41,255,662 shares of the fund (valued at approximately $255,312,511) for all of the assets and liabilities of MFS High Income Series. MFS High Income Series then distributed the shares of the fund that MFS High Income Series received from the fund to its shareholders. MFS High Income Series' investments on that date were valued at approximately $253,346,986 with a cost basis of approximately $254,786,054. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from MFS High Income Series were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes. Because 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 MFS High Income Series that have been included in the fund's Statement of Operations since August 16, 2013.

Assuming the acquisition had been completed on January 1, 2013, the fund's pro forma results of operations for the year ended December 31, 2013 are as follows:

Net investment income	$44,411,174
Net realized and unrealized gain (loss) on investments and foreign currency	2,464,711
Change in net assets from operations	$46,875,885

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust II and the Shareholders of
MFS High Yield Portfolio:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS High Yield Portfolio (one of the series comprising MFS Variable Insurance Trust II) (the "Fund") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS High Yield Portfolio as of December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 14, 2014

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since [(h)]	Principal Occupations During the Past Five Years	Other Directorships [(j)]
INTERESTED TRUSTEES				
Robert J. Manning [(k)] (age 50)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach [(k)] (age 52)	Trustee	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 71)	Trustee and Chair of Trustees	January 2004	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman
Robert E. Butler (age 72)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 58)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 72)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 69)	Trustee	December 2004	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 59)	Trustee	January 2009	Private investor	N/A
Laurie J. Thomsen (age 56)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 72)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [(k)] (age 48)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President	N/A
Christopher R. Bohane [(k)] (age 40)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark [(k)] (age 45)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [(k)] (age 54)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [(k)] (age 50)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [(k)] (age 45)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 38)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal	N/A

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Brian E. Langenfeld [k] (age 40)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 63)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 43)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 43)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 61)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 69)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 43)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 53)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach) has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Managers
William Adams
David Cole

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2012 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 1st quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 2nd quintile for the one-year period and the 3rd quintile for the five-year period ended December 31, 2012 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was approximately at the Lipper expense group median, and the Fund's total expense ratio was higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the existing breakpoint and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT II" in the "Products" 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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT II" in the "Products" section of *mfs.com.*

FACTS	WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

ANNUAL REPORT
December 31, 2013

MFS®

MFS® INVESTORS TRUST SERIES

MFS® Variable Insurance Trust

VGI-ANN

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.

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

As a new year begins, the global economy is recovering. U.S. economic growth accelerated in the second half of 2013. Now that the speculation is over regarding the timing of the U.S. Federal Reserve's move to scale back its bond-buying program, investors are viewing the central bank's decision to taper as a signal of confidence in the economic recovery.

The eurozone broke out of its lengthy recession halfway through the year. However, persistently high unemployment, particularly in Spain and Greece, continues to hinder the region's economic growth.

China is progressing in its transition to a more consumption-based, domestic economy. Japan has succeeded in jump-starting its sluggish economy; driving down the yen's value has made exports more attractive, leading to profit growth and a stock market surge. Although Japan could face a deterrent to growth in April, when its national sales tax rises to 8% from 5%, in the longer term the tax increase will help bolster the nation's finances.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J. Manning

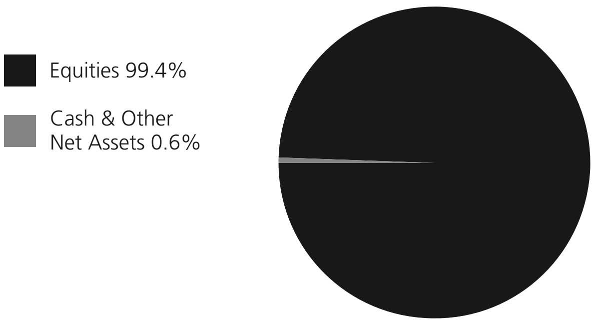
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 14, 2014

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

JPMorgan Chase & Co.	3.1%
Google, Inc., "A"	3.0%
Danaher Corp.	2.8%
Pfizer, Inc.	2.3%
Visa, Inc., "A"	2.2%
Procter & Gamble Co.	2.1%
Johnson & Johnson	2.1%
Walt Disney Co.	2.0%
Exxon Mobil Corp.	2.0%
EMC Corp.	2.0%

Equity sectors

Financial Services	18.5%
Technology	14.1%
Health Care	13.8%
Industrial Goods & Services	9.7%
Energy	8.9%
Consumer Staples	8.6%
Leisure	6.6%
Retailing	4.8%
Utilities & Communications	3.6%
Special Products & Services	3.6%
Basic Materials	3.1%
Autos & Housing	2.1%
Transportation	2.0%

Percentages are based on net assets as of 12/31/13.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2013, Initial Class shares of the MFS Investors Trust Series ("fund") provided a total return of 32.05%, while Service Class shares of the fund provided a total return of 31.74%. These compare with a return of 32.39% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

Just prior to the beginning of the period, a last minute political agreement concerning the US debt ceiling averted the worst-case scenario and markets gravitated towards risk assets. However, the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first part of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve ("Fed") would begin tapering its quantitative easing ("QE") program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed's decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014.

Detractors from Performance

Stock selection in the *consumer staples* sector was a negative factor for performance relative to the S&P 500 Index. Within this sector, holdings of international food producer Groupe Danone[(b)] (France) and wine and alcoholic beverage producer Pernod Ricard[(b)] (France) weighed on relative returns as both stocks underperformed the benchmark during the period. Shares of Pernod Ricard declined late in the period after the company issued a slightly more cautious guidance for its full financial year. The French spirits company blamed a slowdown in emerging markets for a drop in its first-quarter sales, adding to concerns that China's measures to crack down on corruption was negatively impacting spirits makers in the near term.

Stock selection in the *retailing* sector also detracted from relative returns. Within this sector, the fund's holdings of luxury goods maker LVMH[(b)] (France) and an overweight position in retail chain Target dampened relative results. Shares of LVMH came under pressure from weakening demand in its fashion and leather goods segment and a price increase in Japan.

Elsewhere, the fund's overweight positions in data storage systems provider EMC, global semiconductor company Altera, broadcast and communication tower management firm American Tower, and oil and gas equipment company Cameron International held back relative performance as all four stocks underperformed the benchmark during the period. Shares of Altera declined significantly towards the end of the period as the company reported quarterly revenue that came in below consensus expectations with weak performance from their telecom/wireless segment. Management cited a sluggish environment and, as a result, reduced the firms' revenue outlook for the fourth quarter which further pressured the stock. The fund's holdings of underperforming energy equipment solutions company Dresser-Rand Group[(b)] also weighed on results.

The fund's cash and/or cash equivalents position during the period was another detractor from relative performance. Under normal market conditions, the fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Contributors to Performance

Strong stock selection in the *financial services* sector benefited relative performance. Within this sector, the fund's overweight positions in strong-performing asset manager BlackRock, and payments-related service providers, MasterCard and American Express, boosted relative returns. Shares of MasterCard appreciated during the period as the company reported strong earnings that beat consensus estimates on the back of higher gross-dollar-volumes in the US.

Stock selection in the *health care* sector also supported relative performance. Within this sector, the fund's overweight positions in shares of life sciences supply company Thermo Fisher Scientific and cardiovascular medical device maker St. Jude Medical contributed to relative results as both stocks turned in strong performance. Holdings of specialty pharmaceutical company Valeant Pharmaceuticals[(b)] also benefited relative results. Shares of Valeant Pharmaceuticals appreciated throughout the period with the help of some key acquisitions, most notably, their acquisition of Bausch and Lomb.

An underweight allocation to the *utilities & communications* sector helped relative returns as this was the lowest-performing sector in the benchmark. Within this sector, an underweight position in telecommunications company AT&T (h) positively impacted relative results as the fund sold its position in the stock early in the period.

In other sectors, avoiding shares of weak-performing diversified technology products and services company International Business Machines (IBM) supported relative returns. The fund's overweight positions in shares of computer products and services provider Hewlett-Packard and media conglomerate Walt Disney were additional factors that aided relative results.

Respectfully,

T. Kevin Beatty	Ted Maloney
Portfolio Manager	Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

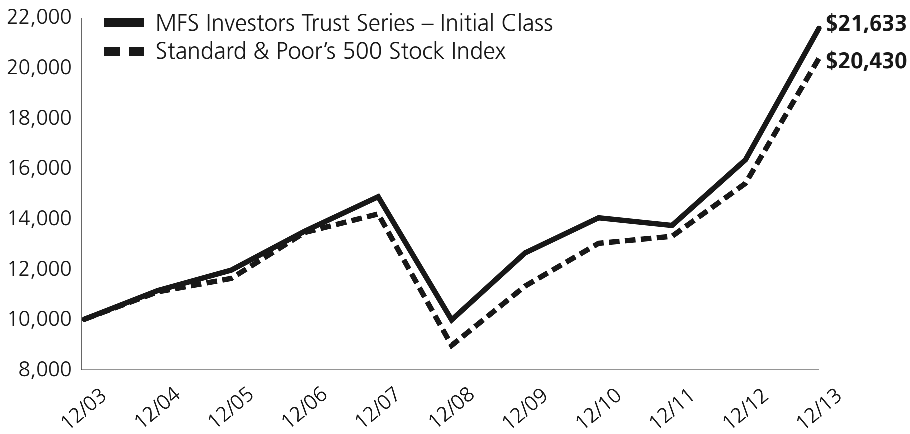
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/13

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/13

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	10/09/95	32.05%	16.76%	8.02%
Service Class	5/01/00	31.74%	16.47%	7.75%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	32.39%	17.94%	7.41%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Standard & Poor's 500 Stock Index – a market capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2013 through December 31, 2013

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 July 1, 2013 through December 31, 2013.

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 7/01/13	Ending Account Value 12/31/13	Expenses Paid During Period (p) 7/01/13-12/31/13
Initial Class	Actual	0.81%	$1,000.00	$1,174.53	$4.44
	Hypothetical (h)	0.81%	$1,000.00	$1,021.12	$4.13
Service Class	Actual	1.06%	$1,000.00	$1,173.17	$5.81
	Hypothetical (h)	1.06%	$1,000.00	$1,019.86	$5.40

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/13

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 – 99.4%		
Aerospace – 5.2%		
Honeywell International, Inc.	119,340	$ 10,904,096
Precision Castparts Corp.	40,290	10,850,097
United Technologies Corp.	102,150	11,624,670
		$ 33,378,863
Alcoholic Beverages – 2.1%		
Diageo PLC	175,108	$ 5,799,401
Heineken N.V.	45,605	3,079,219
Pernod Ricard S.A.	40,986	4,669,193
		$ 13,547,813
Apparel Manufacturers – 2.8%		
LVMH Moet Hennessy Louis Vuitton S.A.	31,944	$ 5,827,152
NIKE, Inc., "B"	70,420	5,537,829
VF Corp.	107,992	6,732,221
		$ 18,097,202
Automotive – 0.9%		
Bayerische Motoren Werke AG	19,659	$ 2,304,764
Delphi Automotive PLC	53,590	3,222,367
		$ 5,527,131
Biotechnology – 0.8%		
Gilead Sciences, Inc. (a)	63,920	$ 4,803,588
Broadcasting – 4.1%		
Time Warner, Inc.	78,760	$ 5,491,147
Twenty-First Century Fox, Inc.	221,820	7,803,628
Walt Disney Co.	170,600	13,033,840
		$ 26,328,615
Brokerage & Asset Managers – 2.1%		
BlackRock, Inc.	34,095	$ 10,790,045
Franklin Resources, Inc.	45,510	2,627,292
		$ 13,417,337
Business Services – 3.6%		
Accenture PLC, "A"	102,020	$ 8,388,084
Cognizant Technology Solutions Corp., "A" (a)	78,150	7,891,587
Fidelity National Information Services, Inc.	121,800	6,538,224
		$ 22,817,895
Cable TV – 1.4%		
Comcast Corp., "A"	173,230	$ 9,001,897
Computer Software – 2.7%		
Autodesk, Inc. (a)	68,790	$ 3,462,201
Citrix Systems, Inc. (a)	77,140	4,879,105
Oracle Corp.	240,290	9,193,495
		$ 17,534,801
Computer Software – Systems – 5.4%		
Apple, Inc.	21,334	$ 11,970,721
EMC Corp.	498,780	12,544,317

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – Systems – continued		
Hewlett-Packard Co.	368,370	$ 10,306,993
		$ 34,822,031
Construction – 1.2%		
Sherwin-Williams Co.	20,757	$ 3,808,909
Stanley Black & Decker, Inc.	48,340	3,900,555
		$ 7,709,464
Consumer Products – 3.0%		
Colgate-Palmolive Co.	85,791	$ 5,594,431
Procter & Gamble Co.	164,990	13,431,836
		$ 19,026,267
Electrical Equipment – 3.7%		
Danaher Corp.	231,400	$ 17,864,080
W.W. Grainger, Inc.	22,158	5,659,596
		$ 23,523,676
Electronics – 2.6%		
Altera Corp.	195,720	$ 6,366,772
Microchip Technology, Inc.	234,160	10,478,660
		$ 16,845,432
Energy – Independent – 1.9%		
EOG Resources, Inc.	34,858	$ 5,850,567
Occidental Petroleum Corp.	68,920	6,554,292
		$ 12,404,859
Energy – Integrated – 3.3%		
Chevron Corp.	67,405	$ 8,419,559
Exxon Mobil Corp.	127,390	12,891,868
		$ 21,311,427
Engineering – Construction – 0.8%		
Fluor Corp.	64,530	$ 5,181,114
Food & Beverages – 2.8%		
General Mills, Inc.	52,900	$ 2,640,239
Groupe Danone	106,931	7,696,529
Mondelez International, Inc.	222,950	7,870,135
		$ 18,206,903
General Merchandise – 2.0%		
Kohl's Corp.	91,710	$ 5,204,542
Target Corp.	118,500	7,497,495
		$ 12,702,037
Insurance – 1.8%		
ACE Ltd.	110,990	$ 11,490,795
Internet – 3.3%		
Facebook, Inc., "A" (a)	32,740	$ 1,789,568
Google, Inc., "A" (a)	17,098	19,161,900
		$ 20,951,468

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Major Banks – 8.9%		
Bank of America Corp.	417,000	$ 6,492,690
Goldman Sachs Group, Inc.	62,906	11,150,718
JPMorgan Chase & Co.	342,290	20,017,119
Morgan Stanley	110,050	3,451,168
State Street Corp.	48,120	3,531,527
Wells Fargo & Co.	264,960	12,029,184
		$ 56,672,406
Medical Equipment – 5.8%		
Abbott Laboratories	129,760	$ 4,973,701
Covidien PLC	154,870	10,546,647
St. Jude Medical, Inc.	105,500	6,535,725
Stryker Corp.	53,820	4,044,035
Thermo Fisher Scientific, Inc.	99,290	11,055,941
		$ 37,156,049
Oil Services – 3.7%		
Cameron International Corp. (a)	112,930	$ 6,722,723
Dresser-Rand Group, Inc. (a)	108,780	6,486,551
National Oilwell Varco, Inc.	74,130	5,895,559
Schlumberger Ltd.	49,590	4,468,555
		$ 23,573,388
Other Banks & Diversified Financials – 5.7%		
American Express Co.	132,600	$ 12,030,798
MasterCard, Inc., "A"	12,687	10,599,481
Visa, Inc., "A"	62,940	14,015,479
		$ 36,645,758
Pharmaceuticals – 7.3%		
Bristol-Myers Squibb Co.	84,570	$ 4,494,895
Endo Health Solutions, Inc. (a)	85,430	5,763,108
Johnson & Johnson	144,126	13,200,500
Pfizer, Inc.	479,700	14,693,211
Valeant Pharmaceuticals International, Inc. (a)	70,710	8,301,354
		$ 46,453,068
Railroad & Shipping – 1.1%		
Canadian National Railway Co.	126,350	$ 7,204,477
Restaurants – 1.1%		
McDonald's Corp.	73,262	$ 7,108,612

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Chemicals – 3.1%		
FMC Corp.	54,450	$ 4,108,797
Linde AG	27,866	5,828,873
Praxair, Inc.	44,579	5,796,607
W.R. Grace & Co. (a)	44,520	4,401,692
		$ 20,135,969
Telecommunications – Wireless – 1.4%		
American Tower Corp., REIT	112,930	$ 9,014,073
Tobacco – 0.7%		
Philip Morris International, Inc.	47,980	$ 4,180,497
Trucking – 0.9%		
United Parcel Service, Inc., "B"	54,470	$ 5,723,708
Utilities – Electric Power – 2.2%		
American Electric Power Co., Inc.	113,930	$ 5,325,088
CMS Energy Corp.	209,700	5,613,669
Wisconsin Energy Corp.	75,900	3,137,706
		$ 14,076,463
Total Common Stocks (Identified Cost, $417,397,605)		**$636,575,083**
MONEY MARKET FUNDS – 0.7%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	4,298,195	$ 4,298,195
Total Investments (Identified Cost, $421,695,800)		**$640,873,278**
OTHER ASSETS, LESS LIABILITIES – (0.1)%		**(468,251)**
Net Assets – 100.0%		**$640,405,027**

(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:

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/13

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $417,397,605)	$636,575,083	
Underlying affiliated funds, at cost and value	4,298,195	
Total investments, at value (identified cost, $421,695,800)	$640,873,278	
Cash	1,999	
Receivables for		
Fund shares sold	181,040	
Dividends	526,883	
Other assets	4,512	
Total assets		$641,587,712
Liabilities		
Payable for fund shares reacquired	$1,045,711	
Payable to affiliates		
Investment adviser	25,126	
Shareholder servicing costs	386	
Distribution and/or service fees	3,202	
Payable for independent Trustees' compensation	5	
Accrued expenses and other liabilities	108,255	
Total liabilities		$1,182,685
Net assets		$640,405,027
Net assets consist of		
Paid-in capital	$368,919,298	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	219,177,877	
Accumulated net realized gain (loss) on investments and foreign currency	46,931,131	
Undistributed net investment income	5,376,721	
Net assets		$640,405,027
Shares of beneficial interest outstanding		21,443,903

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$405,681,784	13,545,062	$29.95
Service Class	234,723,243	7,898,841	29.72

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

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.

Year ended 12/31/13

Net investment income		
Income		
Dividends	$11,105,553	
Interest	26,635	
Dividends from underlying affiliated funds	4,948	
Foreign taxes withheld	(127,328)	
Total investment income		$11,009,808
Expenses		
Management fee	$4,752,670	
Distribution and/or service fees	480,965	
Shareholder servicing costs	49,320	
Administrative services fee	88,355	
Independent Trustees' compensation	15,611	
Custodian fee	72,035	
Shareholder communications	91,162	
Audit and tax fees	53,175	
Legal fees	6,809	
Miscellaneous	26,753	
Total expenses		$5,636,855
Reduction of expenses by investment adviser	(7,430)	
Net expenses		$5,629,425
Net investment income		$5,380,383
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$52,157,129	
Foreign currency	(2,675)	
Net realized gain (loss) on investments and foreign currency		$52,154,454
Change in unrealized appreciation (depreciation)		
Investments	$117,147,777	
Translation of assets and liabilities in foreign currencies	(1,042)	
Net unrealized gain (loss) on investments and foreign currency translation		$117,146,735
Net realized and unrealized gain (loss) on investments and foreign currency		$169,301,189
Change in net assets from operations		$174,681,572

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.

For years ended 12/31	2013	2012
Change in net assets		
From operations		
Net investment income	$5,380,383	$6,508,641
Net realized gain (loss) on investments and foreign currency	52,154,454	40,699,013
Net unrealized gain (loss) on investments and foreign currency translation	117,146,735	54,990,561
Change in net assets from operations	$174,681,572	$102,198,215
Distributions declared to shareholders		
From net investment income	$(6,505,100)	$(5,015,022)
Change in net assets from fund share transactions	$(124,872,601)	$(64,974,502)
Total change in net assets	$43,303,871	$32,208,691
Net assets		
At beginning of period	597,101,156	564,892,465
At end of period (including undistributed net investment income of $5,376,721 and $6,504,113, respectively)	$640,405,027	$597,101,156

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 past 5 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	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$22.93	$19.41	$20.04	$18.24	$14.64
Income (loss) from investment operations					
Net investment income (d)	$0.24	$0.25	$0.17	$0.16	$0.19
Net realized and unrealized gain (loss) on investments and foreign currency	7.07	3.46	(0.61)	1.86	3.67
Total from investment operations	$7.31	$3.71	$(0.44)	$2.02	$3.86
Less distributions declared to shareholders					
From net investment income	$(0.29)	$(0.19)	$(0.19)	$(0.22)	$(0.26)
Net asset value, end of period (x)	$29.95	$22.93	$19.41	$20.04	$18.24
Total return (%) (k)(r)(s)(x)	32.05	19.18	(2.18)	11.10	26.90
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.81	0.82	0.82	0.83	0.86
Expenses after expense reductions (f)	0.81	0.82	0.82	0.83	0.86
Net investment income	0.93	1.15	0.84	0.87	1.25
Portfolio turnover	19	28	22	22	34
Net assets at end of period (000 omitted)	$405,682	$455,295	$486,500	$603,279	$636,809

Service Class	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$22.78	$19.31	$19.95	$18.16	$14.56
Income (loss) from investment operations					
Net investment income (d)	$0.18	$0.20	$0.12	$0.11	$0.15
Net realized and unrealized gain (loss) on investments and foreign currency	7.02	3.43	(0.61)	1.86	3.65
Total from investment operations	$7.20	$3.63	$(0.49)	$1.97	$3.80
Less distributions declared to shareholders					
From net investment income	$(0.26)	$(0.16)	$(0.15)	$(0.18)	$(0.20)
Net asset value, end of period (x)	$29.72	$22.78	$19.31	$19.95	$18.16
Total return (%) (k)(r)(s)(x)	31.74	18.83	(2.42)	10.88	26.56
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.06	1.07	1.07	1.08	1.11
Expenses after expense reductions (f)	1.06	1.07	1.07	1.08	1.11
Net investment income	0.67	0.93	0.60	0.63	0.99
Portfolio turnover	19	28	22	22	34
Net assets at end of period (000 omitted)	$234,723	$141,806	$78,392	$62,309	$46,267

(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.

(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

(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 increases and decreases in net assets from operations 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 the disclosure provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 ("ASU 2011-11"), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 ("ASU 2013-01") entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to a Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. The disclosures required by ASU 2011-11, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the 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 December 31, 2013 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:	$636,575,083	$—	$—	$636,575,083
Mutual Funds	4,298,195	—	—	4,298,195
Total Investments	$640,873,278	$—	$—	$640,873,278

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 1 investments presented above, equity investments amounting to $30,535,939 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 – Under its Securities Lending Agency Agreement with the fund, 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. In the event of Borrower default, State Street will for the benefit of the fund either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. 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 in 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. At December 31, 2013, there were no securities on loan or collateral outstanding.

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.

Notes to Financial Statements – continued

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 year ended December 31, 2013, 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. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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 two fiscal year is as follows:

	12/31/13	**12/31/12**
Ordinary income (including any short-term capital gains)	$6,505,100	$5,015,022

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/13	
Cost of investments	$422,630,105
Gross appreciation	219,044,526
Gross depreciation	(801,353)
Net unrealized appreciation (depreciation)	$218,243,173
Undistributed ordinary income	10,196,006
Undistributed long-term capital gain	43,046,151
Other temporary differences	399

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/13	**Year ended 12/31/12**
Initial Class	$4,558,137	$4,202,375
Service Class	1,946,963	812,647
Total	$6,505,100	$5,015,022

(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 the 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, 2015. For the year ended December 31, 2013, the fund's average daily net assets did not exceed $2.5 billion and therefore, the management fee was not reduced in accordance with this agreement. Effective April 1, 2013, MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the period April 1, 2013 through December 31, 2013, this management fee reduction amounted to $5,796, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2013 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 year ended December 31, 2013, the fee was $48,162, which equated to 0.0076% 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 year ended December 31, 2013, these costs amounted to $1,158.

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 year ended December 31, 2013 was equivalent to an annual effective rate of 0.0139% 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 year ended December 31, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $3,925 and are included in "Miscellaneous" expense in 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 $1,634, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 short-term obligations, aggregated $120,682,264 and $243,409,505, 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:

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	527,522	$13,502,090	1,072,356	$23,443,603
Service Class	2,975,204	77,017,940	3,048,806	66,280,256
	3,502,726	$90,520,030	4,121,162	$89,723,859
Shares issued to shareholders in reinvestment of distributions				
Initial Class	171,423	$4,558,137	191,452	$4,202,375
Service Class	73,748	1,946,963	37,226	812,647
	245,171	$6,505,100	228,678	$5,015,022
Shares reacquired				
Initial Class	(7,012,013)	$(185,471,471)	(6,464,022)	$(139,811,290)
Service Class	(1,376,108)	(36,426,260)	(920,519)	(19,902,093)
	(8,388,121)	$(221,897,731)	(7,384,541)	$(159,713,383)
Net change				
Initial Class	(6,313,068)	$(167,411,244)	(5,200,214)	$(112,165,312)
Service Class	1,672,844	42,538,643	2,165,513	47,190,810
	(4,640,224)	$(124,872,601)	(3,034,701)	$(64,974,502)

(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 year ended December 31, 2013, the fund's commitment fee and interest expense were $2,959 and $0, respectively, and are included in "Miscellaneous" expense in 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	5,740,723	126,592,785	(128,035,313)	4,298,195

Underlying Affiliated Fund	**Realized Gain (Loss)**	**Capital Gain Distributions**	**Dividend Income**	**Ending Value**
MFS Institutional Money Market Portfolio	$—	$—	$4,948	$4,298,195

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Investors Trust Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Investors Trust Series (one of the series comprising MFS Variable Insurance Trust) (the "Fund") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Investors Trust Series as of December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 14, 2014

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
INTERESTED TRUSTEES				
Robert J. Manning (k) (age 50)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 52)	Trustee	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 71)	Trustee and Chair of Trustees	January 2004	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman
Robert E. Butler (age 72)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 58)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 72)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 69)	Trustee	December 2004	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 59)	Trustee	January 2009	Private investor	N/A
Laurie J. Thomsen (age 56)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 72)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran (k) (age 48)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President	N/A
Christopher R. Bohane (k) (age 40)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 45)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 54)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey (k) (age 50)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo (k) (age 45)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 38)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
Brian E. Langenfeld (k) (age 40)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 63)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira (k) (age 43)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 43)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum (k) (age 61)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 69)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 43)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost (k) (age 53)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach) has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Managers
T. Kevin Beatty
Ted Maloney

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2012 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 3rd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 1st quintile for each of the one- and five-year periods ended December 31, 2012 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. In addition to considering the performance information provided in connection with the contract review meetings, the independent Trustees noted that, in light of the Fund's substandard relative performance at the time of their contract review meetings in 2012, they had met at each of their regular meetings since then with MFS' senior investment personnel to discuss the Fund's performance and MFS' efforts to improve the Fund's performance. The independent Trustees further noted that the Fund's three-year performance as compared to its benchmark improved for the period ended

December 31, 2012, as compared to the prior year. Taking this information into account, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS has agreed in writing to reduce its advisory fee on the Fund's average daily net assets over $2.5 billion, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion, and the advisory fee rate schedule is subject to the additional breakpoint described above, which may not be changed without the Trustees' approval. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the existing breakpoints and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" 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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

rev. 3/11

FACTS	WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

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Who we are	
Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do	
How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

MFS®

ANNUAL REPORT
December 31, 2013

MFS®

MFS® RESEARCH SERIES

MFS® Variable Insurance Trust

VFR-ANN

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.

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

As a new year begins, the global economy is recovering. U.S. economic growth accelerated in the second half of 2013. Now that the speculation is over regarding the timing of the U.S. Federal Reserve's move to scale back its bond-buying program, investors are viewing the central bank's decision to taper as a signal of confidence in the economic recovery.

The eurozone broke out of its lengthy recession halfway through the year. However, persistently high unemployment, particularly in Spain and Greece, continues to hinder the region's economic growth.

China is progressing in its transition to a more consumption-based, domestic economy. Japan has succeeded in jump-starting its sluggish economy; driving down the yen's value has made exports more attractive, leading to profit growth and a stock market surge. Although Japan could face a deterrent to growth in April, when its national sales tax rises to 8% from 5%, in the longer term the tax increase will help bolster the nation's finances.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

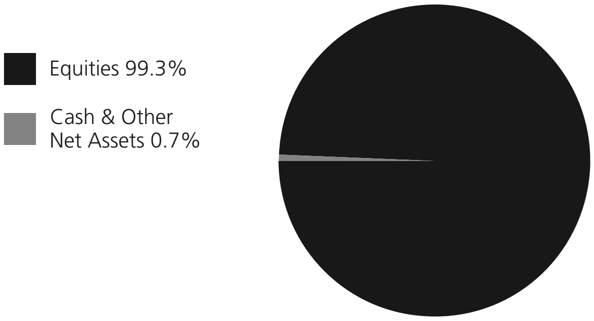
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 14, 2014

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



Global equity sectors

Financial Services	17.2%
Technology	16.8%
Capital Goods	15.2%
Energy	13.2%
Health Care	13.0%
Consumer Cyclicals	12.7%
Consumer Staples	7.4%
Telecommunications/Cable Television	3.8%

Top ten holdings

Exxon Mobil Corp.	3.6%
Apple, Inc.	2.9%
JPMorgan Chase & Co.	2.4%
Google, Inc., "A"	2.3%
Danaher Corp.	2.0%
Hewlett-Packard Co.	1.9%
Wells Fargo & Co.	1.8%
Visa, Inc., "A"	1.8%
MetLife, Inc.	1.6%
Citigroup, Inc.	1.6%

Percentages are based on net assets as of 12/31/13.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2013, Initial Class shares of the MFS Research Series ("fund") provided a total return of 32.28%, while Service Class shares of the fund provided a total return of 32.00%. These compare with a return of 32.39% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

Just prior to the beginning of the period, a last minute political agreement concerning the US debt ceiling averted the worst-case scenario and markets gravitated towards risk assets. However, the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first part of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve ("Fed") would begin tapering its quantitative easing ("QE") program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed's decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014.

Detractors from Performance

Stock selection in the *technology* sector was a primary factor that detracted from performance relative to the S&P 500 Index. Within this sector, the fund's positioning in shares of computer and personal electronics maker Apple and holdings of weak-performing cloud computing services provider Rackspace Hosting [(b)(h)] detracted from relative returns. Shares of Rackspace Hosting experienced decelerated earnings growth as the company began a major platform transition which apparently caused customers to pause until the company completes the transition. Overweight positions in global semiconductor company Altera, data storage systems provider EMC and access infrastructure products manufacturer Citrix Systems also hampered relative returns as all three stocks underperformed the benchmark over the reporting period.

Stock selection in the *capital goods* sector also negatively impacted relative results. Within this sector, the fund's overweight position in weak-performing mining company Joy Global hurt relative performance as the mining industry experienced stagnant demand throughout the period. Not holding shares of strong-performing aerospace company Boeing also dampened relative returns.

Elsewhere, the fund's overweight position in retail chain Target and holdings of global sourcing and supply chain management company Li & Fung [(b)] weighed on relative returns as both stocks posted weak returns for the period.

The fund's cash and/or cash equivalents position during the period was another detractor from relative performance. Under normal market conditions, the fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Contributors to Performance

Stock selection in the *financial services* sector was a positive factor for relative results. Within this sector, the fund's overweight position in strong-performing insurance company MetLife supported relative performance as many financial stocks performed well during the period under the backdrop of better economic data and higher long-term interest rates.

Stock selection in the *health care* sector also contributed to relative returns. Within this sector, holding shares of specialty pharmaceutical company Valeant Pharmaceuticals International [(b)] (Canada) and the fund's overweight position in life sciences supply company Thermo Fisher Scientific boosted relative performance as both stocks turned in strong performance. Shares of Valeant Pharmaceuticals International appreciated throughout the period with the help of some key acquisitions, most notably, their acquisition of Bausch and Lomb.

In other sectors, not holding weak-performing diversified technology products and services company International Business Machines (IBM) benefited performance. Additionally, the fund's overweight positions in computer products and services provider Hewlett-Packard, media company Twenty-First Century Fox, and independent oil and gas exploration and production company

Management Review – continued

Pioneer Natural Resources bolstered returns as all three stocks performed well over the period. The fund's underweight position in telecommunications company AT&T (h) also benefited relative returns as the stock underperformed the broader market. The fund's holdings of fuel card provider FleetCor Technologies (b) was another positive factor for relative results. Shares of FleetCor Technology rose steadily throughout the period as the company enjoyed strong organic revenue growth across all lines-of-business and solid operating margin performance. Much of the growth was attributable to acquisitions made by the company back in 2011 that began to be realized in earnings during 2013. Avoiding shares of integrated energy company Chevron also supported relative performance as the stock underperformed the benchmark.

Respectfully,

Joseph MacDougall
Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

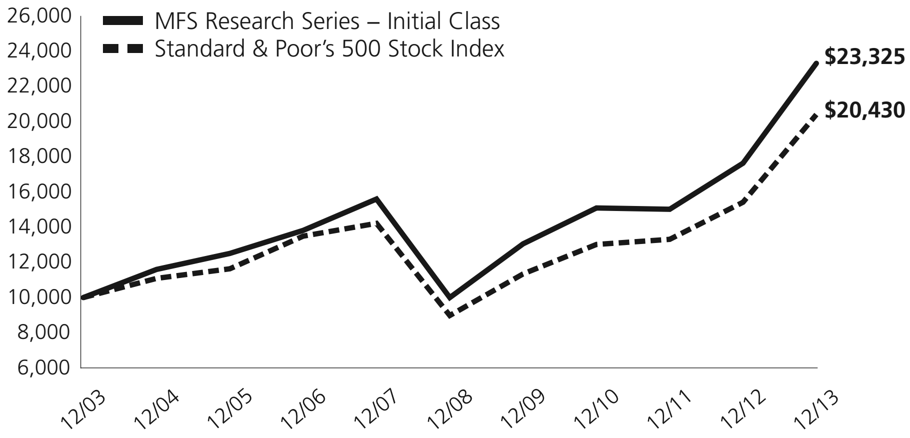
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/13

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/13

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/26/95	32.28%	18.50%	8.84%
Service Class	5/01/00	32.00%	18.20%	8.57%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	32.39%	17.94%	7.41%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Standard & Poor's 500 Stock Index – a market capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2013 through December 31, 2013

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 July 1, 2013 through December 31, 2013.

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 7/01/13	Ending Account Value 12/31/13	Expenses Paid During Period (p) 7/01/13-12/31/13
Initial Class	Actual	0.81%	$1,000.00	$1,161.75	$4.41
	Hypothetical (h)	0.81%	$1,000.00	$1,021.12	$4.13
Service Class	Actual	1.06%	$1,000.00	$1,160.14	$5.77
	Hypothetical (h)	1.06%	$1,000.00	$1,019.86	$5.40

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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.

Notes to Expense Table

Expense ratios include 0.01% of investment related expense from short sales (See Note 2 of the Notes to Financial Statements).

PORTFOLIO OF INVESTMENTS – 12/31/13

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 – 99.3%		
Aerospace – 3.2%		
Honeywell International, Inc.	89,600	$ 8,186,752
Precision Castparts Corp.	29,676	7,991,747
United Technologies Corp.	73,650	8,381,370
		$ 24,559,869
Alcoholic Beverages – 0.4%		
Constellation Brands, Inc., "A" (a)	40,810	$ 2,872,208
Apparel Manufacturers – 2.0%		
Guess?, Inc.	57,720	$ 1,793,360
Li & Fung Ltd.	1,378,000	1,780,684
NIKE, Inc., "B"	50,730	3,989,407
PVH Corp.	32,561	4,428,947
VF Corp.	56,271	3,507,934
		$ 15,500,332
Automotive – 1.5%		
Delphi Automotive PLC	101,160	$ 6,082,751
General Motors Co. (a)	132,970	5,434,484
		$ 11,517,235
Biotechnology – 1.9%		
Alexion Pharmaceuticals, Inc. (a)	31,820	$ 4,233,969
Biogen Idec, Inc. (a)	24,874	6,958,502
Gilead Sciences, Inc. (a)	51,800	3,892,770
		$ 15,085,241
Broadcasting – 3.0%		
Time Warner, Inc.	74,610	$ 5,201,809
Twenty-First Century Fox, Inc.	310,480	10,922,686
Walt Disney Co.	89,660	6,850,024
		$ 22,974,519
Brokerage & Asset Managers – 1.8%		
BlackRock, Inc.	14,119	$ 4,468,240
Franklin Resources, Inc.	118,524	6,842,390
IntercontinentalExchange Group, Inc.	13,442	3,023,375
		$ 14,334,005
Business Services – 1.7%		
Accenture PLC, "A"	67,090	$ 5,516,140
Fidelity National Information Services, Inc.	78,190	4,197,239
FleetCor Technologies, Inc. (a)	28,150	3,298,335
		$ 13,011,714
Cable TV – 1.8%		
Comcast Corp., "Special A"	209,080	$ 10,428,910
Time Warner Cable, Inc.	26,260	3,558,230
		$ 13,987,140
Chemicals – 0.8%		
Monsanto Co.	51,668	$ 6,021,905

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – 2.8%		
Citrix Systems, Inc. (a)	74,910	$ 4,738,058
Oracle Corp.	172,230	6,589,520
Salesforce.com, Inc. (a)	88,873	4,904,901
Symantec Corp.	149,920	3,535,114
TIBCO Software, Inc. (a)	93,900	2,110,872
		$ 21,878,465
Computer Software – Systems – 6.2%		
Apple, Inc. (s)	40,579	$ 22,769,283
CDW Corp.	97,210	2,270,826
EMC Corp.	254,830	6,408,975
Hewlett-Packard Co.	536,890	15,022,182
NCR Corp. (a)	47,740	1,626,024
		$ 48,097,290
Consumer Products – 2.5%		
Colgate-Palmolive Co.	81,143	$ 5,291,335
Newell Rubbermaid, Inc.	77,460	2,510,479
Procter & Gamble Co.	137,660	11,206,901
		$ 19,008,715
Consumer Services – 0.7%		
Priceline.com, Inc. (a)	4,702	$ 5,465,605
Containers – 0.6%		
Crown Holdings, Inc. (a)	101,780	$ 4,536,335
Electrical Equipment – 2.8%		
Danaher Corp.	206,030	$ 15,905,516
W.W. Grainger, Inc.	22,255	5,684,372
		$ 21,589,888
Electronics – 2.3%		
Altera Corp.	124,790	$ 4,059,419
JDS Uniphase Corp. (a)	211,770	2,748,775
KLA-Tencor Corp.	12,180	785,123
Mellanox Technologies Ltd. (a)	41,580	1,661,953
Microchip Technology, Inc.	101,940	4,561,815
NXP Semiconductors N.V. (a)	85,690	3,935,742
		$ 17,752,827
Energy – Independent – 4.4%		
Anadarko Petroleum Corp.	74,070	$ 5,875,232
Antero Resources Corp. (a)	14,640	928,761
Cabot Oil & Gas Corp.	169,310	6,562,456
EOG Resources, Inc.	12,503	2,098,504
EQT Corp.	41,490	3,724,972
Marathon Petroleum Corp.	25,170	2,308,844
Noble Energy, Inc.	55,630	3,788,959
Occidental Petroleum Corp.	34,540	3,284,754
Pioneer Natural Resources Co.	29,825	5,489,888
		$ 34,062,370

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Energy – Integrated – 3.6%		
Exxon Mobil Corp. (s)	276,840	$ 28,016,208
Engineering – Construction – 0.4%		
Fluor Corp.	43,120	$ 3,462,105
Food & Beverages – 2.7%		
Coca-Cola Co.	228,090	$ 9,422,398
General Mills, Inc.	83,530	4,168,982
Mondelez International, Inc.	214,340	7,566,202
		$ 21,157,582
Food & Drug Stores – 1.1%		
CVS Caremark Corp.	114,050	$ 8,162,558
Gaming & Lodging – 0.4%		
Wynn Resorts Ltd.	15,704	$ 3,049,874
General Merchandise – 1.7%		
Kohl's Corp.	86,460	$ 4,906,605
Target Corp.	130,390	8,249,775
		$ 13,156,380
Health Maintenance Organizations – 0.9%		
UnitedHealth Group, Inc.	91,780	$ 6,911,034
Insurance – 3.1%		
ACE Ltd.	51,630	$ 5,345,254
American International Group, Inc.	125,560	6,409,838
MetLife, Inc.	233,770	12,604,878
		$ 24,359,970
Internet – 3.8%		
eBay, Inc. (a)	122,790	$ 6,739,943
Facebook, Inc., "A " (a)	55,650	3,041,829
Google, Inc., "A" (a)	16,025	17,959,378
Yelp, Inc. (a)	28,690	1,978,175
		$ 29,719,325
Machinery & Tools – 2.8%		
Eaton Corp. PLC	79,810	$ 6,075,137
Joy Global, Inc.	93,900	5,492,211
Roper Industries, Inc.	75,403	10,456,888
		$ 22,024,236
Major Banks – 6.4%		
Goldman Sachs Group, Inc.	33,963	$ 6,020,281
JPMorgan Chase & Co.	322,480	18,858,630
Morgan Stanley	178,990	5,613,126
State Street Corp.	75,320	5,527,735
Wells Fargo & Co.	303,470	13,777,538
		$ 49,797,310
Medical & Health Technology & Services – 1.1%		
Cerner Corp. (a)	35,570	$ 1,982,672
Express Scripts Holding Co. (a)	97,170	6,825,221
		$ 8,807,893
Medical Equipment – 3.5%		
Abbott Laboratories	174,650	$ 6,694,334
Covidien PLC	96,720	6,586,632

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – continued		
DENTSPLY International, Inc.	46,030	$ 2,231,534
Stryker Corp.	57,680	4,334,075
Thermo Fisher Scientific, Inc.	62,120	6,917,062
		$ 26,763,637
Natural Gas – Distribution – 0.4%		
Spectra Energy Corp.	97,190	$ 3,461,908
Natural Gas – Pipeline – 0.5%		
Kinder Morgan, Inc.	107,948	$ 3,886,128
Oil Services – 1.9%		
Cameron International Corp. (a)	100,780	$ 5,999,433
Dresser-Rand Group, Inc. (a)	18,000	1,073,340
Halliburton Co.	107,110	5,435,833
Schlumberger Ltd.	25,150	2,266,267
		$ 14,774,873
Other Banks & Diversified Financials – 5.7%		
American Express Co.	92,400	$ 8,383,452
BB&T Corp.	89,880	3,354,322
Citigroup, Inc.	239,930	12,502,752
Discover Financial Services	119,260	6,672,597
Visa, Inc., "A"	61,325	13,655,851
		$ 44,568,974
Pharmaceuticals – 5.6%		
Actavis PLC (a)	26,870	$ 4,514,160
Bristol-Myers Squibb Co.	124,210	6,601,761
Endo Health Solutions, Inc. (a)	46,360	3,127,446
Johnson & Johnson	80,990	7,417,874
Perrigo Co. PLC	29,353	4,504,511
Pfizer, Inc.	290,760	8,905,979
Valeant Pharmaceuticals International, Inc. (a)	39,830	4,676,042
Zoetis, Inc.	113,720	3,717,507
		$ 43,465,280
Railroad & Shipping – 1.1%		
Union Pacific Corp.	52,203	$ 8,770,104
Restaurants – 1.4%		
ARAMARK Holdings Corp. (a)	73,930	$ 1,938,444
McDonald's Corp.	42,975	4,169,864
YUM! Brands, Inc.	60,520	4,575,917
		$ 10,684,225
Specialty Chemicals – 1.2%		
FMC Corp.	60,380	$ 4,556,275
W.R. Grace & Co. (a)	45,530	4,501,551
		$ 9,057,826
Specialty Stores – 2.6%		
Amazon.com, Inc. (a)	12,710	$ 5,068,621
AutoZone, Inc. (a)	8,036	3,840,726
Bed Bath & Beyond, Inc. (a)	55,240	4,435,772
Dick's Sporting Goods, Inc.	74,700	4,340,070
Sally Beauty Holdings, Inc. (a)	69,330	2,095,846
		$ 19,781,035

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telecommunications – Wireless – 1.0%		
American Tower Corp., REIT	63,400	$ 5,060,588
SBA Communications Corp. (a)	30,750	2,762,580
		$ 7,823,168
Telephone Services – 1.0%		
Verizon Communications, Inc.	161,300	$ 7,926,282
Tobacco – 1.8%		
Lorillard, Inc.	64,400	$ 3,263,792
Philip Morris International, Inc.	124,390	10,838,101
		$ 14,101,893
Trucking – 0.9%		
Expeditors International of Washington, Inc.	151,420	$ 6,700,335
Utilities – Electric Power – 2.3%		
AES Corp.	159,390	$ 2,312,749
American Electric Power Co., Inc.	78,440	3,666,286
Calpine Corp. (a)	180,460	3,520,775
CMS Energy Corp.	195,590	5,235,944
PPL Corp.	104,876	3,155,719
		$ 17,891,473
Total Common Stocks (Identified Cost, $599,820,802)		**$770,537,279**

	Strike Price	First Exercise		
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	$ 62,569

Issuer	Shares/Par	Value ($)
MONEY MARKET FUNDS – 0.1%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	575,033	$ 575,033
Total Investments (Identified Cost, $600,425,193)		**$771,174,881**
OTHER ASSETS, LESS LIABILITIES – 0.6%		**4,736,002**
Net Assets – 100.0%		**$775,910,883**

(a) Non-income producing security.

(s) Security or a portion of the security was pledged to cover collateral requirements for securities sold short. At December 31, 2013, 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.

At December 31, 2013, the fund had cash collateral of $62,799 and other liquid securities with an aggregate value of $523,174 to cover any commitments for securities sold short. Cash collateral is comprised of "Deposits with brokers" in the Statement of Assets and Liabilities. At December 31, 2013, the fund had no short sales outstanding.

The following abbreviations are used in this report and are defined:

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/13

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $599,850,160)	$770,599,848	
Underlying affiliated funds, at cost and value	575,033	
Total investments, at value (identified cost, $600,425,193)	$771,174,881	
Deposits with brokers	62,799	
Receivables for		
Investments sold	5,439,047	
Fund shares sold	68,837	
Dividends	626,582	
Other assets	5,318	
Total assets		$777,377,464
Liabilities		
Payable for fund shares reacquired	$1,310,758	
Payable to affiliates		
Investment adviser	30,390	
Shareholder servicing costs	404	
Distribution and/or service fees	3,808	
Payable for independent Trustees' compensation	11	
Accrued expenses and other liabilities	121,210	
Total liabilities		$1,466,581
Net assets		$775,910,883
Net assets consist of		
Paid-in capital	$545,527,706	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	170,749,688	
Accumulated net realized gain (loss) on investments and foreign currency	54,225,728	
Undistributed net investment income	5,407,761	
Net assets		$775,910,883
Shares of beneficial interest outstanding		27,081,111

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$496,857,035	17,287,035	$28.74
Service Class	279,053,848	9,794,076	28.49

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

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.

Year ended 12/31/13

Net investment income		
Income		
Dividends	$12,174,404	
Interest	33,639	
Dividends from underlying affiliated funds	4,773	
Foreign taxes withheld	(18,478)	
Total investment income		$12,194,338
Expenses		
Management fee	$5,678,356	
Distribution and/or service fees	688,545	
Shareholder servicing costs	40,875	
Administrative services fee	103,243	
Independent Trustees' compensation	16,503	
Custodian fee	79,142	
Shareholder communications	69,436	
Audit and tax fees	55,398	
Legal fees	6,058	
Dividend and interest expense on securities sold short	29,968	
Miscellaneous	31,695	
Total expenses		$6,799,219
Fees paid indirectly	(79)	
Reduction of expenses by investment adviser	(8,953)	
Net expenses		$6,790,187
Net investment income		$5,404,151
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$72,253,365	
Written options	49,033	
Securities sold short	429,941	
Foreign currency	6,701	
Net realized gain (loss) on investments and foreign currency		$72,739,040
Change in unrealized appreciation (depreciation)		
Investments	$132,956,509	
Translation of assets and liabilities in foreign currencies	(201)	
Net unrealized gain (loss) on investments and foreign currency translation		$132,956,308
Net realized and unrealized gain (loss) on investments and foreign currency		$205,695,348
Change in net assets from operations		$211,099,499

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.

For years ended 12/31	2013	2012
Change in net assets		
From operations		
Net investment income	$5,404,151	$2,307,776
Net realized gain (loss) on investments and foreign currency	72,739,040	18,509,511
Net unrealized gain (loss) on investments and foreign currency translation	132,956,308	16,036,010
Change in net assets from operations	$211,099,499	$36,853,297
Distributions declared to shareholders		
From net investment income	$(2,329,011)	$(1,473,011)
From net realized gain on investments	(1,807,468)	—
Total distributions declared to shareholders	$(4,136,479)	$(1,473,011)
Change in net assets from fund share transactions	$(157,925,678)	$510,586,595
Total change in net assets	$49,037,342	$545,966,881
Net assets		
At beginning of period	726,873,541	180,906,660
At end of period (including undistributed net investment income of $5,407,761 and $2,306,520, respectively)	$775,910,883	$726,873,541

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 past 5 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	Years ended 12/31				
	2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$21.84	$18.78	$19.04	$16.57	$12.90
Income (loss) from investment operations					
Net investment income (d)	$0.20	$0.22	$0.15	$0.15	$0.15
Net realized and unrealized gain (loss) on investments and foreign currency	6.84	3.01	(0.24)	2.47	3.72
Total from investment operations	$7.04	$3.23	$(0.09)	$2.62	$3.87
Less distributions declared to shareholders					
From net investment income	$(0.08)	$(0.17)	$(0.17)	$(0.15)	$(0.20)
From net realized gain on investments	(0.06)	—	—	—	—
Total distributions declared to shareholders	$(0.14)	$(0.17)	$(0.17)	$(0.15)	$(0.20)
Net asset value, end of period (x)	$28.74	$21.84	$18.78	$19.04	$16.57
Total return (%) (k)(r)(s)(x)	32.35	17.22	(0.45)	15.90	30.54
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.81	0.88	0.88	0.89	0.90
Expenses after expense reductions (f)	0.81	0.88	0.88	0.89	0.90
Net investment income	0.80	1.06	0.79	0.86	1.05
Portfolio turnover	43	83	70	71	107
Net assets at end of period (000 omitted)	$496,857	$460,834	$160,892	$182,895	$180,229
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.80	0.87	0.86	0.89	0.90

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$21.70	$18.67	$18.93	$16.48	$12.82
Income (loss) from investment operations					
Net investment income (d)	$0.14	$0.18	$0.10	$0.10	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	6.78	2.97	(0.24)	2.47	3.71
Total from investment operations	$6.92	$3.15	$(0.14)	$2.57	$3.82
Less distributions declared to shareholders					
From net investment income	$(0.07)	$(0.12)	$(0.12)	$(0.12)	$(0.16)
From net realized gain on investments	(0.06)	—	—	—	—
Total distributions declared to shareholders	$(0.13)	$(0.12)	$(0.12)	$(0.12)	$(0.16)
Net asset value, end of period (x)	$28.49	$21.70	$18.67	$18.93	$16.48
Total return (%) (k)(r)(s)(x)	32.00	16.90	(0.69)	15.64	30.20
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.06	1.11	1.13	1.14	1.15
Expenses after expense reductions (f)	1.05	1.11	1.13	1.14	1.15
Net investment income	0.56	0.82	0.55	0.61	0.80
Portfolio turnover	43	83	70	71	107
Net assets at end of period (000 omitted)	$279,054	$266,040	$20,015	$19,825	$17,196
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.05	1.11	1.11	1.14	1.15

(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.

(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 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

(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 increases and decreases in net assets from operations 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 the disclosure provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 ("ASU 2011-11"), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 ("ASU 2013-01") entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to a Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. The disclosures required by ASU 2011-11, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the 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 December 31, 2013 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$760,207,380	$—	$—	$760,207,380
Canada	4,676,042	—	—	4,676,042
Netherlands	3,935,742	—	—	3,935,742
Hong Kong	—	1,780,684	—	1,780,684
Mutual Funds	575,033	—	—	575,033
Total Investments	$769,394,197	$1,780,684	$—	$771,174,881

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.

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. At December 31, 2013, 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 year ended December 31, 2013 as reported in the Statement of Operations:

Risk	Written Options
Equity	$49,033

There is no change in unrealized appreciation (depreciation) on derivative transactions at period end.

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, 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. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right 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.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared 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 that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as "Restricted cash" or "Deposits with brokers." Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

The fund's accounting policy with respect to balance sheet offsetting is that, 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 financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Written Options – In exchange for a premium, the fund wrote call options on securities that it anticipated the price would decline. 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 in 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.

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.

The following table represents the written option activity in the fund during the year ended December 31, 2013:

	Number of contracts	Premiums received
Outstanding, beginning of period	—	$—
Options written	2,057	63,697
Options closed	—	—
Options exercised	(381)	(14,664)
Options expired	(1,676)	(49,033)
Outstanding, end of period	—	$—

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 year ended December 31, 2013, this expense amounted to $29,968. 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 December 31, 2013, the fund had no short sales outstanding.

Security Loans – Under its Securities Lending Agency Agreement with the fund, 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. In the event of Borrower default, State Street will for the benefit of the fund either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. 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 in 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. At December 31, 2013, there were no securities on loan or collateral outstanding.

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 year ended December 31, 2013, is shown as a reduction of total expenses in 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. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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 two fiscal years is as follows:

	12/31/13	12/31/12
Ordinary income (including any short-term capital gains)	$2,782,538	$1,473,011
Long-term capital gains	1,353,941	—
Total distributions	$4,136,479	$1,473,011

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/13	
Cost of investments	$601,417,400
Gross appreciation	171,862,565
Gross depreciation	(2,105,084)
Net unrealized appreciation (depreciation)	$169,757,481
Undistributed ordinary income	33,820,241
Undistributed long-term capital gain	26,877,015
Other temporary differences	(71,560)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income		From net realized gain on investments	
	Year ended 12/31/13	Year ended 12/31/12	Year ended 12/31/13	Year ended 12/31/12
Initial Class	$1,533,253	$1,340,066	$1,142,549	$—
Service Class	795,758	132,945	664,919	—
Total	$2,329,011	$1,473,011	$1,807,468	$—

(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%

Effective April 1, 2013, MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the period April 1, 2013 through December 31, 2013, this management fee reduction amounted to $7,021, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2013 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 year ended December 31, 2013, the fee was $39,600, which equated to 0.0052% 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 year ended December 31, 2013, these costs amounted to $1,275.

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 year ended December 31, 2013 was equivalent to an annual effective rate of 0.0136% 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 year ended December 31, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $4,090 and are included in "Miscellaneous" expense in 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 $1,932, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 short sales and short-term obligations, aggregated $325,547,341 and $477,633,721, 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:

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	831,878	$20,972,321	6,498,659	$139,065,054
Service Class	518,954	12,972,521	532,555	11,233,338
	1,350,832	$33,944,842	7,031,214	$150,298,392
Shares issued in connection with acquisition of SC Davis Venture Value Fund				
Initial Class			7,909,441	$170,764,822
Service Class			10,939,229	234,646,460
			18,848,670	$405,411,282
Shares issued to shareholders in reinvestment of distributions				
Initial Class	104,279	$2,675,802	63,601	$1,340,066
Service Class	57,371	1,460,677	6,346	132,945
	161,650	$4,136,479	69,947	$1,473,011
Shares reacquired				
Initial Class	(4,745,222)	$(119,670,066)	(1,941,319)	$(40,506,604)
Service Class	(3,040,947)	(76,336,933)	(291,546)	(6,089,486)
	(7,786,169)	$(196,006,999)	(2,232,865)	$(46,596,090)
Net change				
Initial Class	(3,809,065)	$(96,021,943)	12,530,382	$270,663,338
Service Class	(2,464,622)	(61,903,735)	11,186,584	239,923,257
	(6,273,687)	$(157,925,678)	23,716,966	$510,586,595

The fund is one of several mutual funds in which the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 23%, 8%, and 7%, respectively, of the value of outstanding voting shares of the fund.

(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 year ended December 31, 2013, the fund's commitment fee and interest expense were $3,714 and $0, respectively, and are included in "Miscellaneous" expense in 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	8,219,431	159,358,616	(167,003,014)	575,033

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$4,773	$575,033

(8) Acquisitions

At close of business on December 7, 2012, the fund with net assets of approximately $313,994,783, acquired all of the assets and liabilities of SC Davis Venture Value Fund, a series of Sun Capital Advisers Trust. The purpose of the transaction was to provide shareholders of the SC Davis Venture Value Fund the opportunity to participate in a larger combined portfolio with a similar investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 18,848,670 shares of the fund (valued at approximately $405,411,282) for all of the assets and liabilities of SC Davis Venture Value Fund. SC Davis Venture Value Fund then distributed the shares of the fund that SC Davis Venture Value Fund received from the fund to its shareholders. SC Davis Venture Value Fund's investments on that date were valued at approximately $397,521,486 with a cost basis of approximately $385,723,569. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from SC Davis Venture Value Fund were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Research Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Research Series (one of the series comprising MFS Variable Insurance Trust) (the "Fund") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Research Series as of December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 14, 2014

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 50)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach [k] (age 52)	Trustee	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 71)	Trustee and Chair of Trustees	January 2004	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman
Robert E. Butler (age 72)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 58)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 72)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 69)	Trustee	December 2004	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 59)	Trustee	January 2009	Private investor	N/A
Laurie J. Thomsen (age 56)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 72)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 48)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President	N/A
Christopher R. Bohane [k] (age 40)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark [k] (age 45)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 54)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 50)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 45)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 38)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
Brian E. Langenfeld (k) (age 40)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 63)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira (k) (age 43)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 43)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum (k) (age 61)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 69)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 43)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost (k) (age 53)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach) has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Manager
Joseph MacDougall

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2012 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 1st quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 1st quintile for each of the one- and five-year periods ended December 31, 2012 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the existing breakpoint and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" 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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

The fund designates $1,490,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS	WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are	
Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do	
How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information
If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

MFS®

ANNUAL REPORT
December 31, 2013

MFS® UTILITIES SERIES

MFS® Variable Insurance Trust

VUF-ANN

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.

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

As a new year begins, the global economy is recovering. U.S. economic growth accelerated in the second half of 2013. Now that the speculation is over regarding the timing of the U.S. Federal Reserve's move to scale back its bond-buying program, investors are viewing the central bank's decision to taper as a signal of confidence in the economic recovery.

The eurozone broke out of its lengthy recession halfway through the year. However, persistently high unemployment, particularly in Spain and Greece, continues to hinder the region's economic growth.

China is progressing in its transition to a more consumption-based, domestic economy. Japan has succeeded in jump-starting its sluggish economy; driving down the yen's value has made exports more attractive, leading to profit growth and a stock market surge. Although Japan could face a deterrent to growth in April, when its national sales tax rises to 8% from 5%, in the longer term the tax increase will help bolster the nation's finances.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

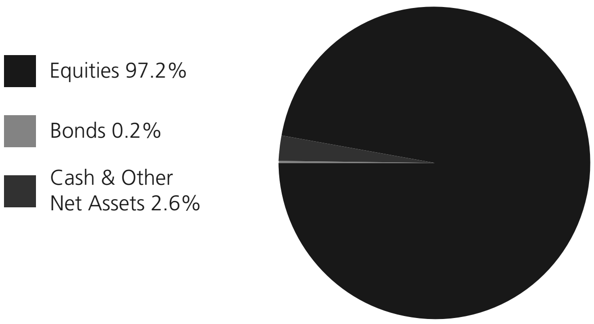
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 14, 2014

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"	4.4%
Energias de Portugal S.A.	2.9%
Kinder Morgan, Inc.	2.8%
NextEra Energy, Inc.	2.7%
Calpine Corp.	2.6%
CMS Energy Corp.	2.6%
NRG Energy, Inc.	2.4%
Northeast Utilities	2.4%
AES Corp.	2.0%
ONEOK, Inc.	1.9%

Top five industries (i)

Utilities-Electric Power	46.4%
Natural Gas-Distribution	10.7%
Natural Gas-Pipeline	10.0%
Cable TV	9.5%
Telecommunications-Wireless	8.5%

Issuer country weightings (i)(x)

United States	69.1%
Portugal	4.9%
Brazil	4.4%
United Kingdom	3.5%
Spain	3.2%
Italy	1.8%
Canada	1.8%
Russia	1.7%
Israel	1.5%
Other Countries	8.1%

(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. 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. The bond component will include any accrued interest amounts.

(x) Represents the portfolio's exposure to issuer countries as a percentage of a portfolio's net assets.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Percentages are based on net assets as of 12/31/13.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2013, Initial Class shares of the MFS Utilities Series ("fund") provided a total return of 20.52%, while Service Class shares of the fund provided a total return of 20.21%. These compare with a return of 32.39% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index, and a return of 13.21% for the fund's other benchmark, the Standard & Poor's 500 Utilities Index ("S&P Utilities Index").

Market Environment

Just prior to the beginning of the period, a last minute political agreement concerning the US debt ceiling averted the worst-case scenario and markets gravitated towards risk assets. However, the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first part of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve ("Fed") would begin tapering its quantitative easing ("QE") program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

Toward the end of the period, the Fed's decision to postpone QE tapering surprised markets. Favorable market reactions were tempered, however, by tense negotiations over US fiscal policy which resulted in a 16-day partial shutdown of the federal government and a short-term extension in the debt ceiling. The volatility was short-lived, however, as an extension of budget and debt ceiling deadlines allowed the government to re-open, and subsequent economic data reflected moderate but resilient US growth. Also well-received was the decision by the European Central Bank to cut its policy rate as inflation pressures waned in the region. In addition, equity investors appeared to have concluded that there would be no major change in US monetary policy as a result of the nomination of Janet Yellen as the new Fed Chair for a term beginning in early 2014.

Detractors from Performance

Individual stocks that dampened performance relative to the S&P Utilities Index included the timing of the fund's ownership in shares of integrated gas and electricity company Dominion Resources and underweight positions in electric company NextEra, energy infrastructure developer Sempra Energy and natural gas and electric company NiSource. Holdings of electric companies, Cia Energetica de Minas Gerais Cemig [(b)(h)] (Brazil), Aksa Enerji Uretim [(b)] (Turkey), Energias Do Brasil [(b)] (Brazil), and CEZ [(b)] (Czech Republic), and telecommunications services company Turkcell Iletisim [(b)] (Turkey) and natural gas pipelines operator Kinder Morgan [(b)], also hindered relative performance as all six stocks lagged the benchmark during the reporting period.

Contributors to Performance

The fund's exposure to the *cable TV* industry, which is not represented in the benchmark, was a primary contributor to performance relative to the S&P Utilities Index. Holdings of cable services providers Comcast [(b)], Virgin Media [(b)(h)] and Time Warner Cable [(b)] aided relative returns as all three stocks significantly outperformed the benchmark over the reporting period. Shares of Virgin Media rose as the company reported positive subscriber growth. Furthermore, Liberty Global acquired Virgin Media at a premium which was a positive for the stock.

Stock selection and, to a lesser extent, an underweight position in the *electric power* industry was another positive factor for relative results. Underweight positions in electric company Southern Company [(h)] and power provider FirstEnergy [(h)], and the timing of the fund's ownership in shares of utility services company Exelon Corporation [(h)], benefited relative returns. Holdings of Portuguese integrated utility company Energias de Portugal [(b)(h)] further supported relative results as the stock outpaced the benchmark during the reporting period. Shares of Energias de Portugal benefited from results that beat consensus estimates due, in part, to a capital gain from the disposal of a gas distribution business in Spain to basic gas infrastructure company Enagas. Additionally, management's announcement of the securitization of receivables in Portugal further supported performance.

The fund's exposure to both the *energy – independent* and *wireless communications* industries, which are not represented in the benchmark, also supported relative results. Within the *energy – independent* industry, holdings of strong-performing integrated energy company EQT Corporation [(b)] boosted relative performance. Within the *wireless communications* industry, holdings of voice and data communications services company Vodafone Group [(b)] (United Kingdom) contributed to relative returns as the stock outperformed the benchmark during the reporting period.

Elsewhere, holdings of Israeli telecommunications services company Bezeq The Israeli Telecommunication [(b)] were among the fund's top relative contributors for the reporting period.

Respectfully,

Maura Shaughnessy
Portfolio Manager

Note to Contract Owners: Robert Persons is no longer a Portfolio Manager of the Fund.

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

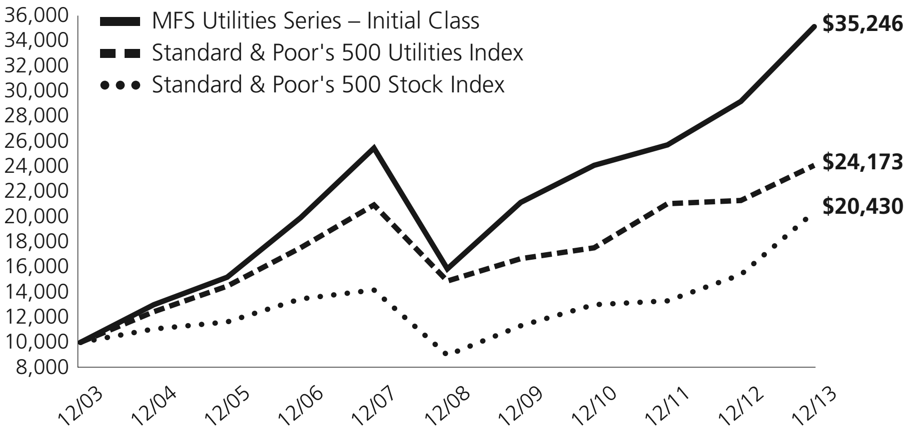
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/13

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/13

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	1/03/95	20.52%	17.27%	13.43%
Service Class	5/01/00	20.21%	16.97%	13.14%

Comparative benchmarks

	1-yr	5-yr	10-yr
Standard & Poor's 500 Stock Index (f)	32.39%	17.94%	7.41%
Standard & Poor's 500 Utilities Index (f)	13.21%	10.17%	9.23%

(f) Source: FactSet Research Systems Inc.

Benchmark Definitions

Standard & Poor's 500 Stock Index – a market capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

Standard & Poor's 500 Utilities Index – a market capitalization-weighted index designed to measure the utilities sector, including those companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2013 through December 31, 2013

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 July 1, 2013 through December 31, 2013.

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 7/01/13	Ending Account Value 12/31/13	Expenses Paid During Period (p) 7/01/13-12/31/13
Initial Class	Actual	0.80%	$1,000.00	$1,098.97	$4.23
	Hypothetical (h)	0.80%	$1,000.00	$1,021.17	$4.08
Service Class	Actual	1.05%	$1,000.00	$1,097.58	$5.55
	Hypothetical (h)	1.05%	$1,000.00	$1,019.91	$5.35

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 12/31/13

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 – 92.7%		
Broadcasting – 0.2%		
SIRIUS XM Radio, Inc. (a)	197,180	$ 688,158
Twenty-First Century Fox, Inc.	72,030	2,534,015
		$ 3,222,173
Cable TV – 9.5%		
Astro Malaysia Holdings Berhad	8,499,800	$ 7,784,888
Comcast Corp., "Special A"	1,313,895	65,537,083
Liberty Global PLC, "A" (a)	190,449	16,948,057
Liberty Global PLC, "C" (a)	163,927	13,822,325
Time Warner Cable, Inc.	186,163	25,225,087
Ziggo N.V.	290,176	13,253,272
		$ 142,570,712
Energy – Independent – 4.4%		
Anadarko Petroleum Corp.	132,640	$ 10,521,005
Antero Resources Corp. (a)	142,370	9,031,953
Energen Corp.	199,446	14,110,804
EQT Corp.	296,519	26,621,476
Noble Energy, Inc.	74,667	5,085,569
Western Gas Equity Partners LP	11,320	447,253
		$ 65,818,060
Natural Gas – Distribution – 10.7%		
AGL Energy Ltd.	322,340	$ 4,325,896
AGL Resources, Inc.	144,100	6,805,843
Centrica PLC	1,060,418	6,105,609
China Resources Gas Group Ltd.	2,990,000	10,410,998
Gas Natural SDG S.A.	482,020	12,396,928
GDF SUEZ	730,410	17,177,476
Infraestructura Energetica Nova, S.A. de C.V	655,900	2,620,787
NiSource, Inc.	246,626	8,109,063
ONEOK, Inc.	458,876	28,532,910
Questar Corp.	150,400	3,457,696
Sempra Energy	276,282	24,799,072
Snam Rete Gas S.p.A.	3,384,230	18,930,007
Spectra Energy Corp.	467,017	16,635,146
		$ 160,307,431
Natural Gas – Pipeline – 9.9%		
APA Group	668,654	$ 3,582,248
Cheniere Energy, Inc. (a)	154,937	6,680,883
Enagas S.A.	854,199	22,321,424
Enbridge, Inc.	345,360	15,088,875
Energy Transfer Equity LP	6,700	547,658
Kinder Morgan, Inc.	1,177,124	42,376,464
ONEOK Partners LP	157,570	8,296,060
SemGroup Corp., "A"	7,500	489,225
TransCanada Corp.	207,660	9,489,119
Williams Cos., Inc.	565,732	21,820,283
Williams Partners LP	374,110	19,027,235
		$ 149,719,474
COMMON STOCKS – continued		
Oil Services – 0.8%		
Ensco PLC, "A"	134,050	$ 7,664,979
Noble Corp. PLC	137,890	5,166,738
		$ 12,831,717
Telecommunications – Wireless – 7.5%		
American Tower Corp., REIT	329,488	$ 26,299,732
Cellcom Israel Ltd.	507,327	7,061,992
KDDI Corp.	14,500	890,846
MegaFon OAO, GDR	117,690	3,942,615
Mobile TeleSystems OJSC	169,370	1,689,813
Mobile TeleSystems OJSC, ADR	888,991	19,228,875
SBA Communications Corp. (a)	101,758	9,141,939
Tele2 AB, "B"	446,799	5,060,645
TIM Participacoes S.A., ADR	290,252	7,616,212
Turkcell Iletisim Hizmetleri A.S. (a)	1,830,670	9,668,732
Vodafone Group PLC	5,537,022	21,730,604
		$ 112,332,005
Telephone Services – 6.7%		
Bezeq – The Israel Telecommunication Corp. Ltd.	9,064,261	$ 15,363,818
CenturyLink, Inc.	326,722	10,406,096
Oi S.A., IPS	1,062,900	1,617,383
Portugal Telecom, SGPS, S.A.	1,075,748	4,676,502
PT Telekomunikasi Indonesia	8,725,500	1,541,481
PT XL Axiata Tbk	10,073,000	4,303,993
Quebecor, Inc., "B"	29,420	732,280
TDC A.S.	1,718,241	16,666,724
Telecom Italia S.p.A. – Savings Shares	8,912,725	6,976,640
Telefonica Brasil S.A., ADR	349,737	6,721,945
Telus Corp.	22,030	758,218
Verizon Communications, Inc.	321,240	15,785,734
Windstream Holdings, Inc.	1,909,260	15,235,895
		$ 100,786,709
Utilities – Electric Power – 42.9%		
AES Corp.	2,054,034	$ 29,804,033
Aksa Enerji Uretim A.S. (a)	4,294,585	5,155,900
Alliant Energy Corp.	212,010	10,939,716
Ameren Corp.	83,140	3,006,342
American Electric Power Co., Inc.	525,617	24,567,339
Calpine Corp. (a)	1,987,032	38,766,994
Canadian Utilities Ltd.	21,180	711,217
CenterPoint Energy, Inc.	713,004	16,527,433
CEZ A.S.	193,346	5,046,146
Cheung Kong Infrastructure Holdings Ltd.	1,459,000	9,210,122
China Longyuan Power Group	3,654,000	4,726,931
CMS Energy Corp.	1,435,809	38,436,607
Companhia Energetica de Minas Gerais, IPS	2,496,941	14,827,655
Companhia Paranaense de Energia, ADR	357,877	4,702,504
Companhia Paranaense de Energia, IPS	1,005,100	13,006,550
Covanta Holding Corp.	251,190	4,458,622

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
Dominion Resources, Inc.	405,330	$ 26,220,798
DTE Energy Co.	169,480	11,251,777
Duke Energy Corp.	264,010	18,219,330
Dynegy, Inc. (a)	85,690	1,844,049
E.On Russia JSC	15,987,778	1,149,090
Edison International	594,748	27,536,831
EDP Renovaveis S.A.	4,700,281	24,965,896
ENEL Green Power International B.V.	628,519	1,583,180
Energias de Portugal S.A.	12,042,555	44,233,717
Energias do Brasil S.A.	2,591,800	12,468,763
Great Plains Energy, Inc.	184,266	4,466,608
Infinis Energy PLC (a)	1,058,579	4,093,147
ITC Holdings Corp.	88,284	8,459,373
Light S.A.	568,650	5,331,583
National Grid PLC	365,668	4,771,560
NextEra Energy, Inc.	478,706	40,986,808
Northeast Utilities	845,167	35,826,629
NRG Energy, Inc.	1,272,324	36,541,145
OGE Energy Corp.	602,410	20,421,699
Pinnacle West Capital Corp.	231,820	12,267,914
Portland General Electric Co.	583,550	17,623,210
PPL Corp.	248,051	7,463,855
Public Service Enterprise Group, Inc.	847,891	27,166,428
Red Electrica de Espana	200,132	13,353,091
SSE PLC	594,685	13,491,329
		$ 645,631,921
Utilities – Water – 0.1%		
Aguas Andinas S.A.	1,338,972	$ 866,146
Total Common Stocks (Identified Cost, $1,191,154,758)		**$1,394,086,348**
CONVERTIBLE PREFERRED STOCKS – 3.6%		
Telecommunications – Wireless – 0.2%		
Crown Castle International Corp., "A", 4.5% (a)	29,810	$ 2,982,192
Utilities – Electric Power – 3.4%		
Dominion Resources, Inc., "A", 6.125%	154,500	$ 8,361,540
Dominion Resources, Inc., "B", 6%	154,920	8,398,213
NextEra Energy, Inc., 5.889%	213,820	12,108,627
PPL Corp., 8.75%	410,269	21,695,025
		$ 50,563,405
Total Convertible Preferred Stocks (Identified Cost, $51,178,081)		**$ 53,545,597**

Issuer	Shares/Par	Value ($)
CONVERTIBLE BONDS – 0.9%		
Broadcasting – 0.1%		
XM Satellite Radio, Inc., 7%, 2014 (z)	$ 605,000	$ 1,175,214
Telecommunications – Wireless – 0.8%		
SBA Communications Corp., 4%, 2014	$4,044,807	$ 11,972,629
Total Convertible Bonds (Identified Cost, $5,641,006)		**$ 13,147,843**
BONDS – 0.1%		
Asset-Backed & Securitized – 0.0%		
Falcon Franchise Loan LLC, FRN, 8.603%, 2023 (i)(z)	$ 42,991	$ 4,729
Utilities – Electric Power – 0.1%		
Viridian Group FundCo II, Ltd., 11.125%, 2017 (n)	$1,994,000	$ 2,188,415
Total Bonds (Identified Cost, $1,949,408)		**$ 2,193,144**

	Strike Price	First Exercise		
WARRANTS – 0.0%				
Natural Gas – Pipeline – 0.0%				
Kinder Morgan, Inc. (1 share for 1 warrant) (Identified Cost, $393,854) (a)	$40	2/15/12	78,070	$316,964

Issuer	Shares/Par	Value ($)
MONEY MARKET FUNDS – 2.9%		
MFS Institutional Money Market Portfolio, 0.09%, at Cost and Net Asset Value (v)	43,687,395	$ 43,687,395
Total Investments (Identified Cost, $1,294,004,502)		**$1,506,977,291**
OTHER ASSETS, LESS LIABILITIES – (0.2)%		**(2,859,334)**
Net Assets – 100.0%		**$1,504,117,957**

(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.

(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 $2,188,415, representing 0.1% 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, 8.603%, 2023	1/18/02	$1,494	$4,729
XM Satellite Radio, Inc., 7%, 2014	10/21/13-12/19/13	1,187,816	1,175,214
Total Restricted Securities			$1,179,943
% of Net assets			0.1%

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.
GDR Global Depositary Receipt
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:

EUR Euro
GBP British Pound

Derivative Contracts at 12/31/13

Forward Foreign Currency Exchange Contracts at 12/31/13

Type	**Currency**	**Counterparty**	**Contracts to Deliver/Receive**	**Settlement Date Range**	**In Exchange For**	**Contracts at Value**	**Net Unrealized Appreciation (Depreciation)**
Asset Derivatives							
BUY	EUR	Barclays Bank PLC	987,674	1/14/2014-1/17/2014	$ 1,337,950	$ 1,358,734	$ 20,784
BUY	EUR	Deutsche Bank AG	4,406,656	1/17/2014	5,948,035	6,062,194	114,159
BUY	EUR	JPMorgan Chase Bank N.A.	4,336,756	1/17/2014	5,853,442	5,966,034	112,592
BUY	EUR	Merrill Lynch International Bank	1,852,970	1/14/2014	2,514,984	2,549,117	34,133
BUY	EUR	UBS AG	1,232,001	1/17/2014	1,678,549	1,694,852	16,303
SELL	EUR	Barclays Bank PLC	46,367,888	1/17/2014-3/18/2014	63,793,401	63,786,887	6,514
SELL	EUR	Deutsche Bank AG	456,132	1/17/2014	628,371	627,496	875
SELL	EUR	JPMorgan Chase Bank N.A.	446,841	1/17/2014	616,058	614,715	1,343
SELL	EUR	UBS AG	953,549	1/17/2014	1,314,863	1,311,788	3,075
BUY	GBP	Barclays Bank PLC	2,300,000	1/17/2014	3,748,098	3,808,331	60,233
							$ 370,011
Liability Derivatives							
BUY	EUR	Deutsche Bank AG	87,597	1/17/14	$ 120,918	$ 120,506	$ (412)
BUY	EUR	JPMorgan Chase Bank N.A.	396,007	1/17/14	546,102	544,783	(1,319)
BUY	EUR	UBS AG	526,895	1/17/14	726,218	724,844	(1,374)
SELL	EUR	Credit Suisse Group	552,799	1/17/14	743,559	760,481	(16,922)
SELL	EUR	Deutsche Bank AG	767,495	1/14/14-1/17/14	1,039,387	1,055,836	(16,449)
SELL	EUR	UBS AG	46,236,192	1/17/14	63,604,147	63,606,682	(2,535)
SELL	GBP	Barclays Bank PLC	867,412	1/17/14	1,421,119	1,436,257	(15,138)
SELL	GBP	Citibank N.A.	880,690	1/17/14	1,429,578	1,458,243	(28,665)
SELL	GBP	Credit Suisse Group	8,256,666	1/17/14	13,211,325	13,671,358	(460,033)
SELL	GBP	Deutsche Bank AG	1,847,235	1/17/14	2,976,396	3,058,645	(82,249)
SELL	GBP	JPMorgan Chase Bank N.A.	1,185,855	1/17/14	1,919,443	1,963,534	(44,091)
SELL	GBP	Merrill Lynch International Bank	7,580,855	1/17/14	12,113,146	12,552,352	(439,206)
SELL	GBP	UBS AG	168,106	1/17/14	276,037	278,350	(2,313)
							$(1,110,706)

At December 31, 2013, the fund had cash collateral of $110,000 to cover any commitments for certain derivative contracts. Cash collateral is comprised of "Restricted cash" in the Statement of Assets and Liabilities.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/13

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,250,317,107)	$1,463,289,896	
Underlying affiliated funds, at cost and value	43,687,395	
Total investments, at value (identified cost, $1,294,004,502)	$1,506,977,291	
Cash	86,572	
Restricted cash	110,000	
Receivables for		
Forward foreign currency exchange contracts	370,011	
Investments sold	2,505,691	
Fund shares sold	430,336	
Interest and dividends	2,824,483	
Other assets	10,497	
Total assets		$1,513,314,881
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$1,110,706	
Investments purchased	5,712,587	
Fund shares reacquired	2,014,923	
Payable to affiliates		
Investment adviser	57,542	
Shareholder servicing costs	676	
Distribution and/or service fees	13,352	
Payable for independent Trustees' compensation	7	
Accrued expenses and other liabilities	287,131	
Total liabilities		$9,196,924
Net assets		$1,504,117,957
Net assets consist of		
Paid-in capital	$1,191,056,861	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	212,257,573	
Accumulated net realized gain (loss) on investments and foreign currency	61,032,257	
Undistributed net investment income	39,771,266	
Net assets		$1,504,117,957
Shares of beneficial interest outstanding		47,585,312

	Net assets	**Shares outstanding**	**Net asset value per share**
Initial Class	$525,385,877	16,481,544	$31.88
Service Class	978,732,080	31,103,768	31.47

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

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.

Year ended 12/31/13

Net investment income		
Income		
Dividends	$58,229,814	
Interest	466,778	
Dividends from underlying affiliated funds	50,624	
Foreign taxes withheld	(2,938,401)	
Total investment income		$55,808,815
Expenses		
Management fee	$10,578,992	
Distribution and/or service fees	2,316,066	
Shareholder servicing costs	74,314	
Administrative services fee	185,972	
Independent Trustees' compensation	25,467	
Custodian fee	344,392	
Shareholder communications	173,009	
Audit and tax fees	64,404	
Legal fees	15,204	
Miscellaneous	113,173	
Total expenses		$13,890,993
Fees paid indirectly	(106)	
Reduction of expenses by investment adviser	(17,264)	
Net expenses		$13,873,623
Net investment income		$41,935,192
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$67,918,454	
Foreign currency	(6,131,791)	
Net realized gain (loss) on investments and foreign currency		$61,786,663
Change in unrealized appreciation (depreciation)		
Investments (net of $402,502 decrease in deferred country tax)	$157,196,070	
Translation of assets and liabilities in foreign currencies	1,196,217	
Net unrealized gain (loss) on investments and foreign currency translation		$158,392,287
Net realized and unrealized gain (loss) on investments and foreign currency		$220,178,950
Change in net assets from operations		$262,114,142

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.

For years ended 12/31	2013	2012
Change in net assets		
From operations		
Net investment income	$41,935,192	$39,327,628
Net realized gain (loss) on investments and foreign currency	61,786,663	144,335,375
Net unrealized gain (loss) on investments and foreign currency translation	158,392,287	7,858,172
Change in net assets from operations	$262,114,142	$191,521,175
Distributions declared to shareholders		
From net investment income	$(31,581,445)	$(83,800,084)
From net realized gain on investments	(27,011,737)	—
Total distributions declared to shareholders	$(58,593,182)	$(83,800,084)
Change in net assets from fund share transactions	$(13,283,774)	$(784,544,229)
Total change in net assets	$190,237,186	$(676,823,138)
Net assets		
At beginning of period	1,313,880,771	1,990,703,909
At end of period (including undistributed net investment income of $39,771,266 and $34,775,412, respectively)	$1,504,117,957	$1,313,880,771

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 past 5 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	Years ended 12/31				
	2013	**2012**	**2011**	**2010**	**2009**
Net asset value, beginning of period	$27.61	$26.08	$25.27	$22.92	$18.21
Income (loss) from investment operations					
Net investment income (d)	$0.94	$0.84	$0.97	$0.79	$0.80
Net realized and unrealized gain (loss) on investments and foreign currency	4.64	2.57	0.70	2.29	4.90
Total from investment operations	$5.58	$3.41	$1.67	$3.08	$5.70
Less distributions declared to shareholders					
From net investment income	$(0.73)	$(1.88)	$(0.86)	$(0.73)	$(0.99)
From net realized gain on investments	(0.58)	—	—	—	—
Total distributions declared to shareholders	$(1.31)	$(1.88)	$(0.86)	$(0.73)	$(0.99)
Net asset value, end of period (x)	$31.88	$27.61	$26.08	$25.27	$22.92
Total return (%) (k)(r)(s)(x)	20.60	13.40	6.78	13.81	33.44
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.80	0.82	0.80	0.81	0.83
Expenses after expense reductions (f)	0.80	0.82	0.80	0.81	0.83
Net investment income	3.07	3.11	3.71	3.47	4.11
Portfolio turnover	50	51	53	56	70
Net assets at end of period (000 omitted)	$525,386	$476,685	$532,447	$541,653	$564,822

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2013	2012	2011	2010	2009
Net asset value, beginning of period	$27.27	$25.73	$24.95	$22.65	$17.98
Income (loss) from investment operations					
Net investment income (d)	$0.85	$0.71	$0.89	$0.73	$0.73
Net realized and unrealized gain (loss) on investments and foreign currency	4.58	2.59	0.70	2.25	4.86
Total from investment operations	$5.43	$3.30	$1.59	$2.98	$5.59
Less distributions declared to shareholders					
From net investment income	$(0.65)	$(1.76)	$(0.81)	$(0.68)	$(0.92)
From net realized gain on investments	(0.58)	—	—	—	—
Total distributions declared to shareholders	$(1.23)	$(1.76)	$(0.81)	$(0.68)	$(0.92)
Net asset value, end of period (x)	$31.47	$27.27	$25.73	$24.95	$22.65
Total return (%) (k)(r)(s)(x)	20.30	13.13	6.51	13.51	33.09
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.05	1.07	1.05	1.06	1.08
Expenses after expense reductions (f)	1.05	1.07	1.05	1.06	1.07
Net investment income	2.82	2.66	3.45	3.23	3.83
Portfolio turnover	50	51	53	56	70
Net assets at end of period (000 omitted)	$978,732	$837,196	$1,458,257	$1,335,305	$1,209,765

(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.

(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

(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 increases and decreases in net assets from operations 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 the disclosure provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-11 ("ASU 2011-11"), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 ("ASU 2013-01") entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to a Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. The disclosures required by ASU 2011-11, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services – Investment Companies (Topic 946) – Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08") which is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 to the 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 December 31, 2013 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$984,517,537	$—	$—	$984,517,537
Portugal	73,876,115	—	—	73,876,115
Brazil	66,292,595	—	—	66,292,595
United Kingdom	50,192,249	—	—	50,192,249
Spain	48,071,443	—	—	48,071,443
Italy	27,489,827	—	—	27,489,827
Canada	26,779,709	—	—	26,779,709
Russia	23,171,490	2,838,903	—	26,010,393
Israel	22,425,810	—	—	22,425,810
Other Countries	112,520,154	9,773,077	—	122,293,231
U.S. Corporate Bonds	—	13,147,843	—	13,147,843
Commercial Mortgage-Backed Securities	—	4,729	—	4,729
Foreign Bonds	—	2,188,415	—	2,188,415
Mutual Funds	43,687,395	—	—	43,687,395
Total Investments	$1,479,024,324	$27,952,967	$—	$1,506,977,291
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$(740,695)	$—	$(740,695)

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $5,046,146 would have been considered level 1 investments at the beginning of the period. Of the level 1 investments presented above, equity investments amounting to $275,868,736 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. 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 December 31, 2013 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$370,011	$(1,110,706)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2013 as reported in the Statement of Operations:

Risk	**Foreign Currency**
Foreign Exchange	$(5,698,305)

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2013 as reported in the Statement of Operations:

Risk	**Translation of Assets and Liabilities in Foreign Currencies**
Foreign Exchange	$1,182,303

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, 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. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right 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.

Collateral and margin requirements differ by type of derivative. Margin requirements are set by the broker or clearing house for cleared derivatives (i.e., futures contracts, cleared swaps, and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, uncleared 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 that has been segregated to cover the fund's collateral or margin obligations under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as "Restricted cash" or "Deposits with brokers." Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

The fund's accounting policy with respect to balance sheet offsetting is that, 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 financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

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 – Under its Securities Lending Agency Agreement with the fund, 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. In the event of Borrower default, State Street will for the benefit of the fund either purchase securities identical to those loaned or, when such purchase is commercially impracticable, pay the fund the market value of the loaned securities. In return, State Street assumes the fund's rights to the related collateral. If the collateral value is less than the cost to purchase identical securities, State Street is responsible for the shortfall, but only to the extent that such shortfall is not due to a decline in collateral value resulting from collateral reinvestment for which the fund bears the risk of loss. 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 in 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. At December 31, 2013, there were no securities on loan or collateral outstanding.

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 year ended December 31, 2013, is shown as a reduction of total expenses in 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. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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, derivative transactions and partnership adjustments.

The tax character of distributions declared to shareholders for the last two fiscal year is as follows:

	12/31/13	**12/31/12**
Ordinary income (including any short-term capital gains)	$31,581,445	$83,800,084
Long-term capital gain	27,011,737	—
Total distributions	$58,593,182	$83,800,084

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/13	
Cost of investments	$1,305,485,925
Gross appreciation	248,504,796
Gross depreciation	(47,013,430)
Net unrealized appreciation (depreciation)	$201,491,366
Undistributed ordinary income	69,822,186
Undistributed long-term capital gain	42,204,805
Other temporary differences	(457,261)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income		**From net realized gain on investments**	
	Year ended 12/31/13	**Year ended 12/31/12**	**Year ended 12/31/13**	**Year ended 12/31/12**
Initial Class	$11,928,524	$32,043,181	$9,523,396	$—
Service Class	19,652,921	51,756,903	17,488,341	—
Total	$31,581,445	$83,800,084	$27,011,737	$—

(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%

Effective April 1, 2013, MFS has agreed in writing to reduce its management fee by a specified amount if certain MFS mutual fund assets exceed thresholds agreed to by MFS and the fund's Board of Trustees. For the period April 1, 2013 through December 31, 2013, this management fee reduction amounted to $13,631, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2013 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 year ended December 31, 2013, the fee was $71,764, which equated to 0.0050% 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 year ended December 31, 2013, these costs amounted to $2,550.

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 year ended December 31, 2013 was equivalent to an annual effective rate of 0.0129% 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 year ended December 31, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $7,941 and are included in "Miscellaneous" expense in 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 $3,633, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 short-term obligations, aggregated $687,627,784 and $732,299,328, 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:

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	**Amount**	**Shares**	**Amount**
Shares sold				
Initial Class	1,196,740	$36,397,677	1,205,463	$32,393,893
Service Class	4,758,466	143,245,859	5,668,595	150,451,311
	5,955,206	$179,643,536	6,874,058	$182,845,204
Shares issued to shareholders in reinvestment of distributions				
Initial Class	731,399	$21,451,920	1,213,297	$32,043,181
Service Class	1,281,617	37,141,262	1,982,264	51,756,903
	2,013,016	$58,593,182	3,195,561	$83,800,084

Notes to Financial Statements – continued

	Year ended 12/31/13		Year ended 12/31/12	
	Shares	Amount	Shares	Amount
Shares reacquired				
Initial Class	(2,710,242)	$(82,329,568)	(5,573,608)	$(151,398,917)
Service Class	(5,635,990)	(169,190,924)	(33,627,625)	(899,790,600)
	(8,346,232)	$(251,520,492)	(39,201,233)	$(1,051,189,517)
Net change				
Initial Class	(782,103)	$(24,479,971)	(3,154,848)	$(86,961,843)
Service Class	404,093	11,196,197	(25,976,766)	(697,582,386)
	(378,010)	$(13,283,774)	(29,131,614)	$(784,544,229)

(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 year ended December 31, 2013, the fund's commitment fee and interest expense were $6,611 and $0, respectively, and are included in "Miscellaneous" expense in 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	26,523,815	349,533,277	(332,369,697)	43,687,395

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$50,624	$43,687,395

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Utilities Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Utilities Series (one of the series comprising MFS Variable Insurance Trust) (the "Fund") as of December 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2013, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Utilities Series as of December 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 14, 2014

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and Officers of the Trust, as of February 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
INTERESTED TRUSTEES				
Robert J. Manning (k) (age 50)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010)	N/A
Robin A. Stelmach (k) (age 52)	Trustee	January 2014	Massachusetts Financial Services Company, Executive Vice President and Chief Operating Officer	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 71)	Trustee and Chair of Trustees	January 2004	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman
Robert E. Butler (age 72)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 58)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 72)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 69)	Trustee	December 2004	Private investor	Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director
John P. Kavanaugh (age 59)	Trustee	January 2009	Private investor	N/A
Laurie J. Thomsen (age 56)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 72)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran (k) (age 48)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President	N/A
Christopher R. Bohane (k) (age 40)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
Kino Clark (k) (age 45)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors (k) (age 54)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey (k) (age 50)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo (k) (age 45)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 38)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/ Officer Since (h)	Principal Occupations During the Past Five Years	Other Directorships (j)
Brian E. Langenfeld (k) (age 40)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton (k) (age 63)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira (k) (age 43)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips (k) (age 43)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum (k) (age 61)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 69)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 43)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost (k) (age 53)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (except Ms. Stelmach) has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Manager
Maura Shaughnessy

Custodian
State Street Bank and Trust Company
1 Lincoln Street
Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2013 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2012 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2012, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 2nd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 2nd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2012 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to any comparable institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the existing breakpoint and the group fee waiver were sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2013.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" 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 "Commentary & Announcements" and "Market Outlooks" sections of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products" section of *mfs.com.*

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

The fund designates $29,713,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders 71.63% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

rev. 3/11

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS®

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

MFS®

Liberty Life Assurance Company of Boston
100 Liberty Way
Dover, NH 03820